FAMILY VERSUS NON FAMILY FIRMS IN THE LUXURY YACHTS SECTOR: STRATEGY – STRUCTURE COMBINATION TO MANAGE THE PERFORMANCE

Laura Broccardo PhD
Department of Business Administration
University of Turin
Italy
Corso Unione Sovietica, 218 bis
10134 Torino
Tel. +39011/6706013 Fax. +39011/6706012
broccardo@econ.unito.it

Abstract

The *main goal* of this study is to analyze the *impact of strategy-structure combination on performance, adding a new variable: the family.* The research considers the well-known strong link between strategy and structure to demonstrate that a correct combination of these two variables has a positive impact on performance. In addition to the strategy and structure variables there is another variable which has a relevant impact on performance, the family, and this study is conducted both in family and non family firms to understand where the most value is created. Consequently this research focuses its attention on *two variables* that influence the performance: *the strategy-structure combination and the family*. This research wants to study the strategy-structure combination and the relationship with the performance adding the family like a new variable, because this topic is less treaty in the literature. Dyer (2003, p. 401) confirms this assertion, in fact he refers to the family as "the missing variable in organizational research" and he warns that "failing to use the family as a variable in organizational research can lead to incomplete or misleading findings" (Speckbaker G., Wentges P. 2007). Based on this statement, I conduct this study comparing family and non family firms in the relationships strategy – structure and the impact on performance, because in the organizational and strategic management researches the family is a relevant variable, sometimes forgotten. Although the number of papers on family firms has recently increased, it is unaware of any published research on the influence of family or non family ownership on strategy – structure combination and the impact on performance.

Key words: family firms, non family firms, strategy, structure, performance.

INTRODUCTION

During the crisis period the mangers formulate again some questions as: How the company can be more efficient, but at the same time it can remain effective? Our strategy is aligned with the market? The structure is adequate to the strategy to implement?

In particular, in this study it is underlined an aspect of the strategic management, the well-known strong link between strategy and structure and its impact on performance, considering also the family, an important variable in the organizational research.

The research idea is born from the issues generated by this crisis period, but also by the study of the strategy and structure literature and their appropriateness. The strategy and structure alignment becomes essential in the crisis period and really in this period the managers discover again some fundamental tenets of the firm theory and how the firms should be organized and managed.

The *main goal* of this study is to analyze the *impact of strategy-structure combination on performance, adding a new variable: the family.* This research focuses its attention on *two variables* that influence the performance: *the strategy-structure combination and the family*. This research wants to add a new variable, the family, because this topic is less treaty in the literature. Dyer (2003, p. 401) confirms this assertion, in fact he refers to the family as “the missing variable in organizational research” and he warns that “failing to use the family as a variable in organizational research can lead to incomplete or misleading findings” (Speckbaker G., Wentges P. 2007). Based on this statement I conduct this study comparing family and non family firms in the relationships strategy – structure and the impact on performance, because in the organizational and strategic management researches the family is a relevant variable, sometimes forgotten.

This study compares family and non family firms in the relationships strategy – structure and the impact on performance because it wants to better understand where the most value is created: in family or in non family firms.

This paper is organized as follows. Firstly, it analyses the theoretical background about the family and not family firms and the paradigm strategy - structure - performance. Secondly, the research method is outlined, as well as a brief presentation of the analyzed sample. Finally, some managerial implications are drawn as conclusions.

THEORETICAL BACKGROUND

This paragraph analyses the literature related to the *Family firms* and the *Strategy – Structure – Performance*, underlining that the family is “the missing variable in organizational research” (Dyer, 2003) and “failing to use the family as a variable in organizational research can lead to incomplete or misleading findings” (Speckbaker G., Wentges P. 2007).

Consequently in this research it is considered also the family as a variable which influences the performance with the strategy – structure combination. Although the number of papers on family firms has recently increased, we are unaware of any published research on the impact of family ownership and strategy – structure combination on performance. Family business research has concentrated mainly on topics like the economic performance of family firms, succession or the family aspects of such businesses (Speckbaker G., Wentges P. 2007). *This study tries to contribute to fill this gap.*

Through this study I would also demonstrate my supposition, confirmed by Dyer. Studying organizational and strategic management issues *not considering the variable "family" it is a mistake,* because the presence or the absence of the family changes the business performances, how widely demonstrated in the literature.

Family versus non family firms

In the last years *family firms have received increasing attention* and several recent studies have reported and underlined that in continental Europe, Asia, and Latin America, the vast majority of publicly traded firms are family controlled (La Porta et al., 1999; Claessens et al., 2000; European Corporate Governance Network, 2001; Faccio and Lang, 2002). These researches, also, suggest that family firms play an important role in economic activity worldwide. In fact two-thirds of private businesses in many countries are considered to be family firms (Neubauer and Lank 1998, IFERA 2003), and they contribute to wealth creation and job generation with reference to narrow and broad family firm definitions (Astrachan and Shanker 2003).

The attention on family firms increases, but *it's not so easy to give a definition of family firm* and in the literature ambiguities persist. In fact in the first issue of Family Business Review in their editorial note, Lansberg, Perrow, and Rogolsky (1988) asked: "What is a family business?". People seem to understand what is meant by the term family business, yet when they try to articulate a precise definition they quickly discover that it is a very complicated phenomenon (Hoy - Verser, 1994). The question continues to be asked because definitions of family business abound in the literature (Desman & Brush, 1991).

It follows the most significant family firm definitions:

- Chua, Sharma, and Chrisman (1996) define family business as a business governed and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families;

- La Porta (1999) defines family business like a firm that is partly owned by one or more family members who control together at least 20% of the total votes outstanding;

- Astrachan and Kolenko (1994) suggest that a family had to own over 50 percent of the business in a private company or more than 10 percent of a public company in order to qualify as a family business;

- Le Breton-Miller, Miller, and Steier (2004) do not explicitly define a family firm but they assume that management succession means firm leadership will pass from one family member to another or, in the absence of a competent family contender in the short-term, a bridge manager between family tenures;

- Zahra, Hayton, and Salvato (2004) define family firms according to the presence of both a family member with some identifiable share of the ownership of the firm and multiple generations of family members in leadership positions within that firm;

- Morck and Yeung (2004) use the following criteria of family control to distinguish family firms: (1) the largest group of shareholders in a firm is a specific family, and (2) the stake of that family is greater than either a 10% or 20% control of the voting shares.

This research is based on the common selected criteria of ownership and management control (Chua et al., 1999), to identify family businesses. In this study a firm is classified as a family firm, if:

(1) at least 50 per cent of the shares are owned by the family, and the family is responsible for the management of the company;

or (2) at least 50 per cent of the shares are owned by the family, the company is not family-managed, but the CEO perceives the firm as family firm;

or (3) family ownership is less than 50 per cent, the company is family managed, the CEO perceives the firm as a family firm and a venture capital or investment company owns at least 50 per cent of the shares.

After defining family firm it is important to examine *the "family effect" on firm performance*.

Several studies have found that publicly traded firms that are family owned/controlled perform better than non-family firms (Anderson and Reeb 2003, Lee 2004, McConaughy 1998; Lee 2006, Villalonga and Amit 2006). Anderson and Reeb, in a research conducts in 2003, found that family firms outperformed non-family firms in the S&P 500, noting that "family firms are significantly better performers than non-family firms".

But there are other studies that underline the opposite. These researches were mainly conducted in Europe and Asia (Maury 2006 and Claessens, Djankov et al. 2002).

For example:

- Daily and Dollinger (1992) write that family-run firms do appear to achieve performance advantages whether performance is measured in terms of financially oriented growth rates or perceived measures of performance.

- Faccio, Lang, and Young (2001) have also noted that family firms are relatively poor performers due to conflicts that arise as a family attempts to manage an enterprise.

These mixed results have lead to additional research to understand the issues. Research by Miller, Le Breton-Miller et al. 2007 found that variation in the definition of 'family firm' impacted the research findings. They concluded that superior performance was found in the 'lone-founder' firms but not in ownership/management of later generations. In addition, Westhead and Cowling also found that various definitions of 'family firm' lead to different results of whether family firms perform better than non-family firms (Westhead and Cowling 1998).

In the literature it emerges another aspect, less treaty, but notable, strictly tied to performance. In fact there are *various facets of family firm performance* (Sharma 2004) to clarify. The motivation of private family firms is likely not limited to 'profit maximization'. Other considerations may also enter into decision processes, such as tax considerations or a preference for private benefits of ownership as an alternative or in addition to the 'bottom line' profit. Consequently the strategy and the decisional processes are different in family and in non family firms.

Despite the different positions in the literature in terms of best performance in family or in non family firms, this study would to understand if the most value is created in family or in not family firms, trying to confirm a part of literature.

STRATEGY – STRUCTURE AND PERFORMANCE

The strategy concept and corporate structure

It is appropriate to clarify what is the meaning of the strategy and the structure in this study, before to get into the discussion.

In the literature there is an abundance of *strategy definitions*, but Mintzberg tried to organize the different conceptions of strategy and he defines the strategy through 5 symbol words: Plan, Ploy, Pattern, Position and Perspective:

- the *plan* identifies the guidelines to follow in a determined situation, thought ahead than the action, and intentionally developed;

- the strategy is a *ploy* intended and designed to contrast a competitor;

- the strategy as the *pattern* is the result of the actions and behaviors of men, deliberate or not, but not of their designs;

- the strategy *places* specific products in specific markets. It's a mediating force between the organization and the environment;

- the strategy is the *perspective* for the future, the vision of the managers or of the owner.

To formulate a correct concept of strategy, the five definitions listed above should be considered jointly and not separately.

Another way to define the strategy is to say what it is not, as Porter (1997): quality, time-to-market, customer satisfaction are not strategies, but these are tools that a company can adopt to achieve best results (G. Pellicelli, 2005).

Concluding, the elements that characterize the concept of strategy can be identified as follows:

- a set of complex decisions, relating to the who, the what and the how;

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- medium - long term goals defined by the decisions;
- the resources to acquire and to allocate for the achievement of the strategy;
- the actions for the strategy implementation.

To draw a successful strategy, these elements must be verified in each firm and related with its external environment; otherwise the result is to design something unrealizable.

Grant (1999) emphasizes this link and he considers the strategy as a link between the company and its external environment and this concept is the basis of this study.

The firm must develop a strategy that is able to create added value for the stakeholders, using its core skills, but, at the same time, it must closely control the environment where it operates to snatch opportunities and monitor the possible threats that may arise. In fact in the systemic view, the environment is the set of factors that surround the actors (in this study the firms) and, in relation to the interests and goals, it determines the behavior. The environment influences the behavior of the firms; consequently in order to make effective decisions, the companies must compare with external partners and solutions, especially because different environmental conditions require different ways of operating (Costa, G. Gubitta P., 2004).

The Porter and the Miles and Snow strategy classifications are used in this study for the analysis conducted, because they consider the competitive advantage and the link with the environmental.

In this study the *corporate structure* is considered as a set where roles, activities and tasks are assigned to each element, in accordance with rules and constraints to make possible the achievement of a common goal (Golinelli, 2005). In particular the structural organization of each group is analyzed in accordance with the basis structures: elementary, functional, divisional and matrix. It is also important to underline that in each group of firms, also if classified following the basis structures, there are always some variation to the basis structures.

The organizational design

After defining the "dimension" strategy and the "dimension" structure it must face a more complex issue: the *organizational design*, or *how to put together the strategy and structure* and other variables, although more emphasis will be placed on the latter. In this phase it is considered the issue related to the study of the structure more adapt to the business goals.

The organizational design can be performed in a specific and formalized moments as for instance when the company was founded and it must embody the business idea or when the company enters into a restructuring phase.

It’s evident that there are many variables to consider for the effective organizational design, also if in this research is highlighted the link between strategy and structure.

In particular, in the following table are related:

- the strategy as outlined by Porter and by Miles and Snow

and

- some distinctive elements of organizational design that support at one's best the company's competitive approach.

Porter's competitive strategies	***Miles and Snow Strategic Typology***
1. Strategy: Differentiation ***Organizational design:*** ***Orientation to learning, acting flexibly and without many constraints, with a strong horizontal coordination*** ***Large spaces for research*** ***Enhance and build mechanisms for familiarity with customers*** ***Rewards the creativity of employees, risk-taking and innovation*** ***2. Strategy: Cost Leadership*** ***Organizational design:*** ***Guidance efficiency; strong central authority; tight control of costs with frequent and detailed reports SOPs*** ***Supply and distribution systems very efficient*** ***Careful supervision, routine tasks, limited empowerment of employees***	***1. Strategy: Exploring*** ***Organizational design:*** ***Orientation to learning, flexible structure, fluid, decentralized*** ***Large spaces for research*** ***2. Strategy: Defense*** ***Organizational design:*** ***Guidance efficiency; centralized authority and tight cost control*** ***Emphasis on productive efficiency, low overhead*** ***Careful supervision, limited empowerment of employees*** ***3. Strategy: Analysis*** ***Organizational design:*** ***Balance efficiency and learning; tight cost control, flexibility and adaptability*** ***Efficient production for established product lines; emphasis on creativity, research and risk taking, innovation*** ***4. Strategy: Reaction*** ***Organizational design:*** ***No clear organizational approach, the characteristics of the structure may change abruptly according to the needs of the moment***

Figure 1. Implications of organizational design of the strategy (Daft R.L., Organizzazione aziendale, Terza edizione, Apogeo, 2007, p. 61).

Analyzing the factors related to the organizational design, it emerges that depending on the strategy and the goals of the firm it should emphasize certain elements rather than others, thus implementing the strategy in the organizational structure most appropriate. If this occurs and some appropriate organizational elements are chosen to implement a particular strategy it is possible to affirm that the *correct alignment* between strategy and structure is reached.

The paradigm Strategy - Structure and Performance and how to measure

While in the literature many authors debate if it is the structure that follows the strategy or if it is the strategy that follows the structure, few authors study the issue of *performance related to strategy and structure combinations*.

One of the first authors which studied this issue was Rumelt. He showed a relationship between strategy - structure and performance. Rumelt in his study identifies the particular relationship between the strategies and the structures, in particular he defines nine forms of strategy - structure adopted by firms. He shows that certain combinations of strategy and structure are superior to others and he highlights that firms with a differentiation strategy which adopt the divisional form obtain better performance than the others.

Other researches conducted studies in terms of strategy - structure – performance; particularly Donaldson (1987) conducted a similar research in Australia, while Hamilton and Shergill have conducted a similar research in New Zealand. The results of these researches have shown that performance improved when strategy and structure are aligned.

Galbraith and Nathanson (1978) as well as emphasize the relationship between strategy and structure they argue that a proper alignment between strategy, structure and operational processes produces improvements in business performance.

Besides a research conducted by Harris C. and Ruefli TW (2000) noticed how the temporal order of changes in strategy or structure does not affect business performance. This study shows also that the firms which do not change the strategy, but they only modify the structure have worse performance of those that do not change either the strategy or structure; better performances are found in those firms which change the strategy leaving unchanged the structure.

Harris C. and Ruefli TW (2000), assessing the firms' performance, after the changes in strategy and structure, state that the measurement is problematic, because the implementation process, in terms of time, varies from company to company. To allow that the changes in strategy are implemented they choose to monitor the ROA (return on assets) for the five years following the change.

In the present study *the ROA and the ROE* are taken into consideration, also if they do not consider the time and risk variable (like for example the E.V.A.), but they are more objective. These indicators were also considered appropriate by the research conducted by Fryxell and Barton which studied the appropriateness of these indicators in the researches related to the strategy.

Some evidences from the literature

Analyzing the literature of family firms it emerges that the presence or not of the family influences the business performances, but it emerges another important aspect: also the choice of family firm definition can influence the results of the research. Consequently it was determinant the literature review in this topic for two reasons:

- to underline that the family is a variable that influences the performances, also for the different decisional processes;
- the choice of family firms definition can influence the results of the research in terms of performances, so it is relevant to specify the chosen definition.

While the literature review in strategy and structure combination underlines:

- the strategy and structure concept used in this study;

- the influence of the variable strategy-structure combination on performance;
- how to measure the business performances.

Consequently this study focuses its attention on *two variables* that influence the performance: *the strategy-structure combination and the family*, considering so, the family, the missing variable in organizational and strategic management research, how Dyer arguments.

RESEARCH QUESTION AND RESEARCH METHOD

The research question

The *main goal* of this study is to analyze the impact on performances of two variables:

1. the strategy-structure combination;
2. the family.

Based on the Dyer statement, where he affirms that failing to use the family as a variable in organizational research it can lead to incomplete or misleading findings, I conduct this study comparing family and non family firms in the relationships strategy – structure and the impact on performance, because in the organizational and strategic management researches the family is a relevant variable, sometimes forgotten.

The research considers the well-known strong link between strategy and structure (1) to demonstrate that a correct combination of these two variables has a positive impact on performance allowing a better management of the firms also in the crisis period. The strategy is one of the most significant factors that influence the structure (at the macro level) and the structure has a key role in the strategy process implementation. These two variables have not an indifferent impact on business performance, especially when these are aligned, the business results improve. In the crisis period it is necessary to rethink the strategy and to verify the strategy and structure balance to reach good performance. In addition to the strategy and structure variables there is another variable which has a relevant impact on performance, the family.

The other variable considered is the family (2) that has a relevant impact on performance, so the research is conducted both in family and non family firms to notice the analogies, the differences, and the impact on performance and to understand where the most value is created.

The main research question is:

- *How the business performances are influenced by the strategy-structure combination (1) and the family (2)?*

The method and the survey tool

The research has been conducted through the *method of "case studies"*, a *qualitative* research, where theory and empirical research are intertwined. Although this method is in part affected by subjectivity and it is often criticized for lack of statistical reliability and validity, it excels especially when it is necessary to understand a complex issue (Yin, 1984) and it can develop expertise and it strengthen what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships.

Researcher Robert K. Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used (Yin, 1984).

In this study it was appropriate to use a *qualitative method*, how Yin affirms, because it is complex to understand the strategy and structure combination, and it is not possible to recognize these firms internal dynamics with a quantitative method. Also Scapens reiterates the importance the use of case studies to understand the reality.

To understand the internal dynamics of a firm, it needs to use a qualitative research. Consequently it was also significant to choose an appropriate survey tool: it is not adequate to use a questionnaire, because it is not possible to verify if who answers to the questions knows the strategy and structure dynamics. So this research was conducted through the interviews to ensure that the interlocutors are prepared on strategy and structure dynamics. In fact the interviewed were exclusively the CEO or the CFO of the firms.

The *interview*, as a survey tool, has advantages such as flexibility, nonverbal behavior, environmental control, the order of questions, the completeness, the response from the interested interviewed, but it has also disadvantages such as the costs, the time, the interviewer’s influence and a less standardization of the questions formulation.

Consequently the interviews were semi-structured to be kept within the main question area but still open the possibility to get the interviewees own ideas and feelings. The interviews included also some questions to verify the good quality of answers. To obtain the necessary information the Chief Executive Officer, the Chief Financial Officer, the Directors of business units and consultants were interviewed.

The *main questions* discussed during the interviews are:

1. The kind of strategy (focusing on customer differentiation ...) and structure (multi-functional - multidivisional etc.) adopted;

2. Over the years there were changes in strategy or corporate structure?

3. In case of positive answer, what are the dates of changes and what kind of new structure or strategy was adopted giving some explanation?

4. In case of negative answer give some explanations;

5. The changes in strategy are always overlapped with changes in the structure?

6. The corporate structure changes have determined changes in strategy?

7. The different combination strategy-structure in the firm history

8. What are the reasons of changes in the structure and strategy?

9. In your opinion the corporate structure has always been adequate to the strategy?

10. What was the best combinations strategy-structure?

11. What was the economic performance of these choices?

It is increasingly important to select representative cases and validate the result continuously and not simply at the end of the study. In fact the *sample* analyzed consists in six groups of leading companies (for a total of 67 firms) working in the luxury yacht sector and they represent about the 58% of the Italian luxury yachts market and about the 18% of the worldwide market of the luxury yachts, like represented in the figure below.

Firms Group	Turnover 2006 (euro)
AZI	725.000.000
FI	668.000.000
RI	64.626.000
SM	45.848.000
AN	44.069.000
SO	85.892.000
Total	**1.633.435.000**

Luxury yacht italian market turnover 2006 (euro)	2.800.000.000
Luxury yacht world-wide market turnover 2006 (euro)	8.858.965.273
Italian market share of the analysed firms	**58,34%**
World - wide market share of the analysed firms	**18,44%**

Figure 2. The significance of the analyzed sample (own elaboration).

The decision to examine these six groups of large firms is also supported by the opinion of Eisenhardt (1989) on the approach to research through the method of "case study", which stimulates the use of multiple cases and she concludes that with a number of cases between four and ten it is possible to "work well", while with fewer than four cases is often difficult to be able to generate theories.

Considering these six groups of firms it was possible to elaborate some theories supported by the Eisenhardt approach to the case studies, ensuring the *reliability and validity* of the research for the number of selected cases, six groups of firms and the significance of the analyzed sample, representing about the 58% of the Italian luxury yachts market and about the 18% of the worldwide market of the luxury yachts. .

The sample

The cases included in the sample are six groups of leading companies (for a total of 67 firms) working in the luxury yacht sector and they represent about the 58% of the Italian luxury yachts market and about the 18% of the worldwide market of the luxury yachts.

In the following there is a selection of data about the groups of firms under scrutiny:

AZI Group

Currently the group produces 40 models, offering a wide range of yachts: Open / Sport Yachts, Fly - bridge and Mega - yacht. Through the various brand AZI operates in the open, fly and sport segments.

The group includes 17 companies operating in production and sale of yachts and in marine and service activities related to yachts.

The table below shows some data for the period 2001 -2007.

Table 1. Some data in AZI.

	31/08/2001	31/08/2002	31/08/2003	31/08/2004	31/08/2005	31/08/2006	31/08/2007	Average 2001 - 2007
(euro)								
Turnover	292.225.774	311.996.000	343.197.000	430.786.000	544.791.000	725.007.000	662.881.000	472.983.396
EBITDA	54.614.801	66.241.000	68.388.000	66.558.000	88.234.000	101.660.000	77.067.000	74.680.400
Net income	22.547.992	32.954.000	34.655.000	24.547.000	38.061.000	43.111.000	26.870.000	31.820.856
Total Assets	242.962.500	312.987.000	392.969.000	494.924.000	602.265.000	645.954.000	839.200.000	504.465.929
Equity	65.802.806	96.368.000	127.236.000	149.203.000	185.081.000	226.480.000	249.235.000	157.057.972

Source: own elaboration based on CCIAA and AIDA data

FI Group

FI is a world - wide leader in the design, construction and sale of luxury motor yachts, with a unique portfolio of nine of the most exclusive, prestigious brands in the nautical world.

The group includes 20 companies operating in production and sale of yachts and in marine and service activities related to yachts.

The table below shows some data of this group.

Table 2. Some data in FI[1].

	Cons.IFRS
	31/08/2007
	migliaia di euro
Turnover	668.152
EBITDA	108.717
Net income	12.438
Total Assets	2.626.105
Equity	366.049

Source: own elaboration based on CCIAA and AIDA data

RI Group

The group since the year 2000 is growing. The turnover rose from 30 million Euros in 2002 to 98 million Euros in 2008 and it operates in the fly, open, wooden boats segments.

The group includes 6 companies operating in production and sale of yachts and in marine and service activities related to yachts.

The table below shows some data of this group.

Table 3. Some data in RI[2].

	Average 2005 - 2007
Turnover	61.199.327
EBITDA	5.218.840
Net income	-314.561
Total Assets	94.122.635
Equity	3.753.781

Source: own elaboration based on CCIAA and AIDA data

AN Group

AN is active in this field since 1999 and it chose to position in the luxury motor - yachts segments from 40 feet. The group includes 11 companies operating in production and sale of yachts and in marine and service activities related to yachts.

The table below shows some data of this group.

Table 4. Some data in AN.

	31/08/2006	31/08/2007	31/08/2008	Average 2006 - 2008
(euro)				
Turnover	45.285.067	49.583.109	68.581.000	54.483.059
EBITDA	15.368.340	19.425.667	-7.803.000	8.997.002
Net income	6.794.226	5.358.416	-23.138.000	-3.661.786
Total Assets	62.270.650	101.519.447	155.693.000	106.494.366
Equity	13.674.124	17.409.499	35.002.000	22.028.541

Source: own elaboration based on CCIAA and AIDA data

[1] Thousand Euros
[2] Euros

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SM Group

The 2008 year closed with a record growth: the turnover stood at about 68 million, 21% more than the previous year.

The group includes 5 companies operating in production and sale of yachts and in marine and service activities related to yachts.

The table below shows some data of this group.

Table 5. Some data in SM.

	31/08/2006	31/08/2007	31/08/2008	Average 2006 - 2008
(euro)				
Turnover	45.848.616	55.680.454	67.976.111	56.501.727
EBITDA	5.193.155	4.799.787	5.958.719	5.317.220
Net income	2.273.246	508.878	2.982.826	1.921.650
Total Assets	25.170.659	30.923.945	42.873.413	32.989.339
Equity	6.193.231	6.816.048	10.174.875	7.728.051

Source: own elaboration based on CCIAA and AIDA data

SO Group

SO chose to position in the Fly - bridge Motor - yacht segment between 62 feet and 108 feet and in the mega - yacht segment.

The group includes 8 companies operating in production and sale of yachts and in marine and service activities related to yachts.

The table below shows some data of this group.

Table 6. Some data in SO[3].

	31/12/2006	31/12/2008	Average 2006 and 2008
Turnover	85.982.758	128.289.475	107.136.117
EBITDA	6.016.842	21.819.090	13.917.966
Net income	719.659	9.057.603	4.888.631
Total Assets	129.886.297	237.713.997	183.800.147
Equity	38.275.686	17.321.654	27.798.670

Source: own elaboration based on CCIAA and AIDA data

[3] Euros

FINDINGS

In this paragraph for each group of firms it is highlight the strategy – structure combination adopted over the years and the achieved performance measured by ROA and ROE, justified by the Fryxell and Barton research and the family firm is identified through the definition given by Chua illustrated in the previous paragraph.

The AZI Group

This group is classified like a Family firm.

In this group many changes in strategy and structure are verified and the following table summarizes the different strategy - structure combinations which occurred over the years in AZI.

Table 7. Strategy and structure combination in the AZI firm.

Years	*Strategy*	*Structure*
1970-1985	*Cost Leadership towards Differentiation/Analysis*	*Functional*
1985- 1997	*Differentiation / Exploration*	*Divisional*
Since 1997	*Focused differentiation /Exploration*	*Divisional with review*

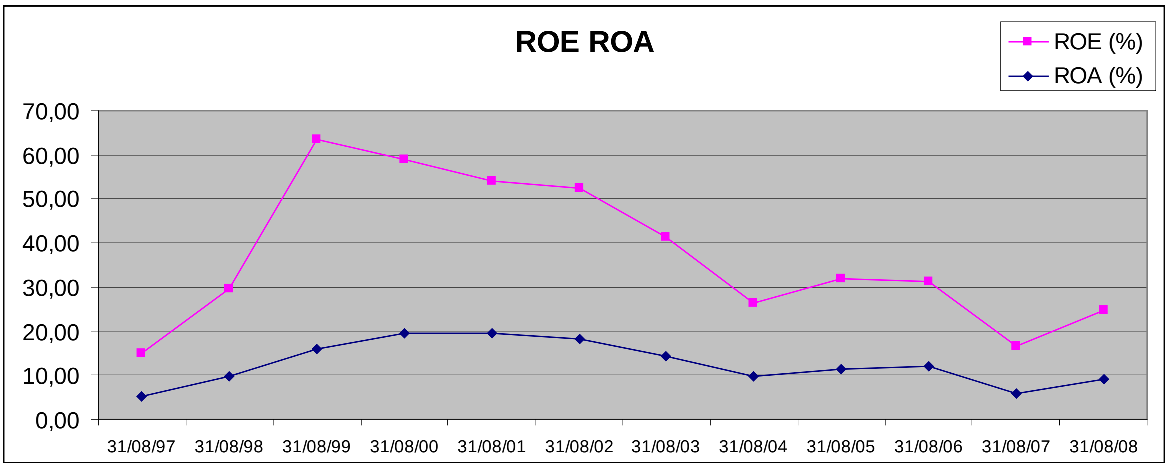
Source: own elaboration

The years from 1970 to 1985, from 1985 to 1997 and from 1997 to the present are the years where the most changes are verified.

The years that mark the turning point and the need of change are the 1985 and the 1997.

For uniformity and availability of data it is analyzed what it is happened in the period of change since 1997 and the chart below shows the ROA and ROE from 1997 to 2008. With regard to the data contained in the chart it occurs to specify that the indicators reflect the corporate strategy of the firm AZI and to take into account the corporate strategy the indicators of the years ranging from 2001 to 2008 were calculated on values reported in the consolidated balance sheet, while those ranging from 1997 to 2000 were calculated on values related to the financial statements.

Chart 1. ROA and ROE in AZI.



Source: own elaboration based on CCIAA data

How it shown in the chart the group improves its performance until to achieve significant peaks between the 1999 and the 2003, while from the 2004 until the 2006, the two indicators stabilize and then they decrease until 2008.

This trend shows how the group achieves good results (from 1999 to 2002) when the strategy is supported by the structure, or rather when strategy and structure are perfectly matched, but when these two variables are not balanced the performances are adversely affected.

Over time the structure suffered some adjustments to successfully implement the strategy. In fact in AZI, once chosen the strategy to implement, the structure evolves and changes until it finds the right balance influencing the performance. This is clear for years ranging from 1997 to 2003 where performance is continually improving.

Consequently the business results in decrease (from 2004 to 2008) are a mark of a misalignment strategy - structure and therefore it is essential to rethink the combination.

In fact AZI is moving toward logic of processes management to find the new equilibrium strategy - structure.

The corporate strategy in the AZI is based on the differentiation and the external environment dynamism is controlled by product innovation, even if the firm still makes changes to the strategy, like for example to move from a competitive advantage based on the designs and the technical performance to a competitive advantage related to the offered services.

The FI group

This group is classified like a Non - Family firm.

In this group many changes in strategy and structure are verified and the following table summarizes the different strategy - structure combinations which occurred over the years in FI.

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Table 8. Strategy and structure combination in FI.

Years	*Strategy*	*Structure*
1980-1990	***Differentiation / Exploration***	***Elementary/Functional***
1990- 2000	***Differentiation toward Focused differentiation / Exploration***	***Functional / Divisional***
Since 2000	***Focused differentiation / Exploration***	***Divisional***

Source: own elaboration

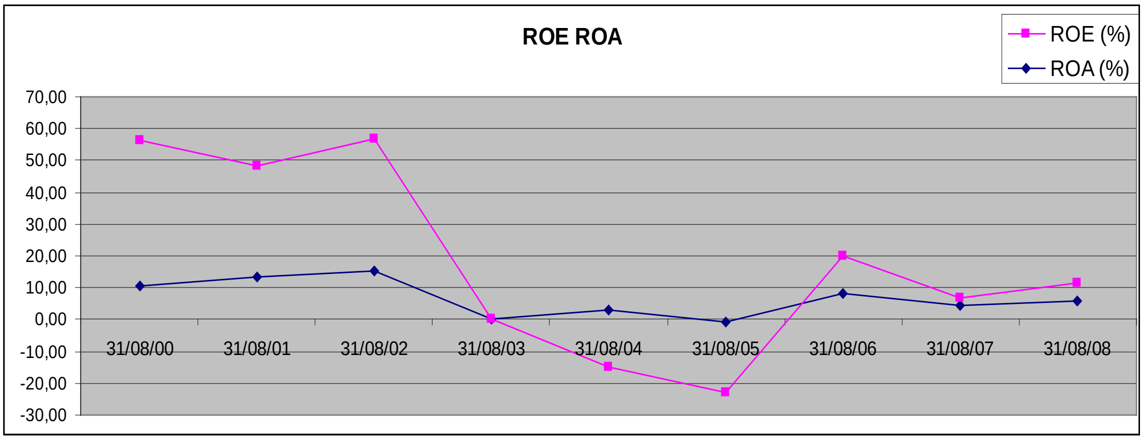
The years from 1980 to 1990, from 1990 to 2000 and from 2000 to present are the years where the most changes are verified.

The years that mark the turning point and the need of change are the 1990 and the 2000.

For uniformity and availability of data it is analyzed what it happened in the change period since 2000 and the chart below shows the ROA and ROE from 2000 to 2008.

With regard to the data contained in the chart it occurs to specify that the indicators reflect the corporate strategy of FI and all the indicators were calculated on values reported in the consolidated balance. In addition it states that the year 2003, year affected by extraordinary operations, was not considered.

Chart 2. ROA and ROE in FI.



Source: own elaboration based on CCIAA data

When the strategy (year 2000), differentiation and product innovation, is aligned to the structure, divisional structure, the performance increase to 2002.

In the following years, from 2004 to 2008, the results decrease, although the corporate strategy is not changed, differentiation and the product innovation, and the structure do not suffered significant changes.

This decrease of performance points out that the corporate strategy, both in terms of competitive advantage and the manner to response to the external environment stimuli, and the structure must be rethought in order to achieve better performance; no change, for several years, in strategy or structure involve a decrease in performance.

The RI Group

This group is classified like a Family firm.

In this group many changes in strategy and structure are verified and the following table summarizes the different strategy - structure combinations which occurred over the years in RI.

Table 9. Strategy and structure combination in the RI firm.

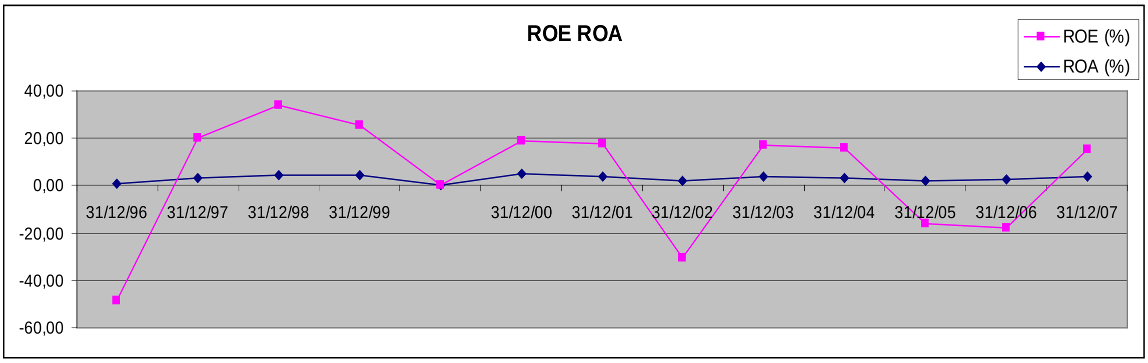
Years	*Strategy*	*Structure*
1980-2000	*Differentiation / Defensive*	*Functional*
Since 2000	*Focused differentiation / Exploration*	*Functional*

Source: own elaboration

The years from 1980 to 2000 and from 2000 to the present are the years where the most changes are verified.

The year that marks the turning point and the need of change is the 2000. For uniformity and availability of data it is analyzed what happened in the period of change since 2000 and the chart below shows the ROA and ROE from 2000 to 2007. With regard to the data contained in the chart it occurs to specify that the indicators reflect the corporate strategy of the firm FI and to take into account the corporate strategy the indicators of the years ranging from 2005 to 2007 were calculated on values reported in the consolidated balance sheet, while those ranging from 2000 to 2004 were calculated on values related to the financial statements.

Chart 3. ROA and ROE in RI.



Source: own elaboration based on CCIAA data

Following the change in strategy and some small changes in the structure, the group maintains a constant ROA, and the ROE swing between positive and negative values.

The strategy changes from differentiation / defensive to focused differentiation / exploration, but the structure doesn't change. In fact the group, though some variations, maintains a functional structure. Consequently it is possible to affirm that the structure caged the strategy and it does not allow the achievement of good performance.

This means that strategy and structure have not yet found the right balance and the structure did not allow the strategy to achieve good results.

It's difficult to realize a differentiation strategy into a multi-functional structure and it is important for RI to find the right combination strategy - structure to enable the new strategy to generate the due results.

The AN Group

This group is classified like a Family firm.

In this group many changes in strategy and structure are verified and the following table summarizes the different strategy - structure combinations which occurred over the years in AN.

Table 10. Strategy and structure combination in AN.

Years	*Strategy*	*Structure*
1999-2005	***Differentiation / Analysis***	***Elementary***
Since 2005	***Focused differentiation / Exploration***	***Divisional***

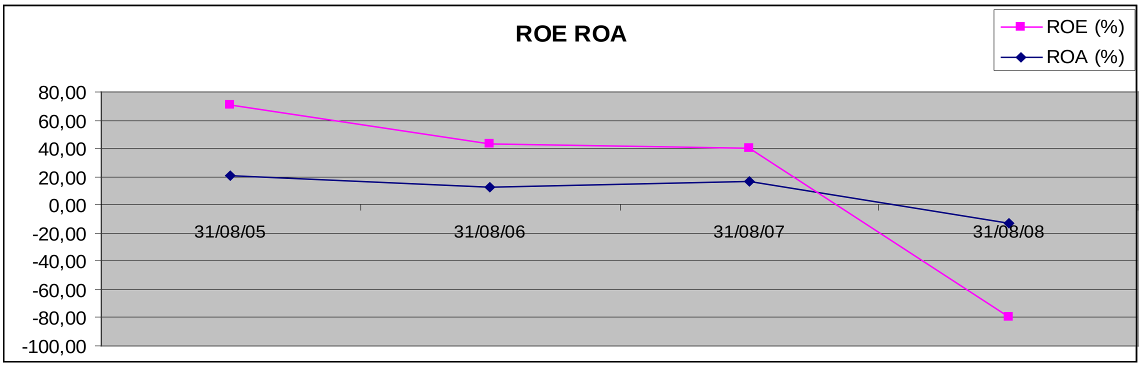
Source: own elaboration

The years from 1999 to 2005 and from 2005 to the present are the years where the most changes are verified.

The year that marks the turning point and the need of change is the 2005.

For uniformity and availability of data it is analyzed what it happened in the period of change since 2005 and the chart below shows the ROA and ROE from 2005 to 2008. With regard to the data contained in the chart it occurs to specify that the indicators reflect the corporate strategy of the firm An and to take into account the corporate strategy the indicators of the years ranging from 2005 to 2008 were calculated on values reported in the consolidated balance sheet.

Chart 4. ROA and ROE in AN.



Source: own elaboration based on CCIAA data

Both the indicators have a clearly decreasing trend, although this trend is more evident in the ROE.

In the year 2005 there is a strategic change: the firm from an analysis strategy, change into an exploratory strategy and it enters into new market segments focusing on particular types of customers and the structure changes.

In fact, the firm tries to change its elementary structure into divisional structure and this change is being implemented from 2007. The analysis shows how the decreasing trend of the two selected indicators is due to this reorganization which has not yet been completed. In particular, the Business Units created have not yet reached the autonomy that characterizes the divisions.

Moreover, in the 2008 as regards the commercial plan, the Group has developed a series of strategies to strengthen and to revitalize their business; in particular it tries to improve the geographical articulation of its distribution network.

Besides the interventions, made during the year on the production area, have the goal to raise the quality of the product. In particular, the group has focused on an increase in standardization and in quality control procedures in the production units and it was also constituted a transversal team to manage all the units.

For the lines affected by the phenomenon of misalignment of quality, the group has implemented some specific improvement programs, to avoid the additional costs of rework (which had a significant weight in the 2008).

Some inefficiencies are related to the production misalignments due to business interruption for an ineffective management of internal timing, especially for the production plan changes, due to the cancellation of orders and the rework activities.

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The SM Group

This group is classified like a Family firm.

In this group many changes in strategy and structure are verified and the following table summarizes the different strategy - structure combinations which occurred over the years in SM.

Table 11. Strategy and structure combination in SM.

Years	*Strategy*	*Structure*
1968-1988	*Cost Leadership / Defensive*	*Elementary toward Functional*
1988- 1997	*Cost Leadership toward Differentiation / Analysis*	*Functional*
Since 1997	*Differentiation / Analysis*	*Functional with reviews*

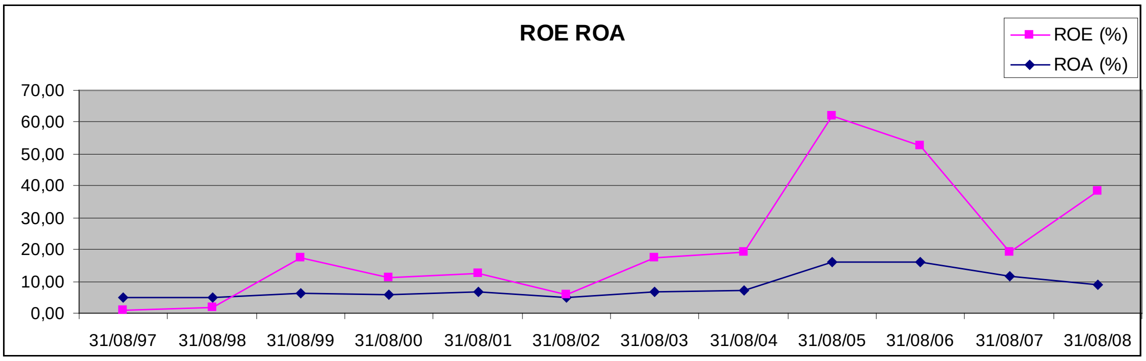
Source: own elaboration

The years from 1968 to 1988, from 1988 to 1997 and from 1997 to present are the years where the most changes are verified.

The years that mark the turning point and the need of change are the 1988 and the 1997.

For uniformity and availability of data it is analyzed what it happened in the period of change since 1997 and the chart below shows the ROA and ROE from 1997 to 2008. With regard to the data contained in the chart it occurs to specify that the indicators reflect the corporate strategy of the group SM and to take into account the corporate strategy the indicators of the years ranging from 2006 to 2008 were calculated on values reported in the consolidated balance sheet, while those ranging from 1997 to 2005 were calculated on values related to the financial statements.

Chart 5. ROA and ROE in SM.



Source: own elaboration based on CCIAA data

It is possible to point out that when the strategy and the organizational structure become clear and structured the performance begins to improve, from 2002 to 2006. The group, once clarified the strategy, but above its goals, has changed the organizational structure in order to allow implementation of the strategy. In the recent years (2007, 2008), characterized by the decision to enter into a new market segment, the fly - bridge, it is evident a decreased of the results, underlining again the need to adapt the structure which follows a change of strategy to implement.

When strategy and structure are aligned (2004 - 2006) there are visible improvements in performance, but the bending of the results indicates clearly a change in strategy not followed by a change in the structure (2007 - 2008).

The SO Group

This group is classified like a Family firm.

In this group many changes in strategy and structure are verified and the following table summarizes the different strategy - structure combinations which occurred over the years in RI.

Table 12. Strategy and structure combination in SO.

Years	*Strategy*	*Structure*
1958 - 2004	*Differentiation /Defensive*	*Elementary*
Since 2005	*Focused differentiation / Analysis*	*Divisional*

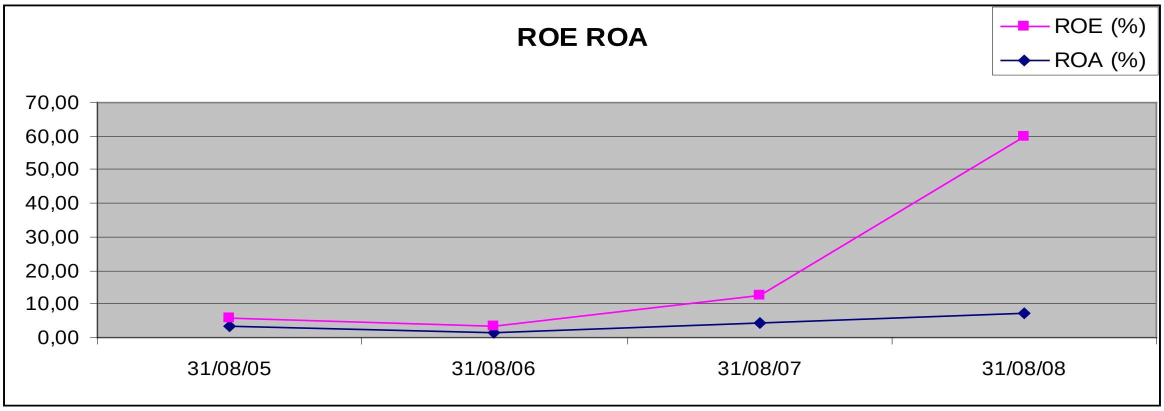
Source: own elaboration

The years from 1958 to 2004 and from 2005 to the present are the years where the most changes are verified.

The year that marks the turning point and the need of change is the 2005.

For uniformity and availability of data it is analyzed what it happened in the period of change since 2005 and the chart below shows the ROA and ROE from 2005 to 2008. With regard to the data contained in the chart it occurs to specify that the indicators reflect the corporate strategy of the group SO and to take into account the corporate strategy the indicators of the years 2006 and 2008 were calculated on values reported in the consolidated balance sheet, while for the years 2005 and 2007 the indicators were calculated on values related to the financial statements.

Chart 6. ROA and ROE in SO.



Source: own elaboration based on CCIAA data

It’s evident that from 2005 to 2008 the ROA increases moderately and the ROE has an abnormal peak in 2008, while from 2005 to 2007 it follows a trend of slow growth.

Omitting the year 2008 it is possible to affirm that performance are contained, but in growing, and this indicates how the change of strategy and the change in organizational structure have a positive impact on performance, but with possibility of improvement.

Results discussion

The analysis conducted shows clearly that in some firms, AZI, FI and SM, if there is a strategic change also the structure changes and influences the strategy; and after two or three years the impact on performance is positive if the strategy and structure are perfectly aligned. These good results persist on average for four years, but then there is a decrease in performance. This fact shows that, though there is a good balance between these two variables, it is not possible to maintain unchanged strategy and structure over time, if the firm wants to achieve excellent results. This is due to the fact that the external environment varies and the firm must be able to incorporate these changes and to adapt it to take every opportunity, even when the market is in crisis. For example just in crisis period, like in these years, it is not possible to maintain the same strategy or structure, but it must adapt to avoid the adversities.

The analysis of firms RI, AN, SO and SM (with particular reference to certain years, 2007 and 2008) underlines that is not sufficient to change the strategy to achieve good results, but it occurs that the structure should be proper to the strategy that the firm wants to implement.

It’s clear how the performance of these companies generally:

- do not reveal some specific improvements;
- are fluctuating or with a decreasing trend.

The firm FI also shows that no change both in strategy and in structure has a negative impact on performance. Consequently it appears that the structure is a crucial variable for a proper implementation of the strategy and when this combination, strategy - structure is not aligned, the companies fail to achieve good results. In fact, when the strategy or the structure does not change the performance is decreasing, but when both the strategy and the structures are modified and they are in line with business goals, the companies reach good results.

It emerges also that the best strategy – structure combination is divisional structure and differentiation strategy.

Base on the final findings it’s possible to affirm:

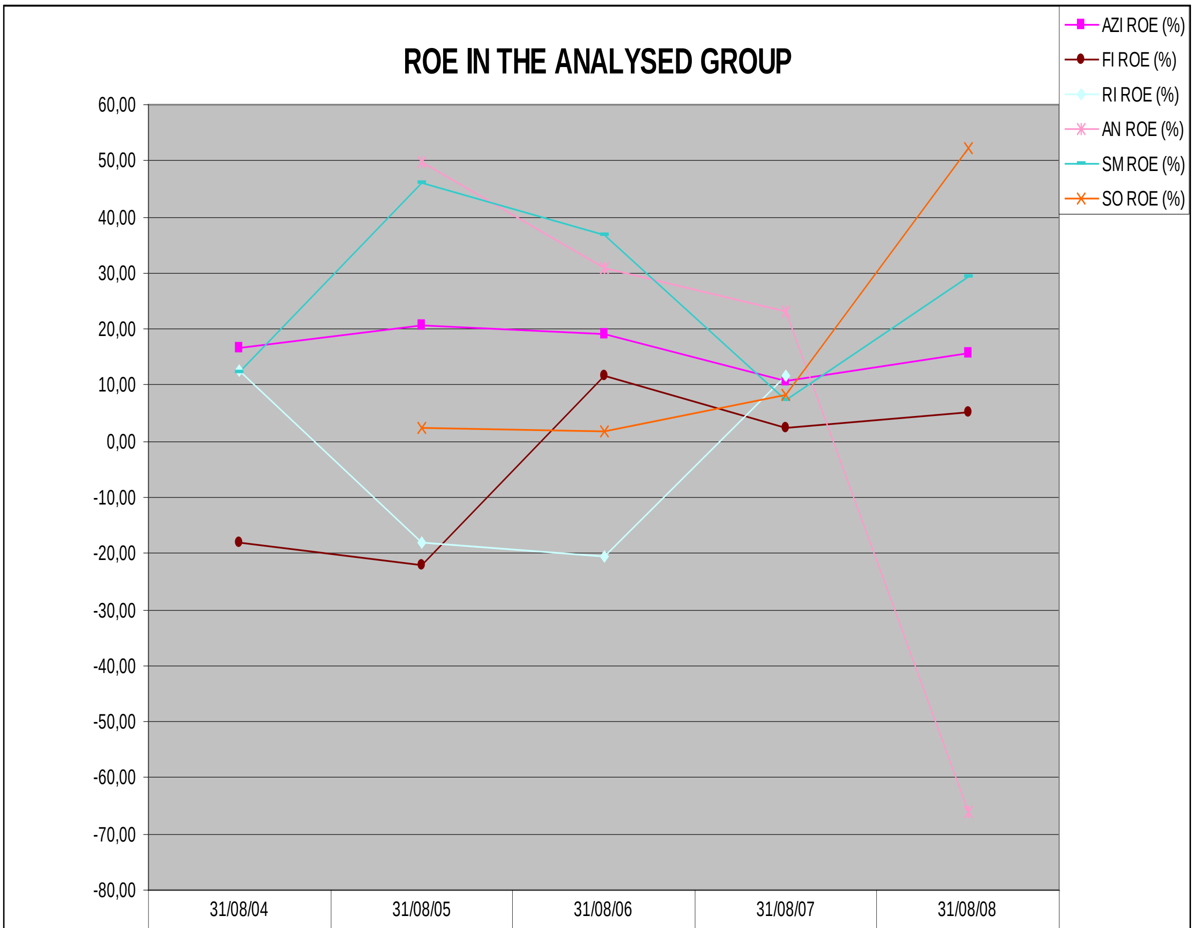
- that the causal relationship between changes in strategy and structure is reciprocal, confirming the part of the literature represented by Hoskinsson 1987, Drazin 1987, Mintzberg 1990;
- that it’s more relevant to consider the results obtained by the different matching strategy and structure, without emphasize the temporal order of changes in

strategy and structure, confirming the part of literature represented by Harris and C. Ruefli TW 2000;

- that the best combination strategy - structure is the differentiation strategy with the divisional structure confirming the part of literature represented by Chandler, Pavan, Whittington.

Comparing the results in terms of ROE and ROA (for uniformity the years from 2004 to 2008 are considered) it's evident, how the charts below show, that FI, Not Family firm, outperforms respect the other groups. The performance decreases in not family firms, also if the strategy and structure combination is aligned. In AZI, RI and SM, family firms, like in FI, not family firms, the individuation of the new strategy – structure combination is already occurred since some years, on the contrary in SO and in AN the 2005 is the year of change, but the not family group outperforms among the family group.

Chart 7. ROE in the analyzed groups.



	31/08/04	31/08/05	31/08/06	31/08/07	31/08/08
AZI ROE (%)	16,50	20,60	19,00	10,80	15,60
FI ROE (%)	-17,90	-21,98	11,80	2,31	5,31
RI ROE (%)	12,64	-18,05	-20,48	11,70	
AN ROE (%)		49,69	30,78	23,15	-66,10
SM ROE (%)	12,30	46,00	36,70	7,50	29,30
SO ROE (%)		2,30	1,90	8,30	52,30

Source: own elaboration based on CCIAA data

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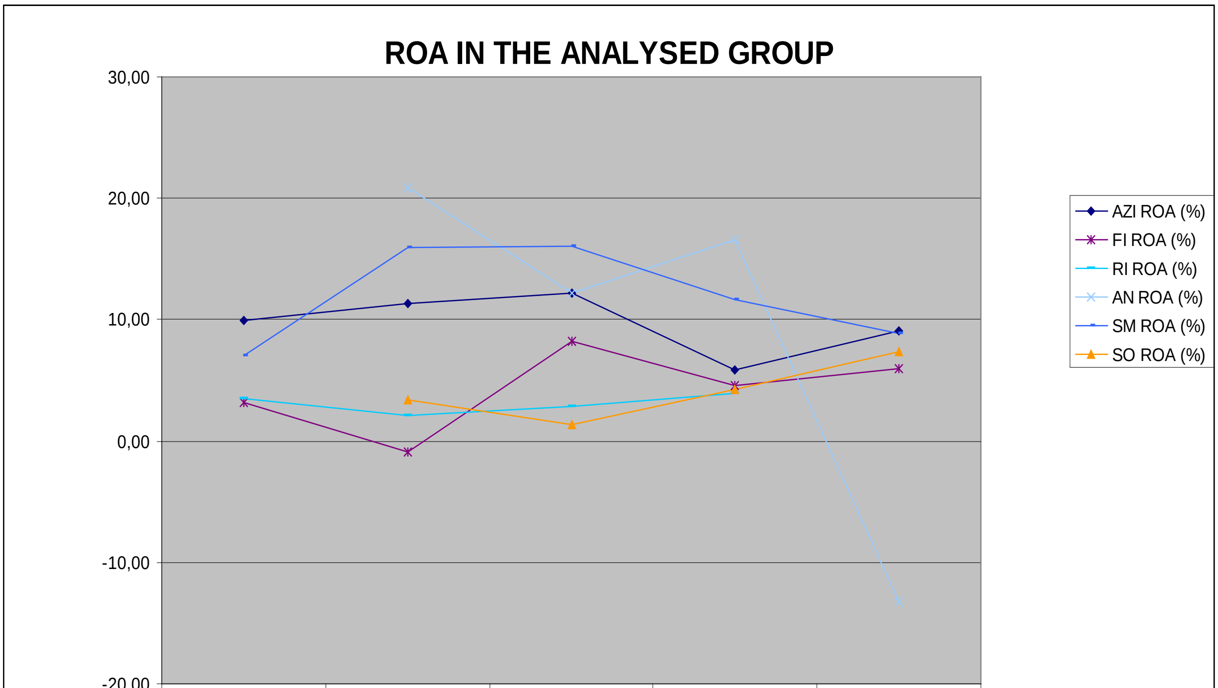
The worst results in terms of ROE were obtained from FI, not family firms, in the years 2004, 2005 and 2007, while in the years 2006 FI obtains the third worst result and in the years 2008 the second worst result.

Also the analysis of the ROA doesn't disclose good results about not family group.

Chart 8. ROA in the analyzed groups.



	31/08/04	31/08/05	31/08/06	31/08/07	31/08/08
AZI ROA (%)	9,90	11,30	12,20	5,90	9,10
FI ROA (%)	3,17	-0,87	8,20	4,60	6,01
RI ROA (%)	3,48	2,09	2,83	3,89	
AN ROA (%)		20,93	12,24	16,53	-13,23
SM ROA (%)	7,00	15,90	16,10	11,70	8,90
SO ROA (%)		3,40	1,40	4,30	7,40

Source: own elaboration based on CCIAA data

In terms of ROA the worst results were obtained by FI, not family firms, in the years 2004, 2005, while in the years 2006 and 2007 FI obtains the third worst result and in the years 2008 the second worst result.

Also analyzing the ROA and ROE average from 2004 to 2008, it emerges that the not family firm, FI, fills the worst places in the ranking. In fact FI is the last in the ROE ranking and the fourth in ROA ranking.

Table 13. ROA and ROE ranking.

	AVERAGE YEARS 2004 - 2008	ROA RANKING	ROE RANKING
AZI ROA (%)	9,68	2	
AZI ROE (%)	16,50		2
FI ROA (%)	4,22	4	
FI ROE (%)	-4,09		6
RI ROA (%)	3,07	6	
RI ROE (%)	-3,55		5
AN ROA (%)	9,12	3	
AN ROE (%)	9,38		4
SM ROA (%)	11,92	1	
SM ROE (%)	26,36		1
SO ROA (%)	4,13	5	
SO ROE (%)	16,20		3

Source: own elaboration

Analysis the results obtain by the different group of firms it’s possible to conclude that *family firms are better than non – family firms* and the most value is created in family firms, confirming the part of literature represented by Anderson and Reeb.

LIMITS

This research presents some limits that can be summarized as follows:

a) the analysis was conducted using qualitative data which can be affected by subjectivity;

b) the study was conducted using a sample of successful companies operating in the same sector, but only with large size; it is opportune for the future analysis to consider also small firms;

c) the conducted research emphasizes the family, the strategy and the structure combination and their mutual influences, but it is important to specify that the strategy success depends not only on the variable structure or family, but also by a set of other factors, such as the management control system, the quality of human resources and the tools to "develop" these; the appropriateness of the technology available to the company, etc.;

d) the present study analyzes the impact on performance of the strategy – structure combination and family, but it is important to specify that the performance can be affected by other factors which can be both endogenous (like the breach of a supply contract or a fire) and exogenous (like the growth of commodity prices ect).

CONCLUSION AND CONTRIBUTION

Concluding it is possible to affirm that *strategy and structure* are in *continuous iteration* and it is crucial for the performance that these two variables change over time to meet to continuous and different stimuli from the environmental that arise, but it's also important that they find the right balance. Particularly in the literature some authors, like Andrews, Hofer & Schendel, Porter, even support that the strategy should align the business to the environment where the firm operates. In this way the strategy is seen as an adaptation mechanism (Hambrick, 1983).

The present study has shown that if the *strategy and structure are aligned it is possible to achieve good performance.* Just Kaplan and Norton (2006) argue that the "strategic dream" often turn into nightmares if companies start to engage in costly corporate restructuring. They argue that, when the corporate strategy and structure are misaligned, it is better to choose a strategic design that works well and then to move to develop a strategic system that allows the structure “to get in tune” with the strategy. The structure is not a neutral variable in the formulation of strategies, but it conditions and sometimes preselects the strategy (Onetti, 2002).

In addition this research highlights that the *best results are achieved by family groups*, also if sometimes strategy and structure are not aligned. It's clear that a correct strategy – structure combination allows that the best performance are achieved, but when there is a family that manages a firm or a group of firms the results improve, like underlined in this study.

About the relevance of the research for the *business world*, underlining the *managerial and educational issues*, this study wants to aid both the family and non family firms to reflect on the strategy and how to implement it, in particular focusing on one critical aspect: the need of an appropriate organizational structure to support the strategic choices. In fact often the firms change structure and strategy, but frequently they don't reflect if the strategy or the structure is aligned and if the structure is proper to implement the strategy. This alignment is always important, but even more when there is a crisis period to overcome. Besides the presence of the family influences positively the performance, due to the decisional processes, turning out more effectiveness in family firms than in non family.

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