

POLITECNICO DI MILANO

Faculty of Industrial and Information Engineering  
Master of Science in Management Engineering



*Leveraging culture and innovation in family business:  
a longitudinal analysis of Artsana Group S.p.a.*

Supervisor: Professor Josip KOTLAR

Master Graduation Thesis:

Andrea Butti

ID Number: 905787

Academic Year 2018/2019



## Acknowledgments

This short paragraph wants to acknowledge all the people that helped me in the realization of my thesis or have been a fundamental part of my life helping me in achieving my results.

First, I want to thank Professor Josip Kotlar that gave me the opportunity to work on my personal and really felt topic like the one of family business, engaging and pushing me during every “distant” meeting to do more and improve my work. It was a pleasure working with you; your motivation and enthusiasm contributed to making this path very constructive.

Then, a special thanks goes to Artsana Group S.p.a. and all the managers and colleagues who helped and advised me in the realization of my research activity and give me the possibility to study the company from a whole different perspective.

I want to thank all my family, my Mother and my Father for always trusting me, being at my side and giving me the possibility to do what I’m passionate about, for helping me in finding my way in the world, and also my sister for her support, without all of you I would have never achieved my results. Thanks to my Grandfather, for always delivering special help and support, trusting me and for sharing with me his passion and dedication for hard work. All his stories have nurtured my personal dream, one day, to create an extraordinary family business like he did.

Thanks to all my friends Andrea, Davide, Lorenzo Matteo and Riccardo that always pushed me in doing the maximum and advising me like a mentor in these years. You are my great source of inspiration and motivation; you are curious, ambitious, and willing to share anything with me; your constant support have been helpful in making this period even more special.

Once again, thank you all!

## Ringraziamenti:

Con questo breve paragrafo vorrei ringraziare tutte le persone che mi hanno aiutato nella stesura di questa tesi e che sono state parte fondamentale in questo percorso, aiutandomi a raggiungere i miei obiettivi.

Grazie professor Josip Kotlar per avermi dato l'opportunità di lavorare su un argomento che avevo a cuore come quello del Family Business, coinvolgendomi e supportandomi durante ogni incontro (a distanza) per fare sempre meglio. È stato un piacere lavorare con lei, il suo entusiasmo ha contribuito a rendere questo percorso molto costruttivo.

Un ringraziamento speciale va ad Artsana Group S.p.a. e a tutti i manager e colleghi che mi hanno aiutato e consigliato nella realizzazione della mia attività di ricerca e mi hanno dato la possibilità di studiare l'azienda da una prospettiva completamente diversa, vivendola ogni giorno al massimo.

Voglio ringraziare tutta la mia famiglia, mia madre e mio padre e anche a mia sorella per il suo sostegno, per aver sempre avuto fiducia in me, essere sempre stati al mio fianco e avermi dato la possibilità di fare ciò di cui sono appassionato. Senza tutti voi non avrei mai raggiunto i miei risultati.

Grazie a mio nonno, per avermi sempre fornito un aiuto e un supporto speciali, aver fiducia in me e aver condiviso la sua passione e dedizione per il duro lavoro. Tutte le sue storie hanno alimentato il mio personale sogno, di creare un giorno una impresa familiare come ha fatto lui.

Grazie a tutti i miei Amici, Andrea, Davide, Lorenzo, Matteo e Riccardo che mi hanno sempre spinto a fare il massimo consigliandomi per il meglio. Siete la mia grande fonte di ispirazione e motivazione; siete come me curiosi, pronti a condividere e ambiziosi per il vostro futuro. Il vostro costante supporto e il nostro continuo confronto è stato di aiuto nel rendere questo percorso ancora più speciale.

Ancora una volta, grazie a tutti!

## Abstract:

Latest researches show an incredible increase in family business analysis and studies. Meanwhile, analyzing them, it seemed to be a dearth of supporting materials for the sort of family business that covers some relevant topic (Zellweger, 2017). Taking in consideration this lack, it has been possible to provide an overview of what makes a family firm unique and help the company to obtain a sustainable competitive advantage. Based on prior research Innovation and Culture seem two different and distant elements. Firstly, after having deeply studied the two concepts, it has been searched a way to integrate them across technological, geographical and organizational domains. The potential value of Culture that usually is dismissed or forgotten, mixture with the newest model of finding Innovation can be blended together in order to potentially achieve some breakthrough outcomes.

This thesis presents a case study, following the qualitative method of study and appointing the iterative process of research. The company Artsana Group S.p.a. is a perfect example of a multinational company that has been able to leverage Innovation and Culture to create a sustainable competitive advantage and create an important cultural heritage.

Starting from the scrutiny of the literature existing nowadays and the analysis of Artsana's case. The company has been impacted by some radical events but has always been able to maintain its identity and cultural tradition. Framing the development of some major aspects along the life-cycle timeline of an organization, has been a useful tool to connect the two pillars: Culture and Innovation.

**Keywords:** Innovation, Culture, Family-firm, Familiness, Company life cycle, Values

## Executive Summary:

Innovation and culture are two fundamental elements that are necessary for the evolution and genesis of a company. But although the first has been deeply analysed and studied in the literature the latter has receive very few attentions.

This thesis has the aim of obtaining evidence and proof that culture and Innovation can be mix in order to win the market and obtain a sustainable competitive advantage.

For a company is strictly necessary to always be on the leading hedge of Innovation. Being a follower it means arriving in the market too late and propose products that customers have already bought. That's why Product and Process Innovation is one of the main pillars of family business and everyday force the company to create something new and be ready to continuous changing in the market.

In the Findings' Chapter the Artsana case has been studied trying to give an empirical demonstration of a successful application of a culture and innovation interpolation that helped the company to always be a leader in the market and grow internationally.

The results of this exploratory study support the proposition that some cultures are more conducive for entrepreneurship than others. (Mueller & Thomas, 2000)

This study observes only some of the values and cultural entrepreneurial traits that has been considered essential for the company development. For future research it will be interesting to further develop the cultural differences among countries in the rate of new venture formation. Some scholars suggest that cultures which emphasize individualism should foster high rates of technological innovation (Wilson & Taylor, 2010). The results found in my empirical analysis of Artsana Group S.p.a. would support this scholars' proposition and want to open a new possible future study for linking the power of something traditional as culture to something breakthrough and always improving like Innovation.

## Table of contents

<b>1. Introduction</b> .....	<b>11</b>
<b>2. Literature Review</b> .....	<b>14</b>
2.1 What we know about family firms .....	14
2.1.1 Family Governance .....	17
2.2 The Concept of Innovation .....	20
2.3 Innovativeness in Succession in Family-Owned Firm .....	23
2.4 Innovating Through “Collective Intelligence” .....	25
2.4.1 How the process works? .....	29
2.5 The Paradox of Innovation in Family Firm: .....	30
2.6 Radical Innovation – Incremental Innovation .....	32
2.7 Culture.....	37
2.8 Identity’s effect on culture .....	42
2.9 Resource-Based View .....	43
<b>Statements focus</b> .....	<b>48</b>
<b>3. Method</b> .....	<b>49</b>
3.1 Industry in-depth analysis .....	50
3.2 Templates for Qualitative Research.....	52
3.3 Data Collection and Analysis.....	53
3.4 What it is meant for iterative Process? .....	54
<b>4. Findings:</b> .....	<b>58</b>
4.1 History of the Arstana Group.....	58
4.2 Artsana brands (Artsana Corporate Website, 2020):.....	66

4.3 Values of Artsana.....	72
4.5 Case Study Analysis .....	75
4.5.1 The Golden Circle Framework: .....	76
4.5.2 Artsana way of search for Innovation:.....	77
4.6 Artsana Cultural feature .....	83
4.7 Table Relation Culture and Innovation.....	86
<b>5. Discussion.....</b>	<b>88</b>
5.1 Summary of the research .....	88
5.2 Contribution to Theory .....	90
5.3 Managerial Implication.....	93
5.4 Limitation and future research.....	94
<b>6. Conclusion.....</b>	<b>95</b>
<b>7. Bibliography .....</b>	<b>96</b>



## Index of the Figures

Figure 1 - Percentage of family firms in europe (Zellweger, 2017) .....	16
Figure 2 - Baby Hug 4 in 1 (Artsana Sustainability Report 2018, 2018) .....	27
Figure 3 - Baby Cot Next 2 Me (Artsana Sustainability Report 2018, 2018) .....	28
Figure 4 - Computer icon.....	29
Figure 5 - Radical & Incremental Innovation (Verganti, 2009) .....	32
Figure 6 - Combining Innovation with 2 Major problems (Hurmelinna-Laukkanen, 2012)...	36
Figure 7 - Resource Based View Process Analysis (Timothy G. Habbershon, 1999).....	46
Figure 8 - The Iterative Process Phases Analysis (Kekeya, 2016) .....	56
Figure 9 - Worldwide Revenue Distribution (Artsana Sustainability Report 2018, 2018) .....	64
Figure 10 - Revenue data comparison (Artsana Corporate Website, 2020) .....	64
Figure 11 - Artsana Worldwide Presence (Artsana Sustainability Report 2018, 2018) .....	69
Figure 12 - Most Important Innovation & Products (Artsana Archive) .....	70
Figure 13 - Most Important Innovation & Products (Artsana Archive) .....	71
Figure 14 - The Golden Circle Analysis (Sinek, 2006) .....	76

## Index of the Tables

Table 1 - The Paradox Of Innovation (Zellweger, 2017) .....	31
Table 2 – Analysis of Artsana Characteristics .....	86
Table 3 - Artsana Culture & Values Development.....	87

*“The best ideas are the honest ones. Ones born out of personal experience.*

*Ones that originated to help a few and end up helping many.”*

(Sinek, 2006)

# 1. Introduction

Few questions in management and organizational investigations have attracted more scholarly attention than the question of when and how organizations adopt innovation process to build a sustainable competitive advantage. Most scholars have previously highlighted the difference between family and non-family firm. Family firms are often described as being conservative; less risk-taking; more long-term oriented and reluctant to grow and slow-growing; slow in decision making and unable to react or change in accordance with markets (Kurt Matzler, 2015). They are often seen and considered to be less entrepreneurial than their non-family counterparts. Family firm studies are in their early stages of research, although the quantity and quality of the material and papers available is continuously increasing. This growing literature has shown that firms become more innovative when they search the newest knowledge made available across technological, geographical and organizational domains (Kurt Matzler, 2015). In a context of constant changes that occur at high speeds, innovation is not only an advantage but an imperative for survival.

Innovation is, however, more than just invention. It's the capability of the company to change rapidly in the marketplace, as well as finding and responding to new opportunities. "Entrepreneurship and innovation are synonymous. You don't have one without the other" this is what the CEO of La Lorraine Bakery Group said in a conference, stressing and highlighting that innovation is the core of the firm's success and the strength that drive the organization to strive to achieve the best results. In recent years the topic of innovation in family firms has been largely studied by most scholars and started to receive increasing interest. The role of the family in the innovation process is fundamental. It allows training young family members and the employees to an activity of constant renewal. According to Dawson and Hjorth family firms have a greater possibility and chance of being successful and more profitable than their non-family counterpart. But innovation is not only to be considered as product innovation. A

company to be successful needs to have the ability to leverage also process innovation, international expansion innovation, business model innovation, incremental and disruptive or radical innovation. All these concepts have been largely studied by most scholars. Family business are also known for their ability to create links between their past, present and future and search and recombine temporally distant knowledge to develop new products (Zellweger, 2017). Family firms have an extraordinary unique characteristic that is the presence of the family. Differences in organizational culture interfere in the process of innovation and in the business activities.

But how something engineering as Innovation can be enriched by a completely different concept like the one of culture? Despite researcher and scholar find evidences of innovation in family firm and describe what is culture, there is very little proof of how these two different and distant worlds can be blended together to enlarge the power of innovation of family firm. Unfortunately, research on culture and innovation does not yet provide a compelling answer to this question. Family firms have unique characteristics positively related to implementation of innovation. However, differences in organizational culture interfere with this effect. Recent studies result in interesting findings because some of them support contrast thesis to the conventional wisdom that considers family firms as being less innovative than non-family counterparts. Culture may be seen as the distinctive characteristic of family businesses that may help them to endure more effectively in a post-recessionary environment than other types of businesses. For organizational culture is meant the value overlap between business and family commitment. (Corbetta C.A., 2004). Yet, the underlying process that allow firm to innovate influenced by culture still remain largely a black box. This study has the purpose of finding evidence and explaining how two different and distant worlds can be tackled together to obtain a specific result. Focusing on the definition, dimension and types of culture and

innovation and specifically on the interplay between these two elements that allow firms search and create new knowledge and as an integral part of their innovation.

The primary motivation of the study is to answer the following research question: *How can culture shape and leverage the innovation process in family firm?*

To answer this question, I engaged in theory elaboration by contrasting the existing studies and understanding of innovation and search with a longitudinal in-depth case of the innovation process of a multinational company Artsana Group, an Italian company producing baby-care product. Artsana was born as a little family firm controlled and managed by the entrepreneur himself and controlling the innovation process as well as the embeddedness of culture in the organization. The company has the ability to grow fast and keep the innovation path of the market and become in few years a multinational company. Few years ago, the family sold the 60% of shares to an Italian Fund named InvestIndustrial. The analysis shows that firms' ability to innovate and create a competitive advantage is enabled and encouraged by the organizational culture, values and process that are ongoing part of daily innovation process. By theorizing this process, it is developed and create a framework that helps explain the role of culture and the interplay of culture and family firm heading to realize innovation in a family firm environment.

## 2. Literature Review

### 2.1 What we know about family firms

Scholars note that a hundred years ago, the imminent expansion and growth of business would have definitively meant ‘family business’, all commercial activity involve the presence and control of one or more representative of the families. With the process of industrialization, the economic expansion and the growing professionalization of businesses meant that commercial activities were more frequently assumed to take place outside the private environment of family. During the twentieth century, family businesses were often seen as a vague recollection of the past; they were an outdated form of organization, even blamed for the decline of whole economies (Zellweger, 2017). Once family business research, most notably in the 1980s and 1990s, started to grow, focus was almost exclusively on how these firms manage their legacy, secure continuity and ensure survival.

We can use the notion of the entrepreneurial family to refer to the family as an organization, or social structure, that can both lead and constrain entrepreneurial activities.

Aldrich and Cliff in 2003 argue that family dynamics and considerations should be incorporated into entrepreneurship research.

The family can be used as unit of analysis, that can constitute to the research on the broader entrepreneurial field.

Within the notion of entrepreneurial teams, researchers have observed that most entrepreneurial activities are not, as often assumed, undertaken by individuals, but rather by teams of individuals.

It has been argued that many family businesses are strong with new product innovation because of their long-term orientation, patience and persistence in their strategic work (Miller, 2005).

Practitioners and scholars have found useful to define family firms as organizations characterized by the interplay of two different and opposite subsystems. The model used helps us understand and display that family firms are composed of two social system:

1. The family
2. The firm

The introduction of the family as a unit of analysis can create some major complication. One of the main problems remain how to define the term family and is even accentuated by the missing specific definition of that term.

Encyclopædia Britannica (2008) defines family as “a group of persons united by the ties of marriage, blood, or adoption, constituting a single household and interacting with each other in their respective social positions, usually those of spouses, parents, children, and siblings”. But when we consider the term *family* in the business environment, we have to know that the family often extends beyond the nuclear family.

It is often necessary to take into account different branches of the family, comprising both younger and older generations, and including cousins, uncles and aunts.

But regardless of the definition of family, it seems significant to study more extensively the family’s impact on entrepreneurial activities.

A suggested definition (Zellweger, 2017): “family firm is a firm dominantly controlled by a family member with the vision to potentially sustain family control across generation”. This definition poses emphasis on two main aspects:

1. Dominant control in the hands of family: control may be exercised in many ways according to the different type family and goals
2. Transgenerational outlook: long-term value creation and succession.

Roughly speaking, one-third of the S&P 500 firms are either controlled or owned by the founding family nearly 70% to 80% of all firms across the world are family firms. In the following table is presented a percentual share of presence of family firms:

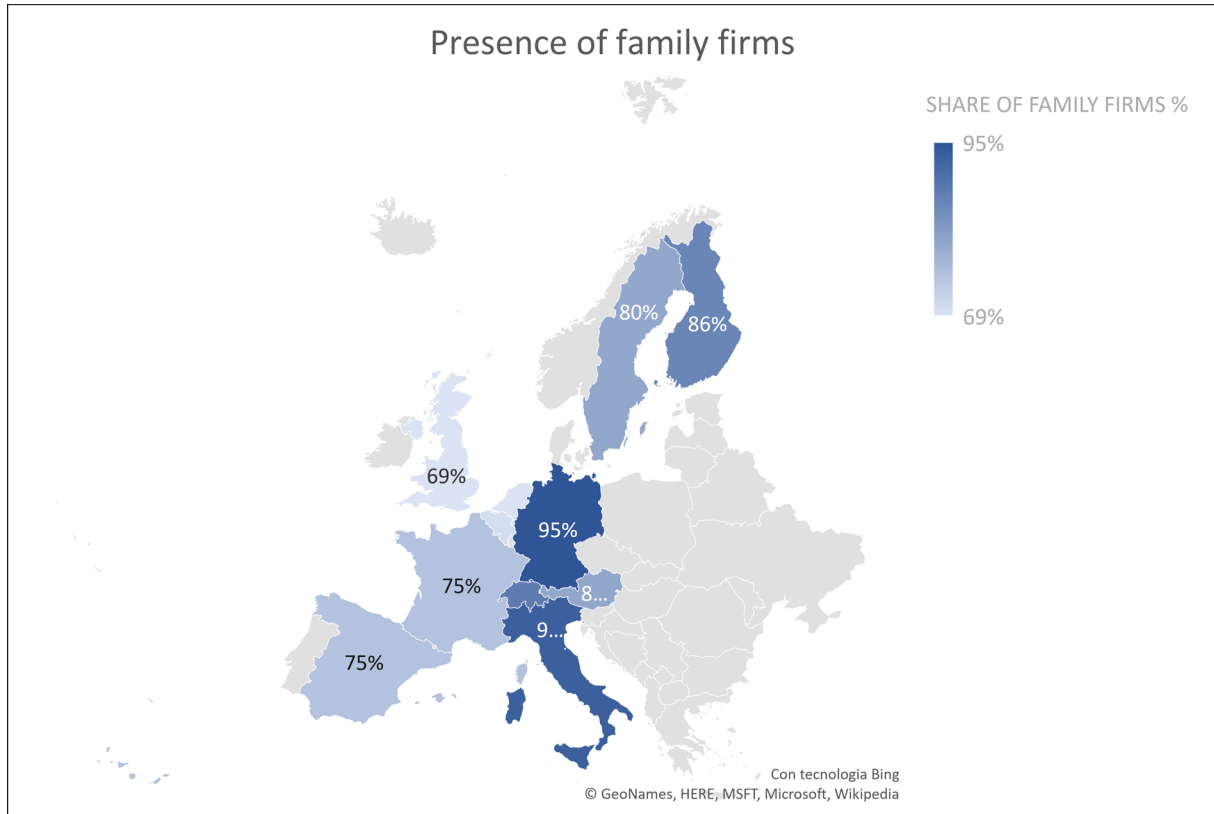


FIGURE 1 - PERCENTAGE OF FAMILY FIRMS IN EUROPE (ZELLWEGER, 2017)

Family firms are mostly among small to mid-sized enterprises SME and are often described as being conservative (Kurt Matzler, 2015); less risk-taking (Morris 1998); more long-term oriented (Sharma and Irving 2005); reluctant to grow and slow-growing, slow in decision-making; and unable to react or change in accordance with markets. They are often generally considered to be less entrepreneurial than their non-family counterparts. Similarly, the existing literature often criticizes the lack of innovation in family firms.

Family businesses are a particularly adapt context to appreciate how the past can be leveraged in innovation. Indeed, the extraordinary longevity and long-term orientation of some family businesses (Miller, 2005) can result in a capability to create connections between their past,



present, and future, enabling them to search and recombine temporally distant knowledge to develop new products.

The family's self-understanding and its approach of doing business are related both to the number of firms the family controls. Many families are only concentrated on "single business operations", but with growth of the business and the likelihood to invest and diverge, the family may decide to invest in several businesses, related or unrelated on with another.

To operate a single business is required a strong capability, but to organise and settle a number of dissimilar business a profound industry expertise is needed and a strong skill to develop and arrange the business portfolio, to participate in profitable activities and get rid eventually from non-profit ones.

### 2.1.1 Family Governance

The goal of family governance is to assure the efficient operation of the family in problems related to the firm and the business.

It refers to the following topics:

1. Family values and goals (values, mission, identity, values)
2. Family involvement in management (family employment policy)
3. Family involvement in ownership (ownership liquidity and transfers, dividends policy)
4. Family involvement in new entrepreneurial activities (Family Office, Trust)

There is also the presence of a Family Council with specific aim of defining role and goals of the family in the business. First of all the Council tries to build values:

1. By defining family history
2. Build and maintain understanding of family values
3. Create opportunity for sharing between family members and employees

and defines a corporate family strategy:

1. Establish a family overall direction

2. Establish measure and benchmarks for accountability performance
3. Develop a long-term and a short-term strategy

The creation of a family Council involves also the creation and drafting of formal documents, among these documents there is the Family Protocol: set of principles / guidelines and rules (aimed at long-term development) that are clear and shared on the relationships between family and business.

Before taking any type of role each family member become aware of the roles, the scope, the responsibilities and the consequences. Without this paper we could incur in the so-called principal-principal conflict, that could harm the business and the on-going activities of the firm. It serves as a tool of "moral pressure" towards those who are oriented towards adopting behaviours that are not consistent with the rules. It helps to create a historical memory, useful for future generations to understand the reasons for the success / failure of previous generations. The family pact is particularly effective and efficient in large entrepreneurial families, where the level of formalization of family and middle governance, for which the high-level objectives are:

1. Maximize opportunities and synergies between business and family
2. Minimize the threats and risks that the family can create for business

Carney claims that the governance structure of a family firm in particular contributes to create family-specific advantages and disadvantages. Multiple of these factors have a positive impact on innovation. First, the interaction between family and business delivers specific advantages in social and interpersonal capital, as well as socially complex tacit knowledge.

Second, family firms are leaning toward long-term relationships with internal and external stakeholders (Zahra, Hayton, & Salvato, 2004), encouraging the information exchange. Third, family firms are associated with flexible decision-making processes, structures, and

organizational characteristics associated with innovation (Kurt Matzler, 2015). However, unique family resources, also called Familiness, only come to light when the business and the family are deep-rooted in an idiosyncratic scheme, causing significant social differences between those firms where families are enthusiastically involved and those firms where families are mere shareholders. In other words, the level of family ownership does not necessarily indicate the extent of family-specific capabilities that are available to enhance innovation output. Rather, the employment of family-specific resources and competences necessitates the active involvement of the family in the administration and governance of a firm.

## 2.2 The Concept of Innovation

What is innovation? Which types of innovation exist? What kind of innovation I will address in the thesis? Theory Background and Real-Case Analysis

A firm may choose to focus its efforts and resources to innovate its products or services or to change its business model. Often, business model innovations require and involve changes and modification to the products/services that a firm offers.

Nowadays there is increasing understanding that business model innovation represents a very powerful source of competitive advantage, even though it requires deeper changes to established routines and mental models. Another component to take into account when evaluating the what dimension of innovation is the distinction between product/service innovation or process innovation. In the former, innovation concerns changes to its approach, which are highly and rapidly visible to its customer. In the latter, innovation affects enhancements to the processes (e.g., operations, logistics, and administration), changes that are not immediately understandable and connectable to its clients. This suggests that product/service innovation require higher risks for the firm as it potentially has a direct impact on its market positioning and its identity in the eyes of its clients.

The degree of change that characterizes a firm's innovation relates to both radical and incremental innovation. With radical innovation, the level of is higher as compared to incremental innovation, and this is an important consideration in FDI (family driven innovation).

An innovation is a successful application of new processes where creative ideas are put into practice within an organization (Kraus, Pohjola, & Koponen, 2012). Specifically, innovation is the founding of new concepts, actions and/or technologies in an organization. Of course, it

requires originality; tangible qualities and also intangible characteristics. The final result of an innovation is meant to produce benefit and be recognizable as something other than just a change to the typical routines.

Heck et al. (2006) argue that the family can be seen as an incubator for the generation of new business ideas, where “the birthplace of entrepreneurial ventures is often the home” (Melin, 2012).

Family firms play a significant role in national economies worldwide, accounting e.g. for 85% of all enterprises in the OECD countries as well as for the majority of companies in Central Europe.

Family firms usually start small and grow over the years. Over 30 % of family firms continue to exist to the 2nd generation, and almost 13 % goes to the 3rd generation (Aldrich, 2003). Change and innovation are necessary for the success of any business organization. The factors to be taken into account before implementing any change in family firms are: management and employee commitment to change, the tool a warranty period of trial and error needed to implement change, and for the evaluation and modifications (Gedajlovic, 2012). Innovation has long been discovered as one of the crucial drivers to company success, it is astonishing that its role in family firms has been mostly ignored in existing academic research so far.

Prior research reveals that a company’s type of ownership influences on investment horizons, risk aversion, diversification plans, and return aspirations. They are generally considered to be less entrepreneurial than their non-family colleagues. Inventions are the most important driving force for entrepreneurship and development.

After all, the management of innovation, continual change, and generation-spanning corporate development are widely considered to be the recipe for economic growth and long-term success. The resource-based view (Barney, 1991) thereby helps to explain how the unique

bundle of capabilities of family firms affects the way innovation input is managed and deployed (Habbershon, 1999).

Finding shows that the innovativeness of a firm is not influenced by the family succession to another member of the family or an external owner.

The succession (of both types) implies only minor change in the innovation orientation. Values are related to innovativeness and remain as they were before the successions. This is explained by the steadiness in values, and by the predecessor that is always striving for trying to ensure the transfer of his/her cultural legacy. If a alteration in innovativeness occurs, such variations can be understood from considering the values transferred through the choice of successor, the acquiring party's motives, the continuity or disbanding of customers, and the actual type of product innovation process in each firm (Christina Grundstrom, 2012). In some of the firms with succession within the family, more radical innovations are explained by an openness to take on new ideas from customers. That is also what happened to the family firm I chose to describe. Artsana's founder, Pietro Catelli, was an extraordinary innovator, but later after his death the family continued with the principle, values and culture that the entrepreneur has framed during his life, but later with the entrance of the InvestIndustrial Fund and the figure of CEO Claudio de Conto, the company start acquiring innovative ideas from outside the company and from stakeholder and customer.

*Ownership transition and chief executive officer (CEO) succession are among the biggest challenges for family firms in many parts of the world.*

### 2.3 Innovativeness in Succession in Family-Owned Firm

The first question for innovation and invention usually is where to search? When we are tackling the problem of innovation firms looking for solutions to problems search among combinations of knowledge in a search space. The search may be local, in the nearby of the firms' current knowledge, or distant, i.e., farther away from the firm's current knowledge. However, it is crucial that the focal firm understands where the appropriate knowledge is "stored" in order to effectively search for it. Companies primarily explore in the proximity of existing routines and previous solutions (Stuart & M., 1996). Furthermore, when carrying out local search, organizations always try to find for solutions that build on knowledge already in use. In contrast, distant search entails knowledge recombination (Fleming and Sorenson, 2004; Rosen Kopf and Nerkar, 2001), which may provide opportunities to identify disruptive innovations and achieve competitive advantage. Distant searching activities essentially entail the search for solutions that are not correlated to the firm's present knowledge base. Nonetheless, family organizations often filter out solutions based on distant knowledge, preferring to evaluate solutions from local knowledge sources (Lopez-Vegaa, Tellb, & Vanhaverbeke, 2015).

In this section it is interesting to analyse how innovation is passed through generation in family-firm. Tradition (as described in the next chapter) may be an important value for family business which can also be understood as harmful for innovation, because let in-place activities look more familiar and important. in the succession of family-owned firms to family members, much of the values outlined as specific for family firms (Christina Grundstrom, 2012) tend to remain. The capacity of the firm of innovate remain the same. If in the succession process the family take over, there will be more chance that these parties would also prone and motivate the company to continue to exploit existing business relationships with internal and external stakeholder rather than to explore new ones.

If it is an external stakeholder to enter and take over the company, there will be a higher tendency to change the firm organisational value.

If a company group is buying the organization, that means much more financial resources to be used and exploited but at the same time it could also mean a lack and negative effect on innovation.

Innovativeness, of course, can be measured in with different parameters:

1. Degree of focus and/or defocus on innovation
2. The novelty of innovation
3. Whether the innovation occurs in existing patterns or the company is forced to create a new environment (Red Ocean – Blue Ocean)

The values and orientations of firms thus differ between those who actively search for new solutions and those who maintain a more inward-looking or possibly downstream focus on innovation processes: incremental innovations are often associated with a focus on existing customers. (*Family-owned manufacturing SMEs and innovativeness*)

Most companies, if handled successfully, will change owners at one point or another.

The succession can involve a transfer to members of the owner's family, employees, or external buyers.



## 2.4 Innovating Through “Collective Intelligence”

A group of average people can achieve better results than any individual working alone. Surowiecki’s book “*The Wisdom of Crowds*” vividly describes the phenomenon and highlights some of the potentially underlying mechanisms.

- The term “collective” refers to a group of individuals who are not asked to have the same attitudes or viewpoints.
- “Intelligence” required to the ability to learn, to understand, and to change and adapt to an environment by using own knowledge.

The MIT Centre for Collective Intelligence combines both terms to describe very broadly groups of individuals doing things collectively that seem intelligent. They studied and created a framework for identifying underlying building blocks (“genes”) that are at the centre of collective intelligence systems, the conditions under which each gene is useful, and the possibilities for combining and re-combining these genes to. The framework uses two pairs of questions (Malone et al. 2009):

- *What is being accomplished? How is it being done?*
- *Who is performing the task? Why are they doing it?*

The question “what” is being done can be divided into creating something new (“create” gene) or evaluating and selecting alternatives (“decide” gene).

*The “create” gene* refers to actors in the system generating something new either by themselves or in a team (collaboration).

*The “decide” gene* refers to actors evaluating and selecting alternatives.

These decisions can either be group decision or individual decision. The latter can use results from the group, but the decisions made do not have to be the same between all participants.

The problem of who is performing the task carries two dominant genes: *hierarchy and crowd*.

If a task is assigned to someone from a higher position, it is called a hierarchy. If a task is

carried out by (many) individuals voluntarily, without being assigned to a task, this is called a crowd.

Furthermore, it is necessary to study and know why people are doing these tasks, what motivates them to participate, what incentives are at work. *Motivation* can be a economic benefit (money), but also other motivations are feasible. *Glory or recognition* is at hand if participants are encouraged by the desire to be accepted by peers for their contributions.

Artsana has always had a pyramid structure, where the final decision was in the end of Pietro Catelli. As most of other Italian middle family company, where the entrepreneur is the main pillar of the business, Pietro Catelli was the Innovator and the inventor of most of the revolutionary and radical product he had introduced in the many years of activity inside the childcare business.

Innovations are the expression of entrepreneurial activity. Innovativeness is a strategic orientation that many organizations require.

Innovation helps companies to be on the leading hedge of the competitive advantage and to always win the market in comparison with competitors. It is also an indicator of business activity, meaning that the company has also ideas for the future and wants to grow. This was also the idea behind all the processes of innovation the Pietro Catelli, has in mind.

An entrepreneurial firm is one that engages in product-market innovation, undertakes risky ventures, and is the first to come up with 'proactive' innovations, beating competitors.

One of the most important aspect of innovation in family business is the ability to adapt and change, in few words the capability of the organization to be as flexible as possible.

The ability to adapt to changing market requirements often requires reinvention of the business model in order to realize the full potential of new product innovations.

What we have analysed in the following years is that innovation was no longer more in the hand of only one person but was shared with different stakeholders involved in different phases of the company and also with groups of final customers.

The challenge is to understand how to unleash the unused knowledge or experience of their employees, customers, or partners, and thus leveraging their inherent collective intelligence.

It is presented the case of **Innovation Through Collective Intelligence**: Artsana pursues product development through a multifunctional network based on strong internal expertise and an R&D structure in continuous and open partnership with universities, design schools, creativity training centres, designers and primarily with consumers.

Chicco Baby Hug 4 in 1 is one of the products that best summarises Artsana’s culture to work through “collective intelligence” project arrangements involving experts, consumers, and designers, but also universities and suppliers to develop new proposals. It was developed thanks to collaboration with the contest “R-Evolutionary Baby Design” an international open platform of design and innovation.

Baby Hug 4 in 1 gained a lot of positive attention and support (since the very first introduction) because it allows parents to be close to their babies and have control of the child all times of the day and in all domestic settings. The contest launched by Artsana was won by a young creative partnership of two Russian women, awarding their entrepreneurial attitude. The concept development led to an innovative multifunctional solution that simply converts between four configurations, from birth up to 36 months,



FIGURE 2 - BABY HUG 4 IN 1 (ARTSANA SUSTAINABILITY REPORT 2018, 2018)

transforming from crib, to reclined cradle, to cosy highchair, and finally to baby's first seat at the table.

This solution has been developed with a view to extend the useful life of the product, that meets different needs thus allowing a significant reduction in the consumption of resources.

I want to highlight the presence of another important product for the Artsana: Next 2 Me

This revolutionary product helped the company to enter a new market and create a blue ocean.



**FIGURE 3 - BABY COT NEXT 2 ME (ARTSANA SUSTAINABILITY REPORT 2018, 2018)**

Aimed at ensuring children's comfort and safety, Next2me is a side sleeping crib with a folding rail that can be attached to the parents' bed.

The innovative solution, born from Artsana's commitment to respond to families' needs, has been met with great consumer's favour and recognition, winning important awards in the sector.

Also in this case what we have is the presence of a need, that the company has been able to detect and exploit. Working together, R&D and external final stakeholder the company has created a viable product and an important competitive advantage.

Artsana has recently introduced a platform to help create innovation among his stakeholder.

The aim is to create a large community that shares ideas but also passion. The idea is to meet the need of the families and through Open Innovation the company enables the new parents to share their ideas with creatives, designers, graphic designers, technicians, and engineers... everyone can take part in the online contests and present their ideas.

### 2.4.1 How the process works?

The idea is to involve the broadest possible range of users, reaching different profiles with very different experiences. It is a new way of communicating and a different way of sharing but with the same goal.

Strong internal expertise and an R&D structure in continuous and open partnership with universities, design schools, creativity training centres, designers and primarily with consumers is what forces Artsana to be always on the leading hedge of Innovation.



1. Signup and create your profile
2. Find contests of interests and create your project
3. Submit your project and full join our community of creatives
4. Get awards and international awareness

FIGURE 4 - COMPUTER ICON

## 2.5 The Paradox of Innovation in Family Firm:

Family firm innovation is often characterized by a dual nature:

- family firms are conventionally seen as traditional, path-dependent
- family owners control more than 50% of Europe's most innovative firms

Recent scholarly work suggested that innovation in family firms is characterized by a paradox, which is manifested by family firms innovating less despite having the ability to innovate more than their non-family counterparts.

The paradox demonstrates that also Family firm can be on the leading edge of innovation. Family Firms tend to be risk-averse and avoid risky investments in R&D and innovation. However, this conventional attitude does not seem to interact and hurt firm performances.

Some businesses seem to have a unique way to achieve innovation that undermines the assumptions.

What is necessary to analyse is the dual aspect of innovation:

1. Innovation Input
2. Innovation Output

For Innovation Input is meant money and human capital (workforce) that are dedicated to the exploration and exploitation of new opportunities. This is mainly dependent on the risk propensity of a firm and innovation is, most of the times, seen as a risky investment. Consequently, family firms tend to prefer less risky investments in CAPEX such as production machinery and building (Zellweger, 2017). Another element discouraging the investments is Debt. Because R&D project require capital from outside investors family members may see this as a loss of control and as a threat to company health.

Despite the difficulty of finding resources, some firms are particularly keen on allocating them. This process is called resource orchestration. Studies demonstrate that family firms are efficient in turning innovation input into innovation output for some reasons:

- In family-firm the firm-specific human capital and knowledge support an efficient utilization of resources. The idea transfer and knowledge creation are particularly fostered by the sense of community and strong commitment among employees
- The strong social capital built through the important external network of family firm. Social capital helps these firms translate R&D resources into innovation output. For instance, knowledgeable network partners can help identify promising trends and inventions and provide valuable, timely feedback throughout the development process (Zellweger, 2017).
- Resource utilization in family firm always follow the parsimony principle which allow for higher efficiency. Decision makers try to pursue prudent and efficient use of resources due in part to resource constraint and the desire to maintain control over costs and the deployment of VRIN resources.

All of the three points described above allow this type of firms to achieve higher innovation output than nonfamily firm, turning lower innovation input into higher innovation output. The main advantage is the advanced resource management skill that helps the company create a long and strong competitive advantage that can be used to operate also in the same market of the incumbents.

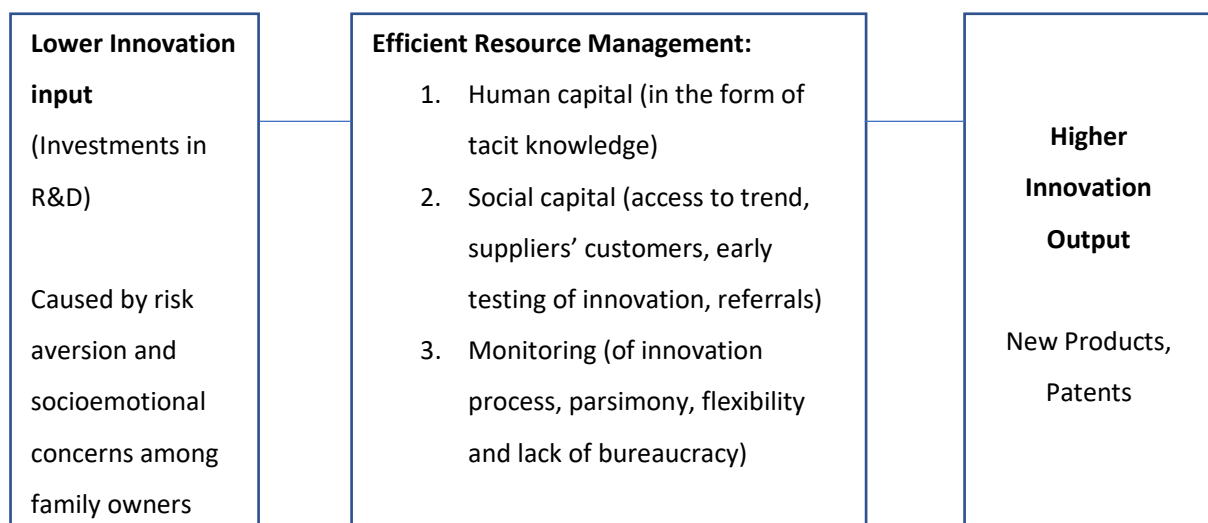


TABLE 1 - THE PARADOX OF INNOVATION (ZELLWEGER, 2017)

## 2.6 Radical Innovation – Incremental Innovation

For better analyse these two concepts, firstly I want to describe what is meant for incremental Innovation and what is Radical Innovation.

By using a sort of map that was developed by Verganti and Norman it is very simple to describe the two phases and how the two phases interact.

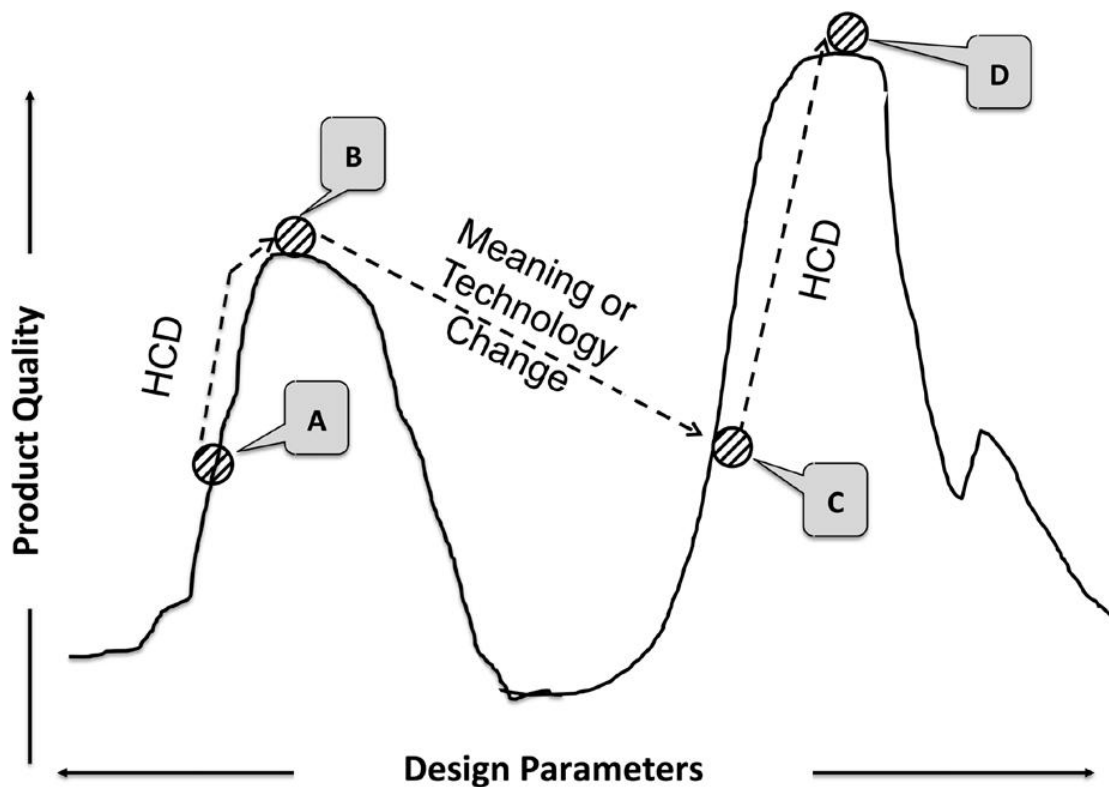


FIGURE 5 - RADICAL & INCREMENTAL INNOVATION (VERGANTI, 2009)

*The hill-climbing paradigm can be used to better understand how incremental and radical innovation work. A generic product can start at “A.” Through Human-Centred Design and Design Research (HCD & DR), the product goes under a series of incremental innovations bringing it to its maximum quality for this design , point “B.” To move to a different hill, the one with higher potential, it is required a process of radical innovation, and this comes about through either technology or meaning change, heading to point “C” on a taller hill. (Verganti,*



2009). Take into account that the initial outcome is often inferior to that previously reached (“B”), and so HCD and DR are required to make the necessary incremental innovations to reach maximum potential. To make matters more complex, when the product is at point “C,” there is no way of knowing if indeed there is a superior level (“D”) or if this is an inferior spot in the design space.

Every radical innovation Artsana has made, it was done with design research, with careful analysis of a person’s or even a society’s needs.

Radical product innovation is pushed both by progress in technology and a shift in the meaning of the product. Incremental innovation was performed as a result of a design research strategy or through a series of mutual adaptations by the product developers and the use community to bring the two into better alignment.

In contrast, radical product introductions could always be traced to the introduction of a new technology that providing new affordances to the designers or to a new meaning assigned to the product and its uses, allowing for radical adjustments using existing technologies.

- *Radical innovation*: a change of frame (i.e., “doing what we did not do before”)
- *Incremental innovation*: improvements within a given frame of solutions (i.e., “doing better what we already do”).

The major difference between the two is whether the innovation is perceived as a endless modification of formerly accepted practices or whether it is new, unique, and discontinuous.

Incremental product innovation refers to the slight changes in a product that help to enhance its performance, reducing its costs, and improving its desirability, or simply result in a new model release. Most successful products are subject of continual incremental innovation.

Radical innovation brings new domains and new paradigms, and it creates a potential for major changes, introducing also the concept of blue ocean (the ability of the family firm of creating

a business environment where families can enter and find everything they may need for their children).

Nonetheless, incremental inventions are necessary to transform the radical idea into a form that is satisfactory to the consumers who follow the early adopters. The bottom line is that both forms of innovation are necessary.

Dahlin and Behrens suggest three criteria for identifying an innovation as radical:

1. Criterion 1: The invention or innovation must be novel: It needs to be divergent from prior inventions.
2. Criterion 2: The invention or innovation must be unique: It needs to be dissimilar from current inventions.
3. Criterion 3: The invention or innovation must be adopted: It needs to influence the subject of future inventions.

The first two criteria define radicalness: the third, success. The most important is the Criterion 3, that happens only if the sociological, market, and cultural forces are line up together and ready for the newness invention.

Radical innovation has been the subject of many studies on innovation studies for a number of decades. Winning radical innovation usually takes place infrequently in any particular area (Verganti, 2009). Almost all radical innovations take a relevant and considerable time to turn out to be accepted, whilst incremental product innovation refers to the small changes in a product that help to improve its performance, lower its costs, and enhance its desirability, or simply result in a new model release.

Human- or user-centred design is a philosophy, it tends to assume that innovation should start by getting close to users and observing their activities.

- It starts by examining user needs and then seeks for technologies (or methods) that can better satisfy them.

- It then goes beyond an iterative process of rapid prototyping and experimenting, each cycle creating a more refined, more comprehensive prototype. This cycle guarantees that user needs are met, and that the resulting product is usable and understandable.

Once again, in this case Mr. Catelli proved to be an incredible pioneer of what have been studied later on (around 40 years later). The ability to go around an iterative process of prototyping and testing in a very short time, enable the company to create always improving the quality of its product, forcing the mums to remain strictly connected to the Chicco brand from the pregnancy time to the 8 years old of the *Baby*.

Most of the companies competing today in international markets consider new product Research and Development an important factor for achieving sustainable competitive advantages.

In the past few years, there has been an increasing incidence of *coopetition* (Hurmelinna-Laukkanen, 2012). For *coopetition* is intended a connection in which first competing firms cooperate and work together to let a better value improvement and improvement and create a bigger market, and then individually compete for the created value. One of the main explanations for this process is that the world is constantly more interconnected and has become more dynamic and uncertain. To react to such change competitors, from all over the world, ally with each other to improve and create new technologies, standardize offerings, and share risks. There is thus a need for research focusing on the issues of coopetition and innovation.

Knowledge examining, as an essential aspect of potential absorptive capacity, allows companies to identify and capture relevant external knowledge that could increase know-how in particular areas (Hurmelinna-Laukkanen, 2012). Taking into account the concept of

coopetition, and targeted on the creation of new markets, this process may in the end, generate more benefits than trying to work alone (Hurmelinna-Laukkanen, 2012).

Robust appropriability system is important in the creation of both types of innovation. The stronger it is, the more options the firms have to protect their innovations and data.

In the case of radical innovations, firms want to protect not only their core knowledge but also the potential future profits emanating from radical developments.

There are some discrepancies in terms of the benefits of potential absorptive capacity on the incremental and radical innovations in coopetition.

Here under I want to show a figure that is important to analyse the different possible combination of Radical or Incremental Innovation and Appropriability regime and Absorptive capacity.

	<b>Incremental innovation in coopetition</b>	<b>Radical innovation in coopetition</b>
<b>The role of the firm's absorptive capacity</b>	<ul style="list-style-type: none"> <li>Facilitates the creation of incremental innovations by enabling the exchange of existing knowledge and learning</li> <li>Acquiring knowledge is more effective than in the case of radical innovations in that mutual learning between competitors promotes incremental development in particular</li> </ul>	<ul style="list-style-type: none"> <li>Facilitates the creation of radical innovations by enabling the exchange of existing knowledge and learning, and combining it with new sources of knowledge</li> <li>Acquiring knowledge is not as effective as in incremental innovations in that the exchange of similar knowledge within the firms and their networks might sometimes lead to emphasizing incremental developments and may cause more conflicts</li> </ul>
<b>The role of the firm's appropriability regime</b>	<ul style="list-style-type: none"> <li>Facilitates the creation of incremental innovations by ensuring safe knowledge transfer</li> <li>Protection is less effective than in the case of radical innovations because of the lower availability of protection mechanisms, the more strongly competed markets and the faster diffusion</li> </ul>	<ul style="list-style-type: none"> <li>Facilitates the creation of radical innovations by ensuring safe knowledge transfer and providing incentive effects by improving the effectiveness of capturing value from new opportunities</li> <li>Protection is more effective than in the case of incremental innovations because of the better availability of various protection mechanisms, differentiation possibilities, and market space</li> </ul>

FIGURE 6 - COMBINING INNOVATION WITH 2 MAJOR PROBLEMS (HURMELINNA-LAUKKANEN, 2012)

## 2.7 Culture

What is culture? Which types of culture exist? What kind of culture I will examine in depth during my analysis? Theory background and Real-Case analysis

The concept of culture is central to organization studies to describe a variety of results, reminding us that changes in actors' behaviours are the result of different culture. Culture is the basis for the values rooted in an organization, for the vision that the entrepreneur needs to give to the employees and beliefs or practices that differentiate business on from another. The term culture has been used to suggest a variety of phenomena, from a set of values that guide and constrain people in organizations (Schein, 1985), to stories used to garner resources (Lounsbury, 2001) or tools that actors can mix and match rather freely to suit their needs and interests (McPherson, 2013).

Practices, or “how we do things”, also play an important role in cultural processes. Generally speaking, practices refer to routine activities that are largely unconscious and automatic.

We believe that although scholars have long argued that an organization has a culture, culture is also something people do.

In the literature on organizational culture, procedures were initially seen as a component of a firm's culture. In addition, practices can engender change more directly. Scholars have broadly accepted that practices may evolve in a manner that changes the organizational system in general.

In other cases, seemingly mundane practices, such as meetings, training, and everyday interactions, may encourage cultural change; Howard-Grenville et al. (2011) suggested that such practices create a liminal space in which familiar and unfamiliar elements can be recombined to alter the dominant organizational culture.

Practices can serve as a source of stability in organizations. Scholars have long argued that an organization has a culture, culture is also something people do. Cultural entrepreneurship, the

process of storytelling whereby a new venture identity is created in pursuit of legitimacy and subsequent resource acquisition. Cultural entrepreneurs creatively combine entrepreneurial and institutional resources to convey novel ideas in a compelling and legitimate manner, enabling effective efforts to establish a new venture within an existing field (Simona Giorgi, 2015).

Focusing on one dimension of culture that is expected to be associated with entrepreneurship in family firm is the degree of individualism vs group cultural orientation.

This element analysis the value placed upon individual vs group contribution in family firms, this will affect the innovation and risk taking introducing another important study RBV.

A group culture orientation force cooperation and sharing of knowledge and expertise between the different part of the company and the different group. The prospective advantage is realized when these qualities of culture persuade the firm to be more proactive, innovative, and risk oriented. Thus, resulting in the further analysis of Resource-Based-View. In individual-oriented organizational cultures, prospects, and incentives result from demonstrations of personal excellence, and this may prevent organizational members from collaborating and sharing new skills or information.

The resource-based view is a perspective that assumes that resources are the basis element, the foundation of firm's competitive advantage and performance. Resources both comprehend both tangible and intangible assets. Those resources must combine several aspects to be kept as fundamental. They must be Valuable, Rare, Inimitable and Non-substitutable combining this adjective we obtain the so call VRIN model, and the cumulative combination of the above-mentioned attributes is essential for defining a resource necessary for defining competitive advantage.

Applying the resource-based view to family firms has resulted in new aspects of the competitive advantage. Some scholars have argued that family firm possess unique types of resources as a result of the interaction between the family and the firm.

This idea has been called: “familiness” (Habbershon, 1999).

Family gets involved in this process at two levels:

1. Family contributes offering to the company work, economic capital, networks and knowledge.
2. Family configure the assets that are necessary for the company.

Artsana adopted the resource-based view as a family business in theory and in practice. This perspective helps us understand in which way the entrepreneur wanted to connect the business with the family resources creating a competitive advantage that has helped the group to develop and expand worldwide. Artsana as a B2C company has always emphasized client proximity, which is also evident in the sales activity: direct selling through own shops, affiliated ones and distributors located all over the globe. The firm’s capacity to build an environment where customers can find everything, they may need for their children contributes to the company success. Artsana has been able to grow and attract market share thanks to its unique market knowledge and the familiness that distinguish the group from other competitors. The company was supported by local entities and authorities and was able to develop the need of its customers into viable successful product exploited worldwide by the company. Of course at the beginning, as I will describe in the company history, the entrepreneur Pietro Catelli makes the company grow bigger and bigger thanks to the family willingness to invest patient financial capital in the firm, reinvest money overtime, always innovate and acquire market share.

When speaking about familiness we have to mention the organizational identity theory, that provide a sense of continuity and distinctiveness. The core values of the family are embedded in the organization and are always expressed through interactions between organizational members.

Employees develop a share and unique understanding of the inner processes and culture of organization; this theory is in charge of studying how this process happen and how this understanding affects the organizational strategy and change.

When family members believe and has a strong sense of belonging to the family firm this feeling is often tied to the family members self-worth and self-esteem and the perception that the family firm represents an extension of themselves (Dyer, 2006).

It is proved that family firm where the exchange of information happens and are categorised as having family employees who share the same ideas, response and expectation are more successful than those firms where members do not communicate one with another.

When the whole organization supports the values and goals of the family, unique advantages can be realized. Organizations tend to manage internal and external relationships according to the same principles, values and goals. As such, firms tend to portray the same identity toward external stakeholders

Since a family's identity is unique, a family firm identity may be an important source of competitive advantage in the marketplace.

These firms possess family involvement, reproduce the spirit of the family and define themselves as family firms. Extracting the multiple benefits of family influence and capturing the advantage of family involvement in an organization. For example, when Artsana Group advertises with the slogan "Chicco, wherever there's a baby" or "Solid passion for life" it can be expected that the firm is harnessing the positive attributes consumers associate with family involvement in a firm. In its communication with stakeholders, Artsana promotes its strong organizational culture that embodies a family-spirit with high employee commitment and loyalty.

A recent study by Memili, Eddleston, Zellweger, Kellermans and Barnett demonstrated that firms that communicate their family firm identity to external stakeholders can reach



performance benefits. In this way the firm can create an “extended family” of stakeholders who disclose the principles of the family business such as loyalty, fairness and respect thereby allowing the firm to build a competitive advantage that improves performance.

Culture and values in family business are nurtured by relationship between different generations. Considering the founding owner of the family firm can make us understand some aspects of embedded culture, but it should be noted that culture is dynamic, and it evolves involving difference and division.

Always noted that family and the surrounding environment are permeated of national culture that need to be examined when considering a firm.

Simona, Marquès, Bikfalvi and Munoz go through the diversity of meanings of values and similar concepts in a paper called: *Exploring value differences across family firms: The influence of choosing and managing complexity*.

In this paper it is reported a definition of values and culture, but this article focuses on factors or attributes of culture identifying that the dominant values of a family business are consequences of the level of embeddedness of the family into the business.

Culture is firstly formed and set up by the founder and later only during the succession phase it is transmitted to the rest of the family. The unit of analysis is the entrepreneurial team and identifying it as a team composed mainly of family members that engage in identity, evaluating and exploiting opportunities (Thomas M. Zellweger, 2010).

## 2.8 Identity's effect on culture

A range of research speaks to identity as a factor in cultural processes, from the formation of organizational culture to cultural change through political resistance.

Identity, at multiple levels, serves as a point of reference in many cultural processes central to organizational life. Focused on identity at the individual level, scholars pointed to the role of the leader's identity in creating an organization's internal culture, suggesting that leaders' identities and ideologies serve as the foundation for the broader cultural values and beliefs that span the organization. Expanding the focus beyond organizational leaders, Fiol (1991) claimed that employees' circumstantial identities in organizations link the characteristics of culture that are deep and meaning-related with those that are more superficial level, like every-day activities (Simona Giorgi, 2015).

Brickson (2005, 2007) showed that organizations have identity directions, that is, individualistic, relational, and collectivistic, that handle both their internal cultures and the manners in which they relate with external stakeholders. In an *Annals* article, Gioia et al. (2013, p. 176) also pointed to organisational identity as "the generative basis of culture" in firms (Simona Giorgi, 2015).

In addition, scholars have examined the connection between identity and culture as a cross-level event, often focusing on wider collective identities as they affect localized cultural processes.

Scholars argue that cultural classifications inform group identities that shape the local use of culture by relevant actors (Simona Giorgi, 2015). A particular market category drives the way in which a society and firms put culture to use by implementing normative restrictions and informing the cultural strategies seen as suitable in a market setting.

Ravasi and Schultz (2006) discovered that firms' culture supports consistent sensemaking and sense-giving among leaders and workers in the aspect of identity fears, allowing a durable organizational uniqueness. (Simona Giorgi, 2015)

Among the most important face of identity, values are the most embedded culture of family interpolation.

Here under I want to discuss and present the Artsana value and discuss how we reach these types of value and how are nurtured by the people and by the family:

## 2.9 Resource-Based View

The RBV offers a proven theoretical model to analyse the relationships among firm-level processes, resources, strategy, performance, and sustainable competitive advantage for the family firm.

Path-dependent exploration that require an activity like searching along different dimensions is the fundamental process and mechanism by which firms learn and organizational knowledge evolves. In evolutionary theory, a fundamental notion is that of 'local search', where a firm's R&D activity is strongly related to its previous R&D activity (Nerkar, 2001). The concept of 'absorptive capacity' suggests that a firm's ability to assimilate and integrate new technological knowledge is easily and strongly associated with its past R&D activity.

It will also be addressed and demonstrate how the RBV is a proper framework for understanding the competitive advantages of family firms.

Over the last decade family firm studies have progressed trying to understand how family firms are dissimilar from other businesses in both their organizational configuration and performance competences.

One of the most important and outstanding results of this newfound view has been the incentive it provided families in business to seek the advantages of family involvement and to create multigenerational success.

Family firms are famous for their “familiar” ecosystem, a unique working ambient that promotes a family-oriented workplace and greater employee care and loyalty.

They have more adaptable work practices for their workers and family associates have also been described as more productive than nonfamily employees.

A firm has a *competitive advantage* when applying a value-creating strategy not simultaneously being implemented by current or potential competitors. This strategy becomes a *sustainable competitive advantage* when other firms are not able to duplicate the benefits of the strategy (Barney, 1991).

The RBV declares that firms are heterogeneous and that it is immobile, inimitable, sometimes intangible bundle of resources that fitting to the firm that gives the firm an opportunity for competitive advantage and sustainable competitive one. Fundamentally, this means that firms within an industry are not considered identical to one another. The RBV suggests that it may be more appropriate to think of companies as possessing different combinations or levels of assets and capabilities (Hart, 1994) identified as “resources”. The RBV assumes that a resource must have specific characteristics to allow the company to gain an advantage from it. Barney (1991) has identified four attributes with supporting descriptions:

1. It must be valuable, meaning that it exploits opportunities and/or neutralizes threats in a firm’s environment
2. it must be rare among a firm’s current and potential competition,
3. it must be imperfectly imitable
4. there cannot be strategically equivalent substitutes for this resource that are valuable but neither rare nor imperfectly imitable

Firm resources can be in-imitable for one or a combination some other reasons:

1. the ability of a firm to obtain a resource is dependent on its unique historical conditions
2. the link between the resources possessed by a firm and a firm's sustained competitive advantage is causally ambiguous and random
3. the resource generating a firm's advantage is socially complex.

The field of family business studies suggests that family firms are different and that they may have an advantage because of their family involvement. To connect the family involvement, a firm's behavioural and social phenomena to performance outcomes, it is generally believed that family business researches seek to define the familiness antecedents to specific firm performance outcomes.

First, we have to define the family inputs that are provided. This means establishing a template of system beliefs, practices, policies, philosophies, doctrines, and the like that are the inputs into the bundle of resources. Shifting on to the next step, these inputs should be studied and evaluated according to the four categories of resources—*physical, human, organizational, and process*—to verify the particular bundle of resources, or the familiness, of the firm. Third, the skills of the firm to analyse and match the familiness with resources. This starts to show the firm how their familiness transforms into capabilities that hold the prospective for creating a competitive advantage. Fourth, the resources and abilities of the firm should be assessed taking into account the external competitive environment to substantiate how the firm can gain a sustainable competitive advantage.

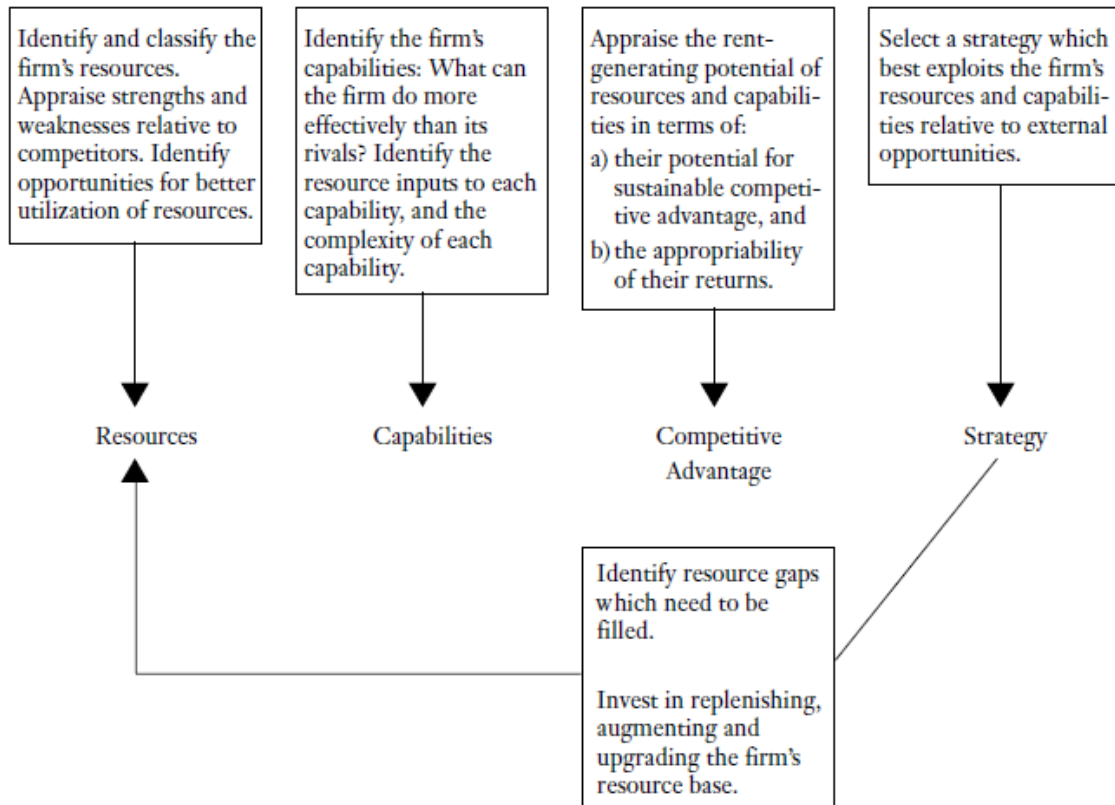


FIGURE 7 - RESOURCE BASED VIEW PROCESS ANALYSIS (TIMOTHY G. HABBERSHON, 1999)

Grant's model clearly shows the connection between the resources, capabilities, and competitive advantages at the firm or business-unit level and could easily be adapted to family firms (Habbershon, 1999).

If, for example, we believe that family commitment as well as the power of creating innovative solution are a competitive advantage to family firms, then we must determine:

1. what type of resource they are
2. under what conditions they add value
3. what capabilities the firm gains as a result of the resource
4. what potential they hold for sustainable competitive advantage and return
5. what strategies can be employed to exploit this human resource advantage
6. what objective measures must be established to assess the performance outcomes resulting from this resource.

In this case, it could be classified as a rare and valuable resources Innovation and Family commitment if that resource enables a firm to conceive of or apply strategies that improve its efficiency and effectiveness. Once the conditions for evaluating the advantage are settled, a research model can be created. The results from the study enable the researcher to unambiguously prove when family owner is a competitive advantage to a given firm. Because the model accounts for the conditions under which the advantage is present, the results supply clear and actionable antecedents to determining the resource advantage.

Once these family business resources are identified, they can be assessed to determine under what conditions they provide a competitive advantage.

I also want to apply the model to the company Artsana Group. Here under this first theoretical introduction the interview to a manager Chicco, who can better explain us the resources and bundle of values that can help Artsana create its sustainable competitive advantage in its industry.

## Statements focus

After having analysed the AS-IS situation it was pretty clear that the concept of Innovation was deeply studied by most of the scholars, but only few of them focused his studies on family business.

This study develops and conceptualizes a new process of interpolating the concept of culture with the one of innovation in family firms, and how the role of the family tries to leverage this process throughout the life cycle of the company.

Family interferes in this process, and in different phases of the life-cycle of the organization the concept of culture and innovation remain the most important pillars, based on which it was possible to create a strong and solid corporation like it is Artsana Group S.P.A today.

I immediately realized that the concept of culture, in management studies, is a minority aspect of study. And there are some misleading ideas of the innovation on family firms, and how can innovation be driven and used by the entrepreneur and the whole organization to foster the development and the success of the firm.

So, I wanted to focus my study and my research activities on these two different and distant elements and try to fulfil the gap it was presented me during the analysis of the literature review.

Following a clear methodology of analysis and a structured process of gathering data and information based on interviews and paper's studies, I have the opportunity to entering in a process of in-depth analysis of the AS-IS situation and present two tables describing some major concepts that have helped the Artsana Group leveraging culture and Innovation.

The primary motivation of the study is to answer the following research question:

*How can culture shape and leverage the innovation process in family firm?*

I tried to answer this research question following a clear methodology, which I suggested to read in Chapter 3, and I also strengthened and enforced my idea presenting the results I found in Chapter 4.



### 3. Method

To answer the research question posed at the very beginning, we conducted a longitudinal in-depth case study of the innovation process in an Italian company, Artsana, a case of a firm that successfully uses its innovation and culture to be on the hedge of the market. This case provided a unique opportunity to observe how firms organize their innovation activities and which type of innovation and culture can be present in an organization. It was adopted a literature review study to clarify the different and, at first sight, distance elements.

The process started by analyzing the firm identity and the innovation general patterns and striving for adding some elements to the existing literature to extend and enrich our understanding of how firms, and in particular family firms, can engaged with culture in the innovation process.

I chose a qualitative research method, describing an event in its natural setting. It is a subjective way to look at “life” as it is. It is a presentation of an AS-IS situation, with an in-depth analysis of the case of Innovation. Qualitative research seeks to explain a current situation and only describes that situation for that group.

In the qualitative research method I chose, I decided to conduct a case study, using personal interviews and observation to try to determine the cause of increased Innovation and a correlation with the embedded culture of a family firm. Since ethnographic considerations are taken, I try to determine this firm case study version of reality. Since this is a study about why this family firm has experienced a correlation with culture, family presence and a strong innovation activity, the results could only be used for this company or for companies that are qualitative-like this one and of course are based on a strong presence of a family-firm.

I decided to choose Artsana as my in-depth case study for my innovation and culture correlation analysis because I started working in this firm one and half year ago, since then I immediately understood the value of Innovation and culture for this family firm. Nonetheless, my big

interest for family firm and the entrepreneurial world, fostered me to better analyze one of the biggest companies of the Province of Como. Artsana has always been on the leading hedge of innovation. It was born as a family firm, where the entrepreneur was the inventor and the leader at the same time. Pietro Catelli was a man of incredible curiosity and brilliant talent. Most of our childcare products has been developed and marketed by Chicco and Artsana. Innovation as you will see later in the thesis, is also a fundamental value of the Artsana Group that together with Passion and People has helped the company being what it is today. Culture, that is the second element of study in this paper, is also one of the main pillars of the company under analysis. Very curious for these two different and distant environments I decided to find any possible correlation between these two elements. Approaches to the interpretations and understanding of material was done using qualitative methods, such as interviews and observation of studies and the possibility of reading the family firm archive. Today, Artsana is a world leader in the production and distribution of childcare and medical product. The company's unique approach to innovation has received wide visibility and recognition, and thanks to this I had the pleasure to study and formalize in a paper the results I found during my studies and my working activity in the company.

### 3.1 Industry in-depth analysis

The baby-care industry is an ideal context for our study. First, this industry is known for its deep activity on innovation, because baby always need special attention and particular products that fit for each specific evolution age. The baby care market is composed of different segments and products, such as toys, feeding accessories, wipes, disposable diapers, body care products and soothers. What is more, unlike other industries, baby-care product innovation is subject to particular stringent regulations and intense control. Despite the peculiarities of this industry, the global baby care market is expected to increase its total sales value in the coming years.

Second, this industry, particularly the Italian market, has seen a loss of growth due to the decreasing number of births registered each year. But Artsana also in this case has been able to forecast this evidence and start exploiting new markets and new countries, where children births are skyrocketing. The roots of the pharmaceutical industry date back to apothecaries and pharmacies offering traditional remedies in the middle age. Historically, there was none producing products that involve the baby care. Catelli was the first pioneer in this industry. Knowledge of the market and the existing product was in the hand of the entrepreneur.

The modern baby-care industry is characterized by intensive R&D and a low-concentration. There are more players in the markets, and it is more difficult to be the top player in each sector. Examples of some of the most important ground-breaking innovations in the industry include the first anti-hip teat, the baby carousel and the first Trio.

Italians are increasingly attracted by beauty and personal care brands containing a higher percentage of natural ingredients. Also, in this sector Artsana was able to move a step forward and in collaboration with Michelle Hunziker developed a completely new brand, using natural products and suitable for the mum. In this case the Artsana Products umbrella can embrace the pregnant mother and sustain her until her baby will be 8 years old.

The Catelli group has a philosophy of vast commercial and above all industrial diversification. The differentiations, which are considered an excellent choice to face the economic difficulties of this department or that sector, require courage, foresight and clear ideas. Logistical sense, aptitude to present quality products, leadership attitude and creativity are just some of the characteristics that can describe the character of Mr. Catelli.

He and his close associates had studied revolutionary marketing and sales techniques for the time.

Nonetheless, trust in purchasing decisions in the case of baby care products can take on extra importance.

Baby care products represent a product category that is purchased by consumers only during a specific period of time. Parents will show a trend to prefer the same product category when their children are babies. Expectations of the effects of brand trust is strictly important. The most important concepts in brand-consumer relationships can be sum up as brand repurchasing intention, brand extension acceptability, word-of-mouth (WOM), temporary deficiency acceptability and brand commitment.

Taking into account one attitude of the consumer: Trust, trust in purchasing decisions in the case of baby care products can take on extra importance. From this perspective, trust can be seen as an outcome of the dimension of functionality.

Delgado-Ballester and Munuera-Aleman (2005) suggested two dimensions of brand trust:

1. The first dimension has a technical or competing structure and is capacity of a brand to keep its promises and to meet consumer needs. Trust is based on the promise related to the expected functional quality of the product.
2. The second dimension is correlated with the intention and the expectation that the brand will act sensitively for the welfare or comfort of the consumer.

### 3.2 Templates for Qualitative Research

One of the most important critics moved to qualitative research is the lack of scientific data and to be excessive narrative: this characteristic at the fact that rules, schemes and norms for studying, writing and reporting are not uniform and well-settled. These complaints are known in literature as “the lack of a boilerplate” (Pratt, 2009). However, at least two templates for qualitative studies have emerged:

1. The first is the Eisenhardt method, it's a case study analysis (Eisenhardt, 1989).
2. The second is the Gioia method, named grounded theory (Gioia & Corley, 2004)

In my reporting activities and in my thesis, I decided to adopt the Eisenhardt method, adopting the case to the analysis of only one company: Artsana Group

### 3.3 Data Collection and Analysis

Data from different type of sources had been collected in order to contextualize the industry and the market in which Artsana worked and developed:

- I personally conducted 3 structured interviews to the top management and had the pleasure to informally interview long-term employees and people who worked in close contact with the entrepreneur. At the beginning, the first interview was done to create a history archive and to analyze the first activities of the company in the industry. For this session I had the opportunity to interview Dr. Roberto Marelli, one of the most important collaborators of Pietro Catelli. Marelli opened almost all the subsidiaries around the world., and now is the president of Assogiocattoli. My other two interviews were more focused on the concept of Innovation and the process difference and how culture can influence this process.
- Observations gathered during my everyday activities, and the suggestions of colleagues.
- Notes written during the participation of the many activities and the international meeting that have recurred during this year of Artsana working
- Internal archival materials such as investor day presentations, financial reports and presentations for internal and external use, also have the good fortune to see the sustainable chart in advance.
- Online materials: such as advertising, newspaper articles, videos, analyst reports and interviews.

Data collection lasted several months. I was actively involved in all the activities and I conducted interviews and observation in the company library and archive. I had the opportunity to visit the company in different time and leverage the multiple data I acquired and live in first person the thing I am telling you. After one year of Internship I got the occasion of enter this

group as a full-time employee, this possibility gave me the opportunity to further develop the knowledge about this company and the Innovation, culture and values of this company.

I work in the Retail sector, managing the process of planning resources to our branded shops all around Italy, and working in contact with the marketing area and the final costumers give me the possibility to study a little bit further the position of the company and the brand awareness and reputation that clients have of our company. I was initially involved in a structured office. Most of the people were loyal employees of the company that have been working there for an average time of 20 years. This was really important to informally understand the fundamental value of the company and how the company evolved itself and adapt itself to the big changes overtime.

I shared the preliminary concept of my idea and my project to few managers of the group, resulting in completely interest for the company; I did that in order to avoid any type of misunderstanding and misinterpretation.

To analyze the data collected, we adopted iterative process, hence building and refining theory from the case study data (Eisenhardt, 1989).

### 3.4 What it is meant for iterative Process?

To formalize and analyse the data I had accumulated I follow an iterative process. The qualitative data analysis is constantly searching for new concepts and themes that, when taken together, will provide the best explanation of “what’s happening” in a research question. Qualitative analysis is fundamentally an *iterative* set of processes. The iteration role, not only seen as a repetitive mechanical task but studied and examined as a deeply reflexive process, is key to developing better insight and fostering new meaning. The process of iteration is at the heart of look and overlook the data and connecting them with emerging intuition and ideas, progressively leading to refined focus and understandings. To create an iterative process and

to give meaning to what I was doing I formalized three major questions that helped me highlighting the most important figure and information.

*Q1:* What are the figures telling me? (Explicitly engaging with theoretical, subjective and field understandings)

*Q2:* What is it I want to know? (It is important to find intentions, questions, and theoretical points of interest)

*Q3:* What is the dialectical relationship between what the data are telling me and which implications I want to acquire?

Firstly, we analyzed what is meant for innovation and culture, in particular in family firm. Later I conducted interviews, meeting and informal conversation to better understand how these two distant elements can be blended together and be successful in family firm. As we moved forward with data collection, the research question became increasingly focused around the everyday activities that allow Artsana personnel to better embrace the values of the company and to exploit this tacit culture in the product innovation process.

After having reached an amount of data, I gradually started to analyze the next phase and I conducted some interviews with some managers and close collaborator of Sig. Catelli.

At that point, we gradually moved towards the next phase by identifying more abstract themes regarding culture and the value of Artsana that have helped shaping the company for what is today. During the first analysis, I have the possibility to further develop the concept of innovation, with all its peculiarities, thereby identifying different types innovation activities:

These types of product innovation also adopted by Artsana included cosmetics, nursing and light and heavy childcare with incremental improvements over other products, and breakthrough innovations that deviated significantly from existing products, creating new categories of products delivering radically superior functionalities and addressing hidden customer needs (Kekeya, 2016). What emerged from the innovation process research on

Artsana products, is that the company produce multiple products that followed different innovation trajectories of the same product line. The childcare care is a very vast and varied sector and product can be classified taking in consideration the different needs and evolution age of the baby.

This variety of product categories in the industry provided a valuable opportunity to appreciate differences in innovation outputs.

All the concepts described in the literature review will be later formalized and put in a framework where, with the interpolation of the culture value, will sort out in a temporal table where Innovation and Culture mixture together and will let us help how the passion and value of a family can be helpful and successful for implementing a radical and disruptive innovation process resulting in viable product scalable and exploitable on the market.

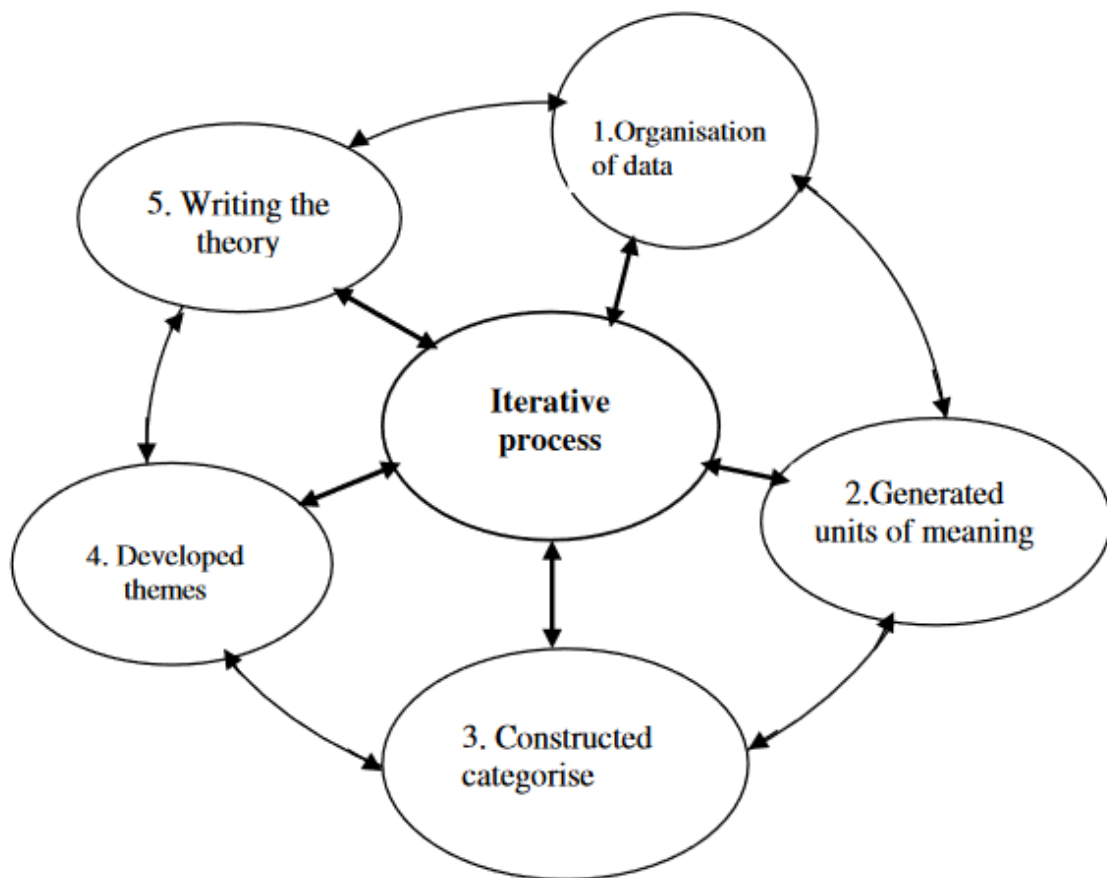


FIGURE 8 - THE ITERATIVE PROCESS PHASES ANALYSIS (KEKEYA, 2016)



This framework is helpful for interpreting the process of qualitative data analysis. It was developed by the Professor Joseph Kekeya in his Paper (Analysing qualitative data using an iterative process, (Kekeya, 2016). It represents 5 important steps, one in touch with another. It is the iterative process, if I see an error in one part, I can go back one step and re-do the analysis. It is necessary to consider all these 5 important steps to evaluate and examine a process and create a framework.

## 4. Findings:

### 4.1 History of the Arstana Group

Family firms' values are embedded in idiosyncratic social structures, reflecting the family's unique history and its relationships with the local community (Aldrich, 2003).

An exemplary story, which began in 1920 on the border of Monte Olimpino, between the railway and the cemetery. Enrico Catelli, Pietro's father was an employee of the Swiss lines, his mother Filomena sold chrysanthemums in front of the entrance to the cemetery where the Knight rests today. A frontier story, which began in the balance between Italy and Switzerland and by bouncing from Como to the world, anticipating for many decades those concepts of globalization and localization that would have characterized the 2000s. Pietro Catelli was already in the mid-twentieth century an entrepreneur who never forgot where his roots were, but who knew how to fly high, in search of the most rigorous branches of innovation. A man with a natural talent for the search for ideas, an indefatigable explorer of new territories but at the same time irreducible visitor to his lands, his home, faces and flavors of all time.

Pietro and his sister Jolanda founded the company in 1946 in a small but strategic space of about 80 square meters near the lake and where buses, boats and trains departed. A loan of 70 thousand lire and a name that sounded ancient: Artsana. It means Related Health Articles. Nothing more than the name of the products it wants to market. The name sounds very good and pharmacists started to appreciate and always listened with pleasure to that name that begins to make its way into post-war Italy.

As a boy Pietro dreamed of being independent, of having his own company and of being the protagonist of his life.

Whoever listens to Pietro cannot remain indifferent. Behind his figure as a seller you can perceive a great concreteness, a knowledge of the products and markets that reassure

customers. Among the first ideas there are the twelve needle packs that he had in mind for some time and which he will develop with the PIC brand. And then the ingenious closure of the hydrophilic cotton bags with a simple double ring cord. His' are never great ideas for big problems, but small solutions that improve people's lives. In an atmosphere of effervescent vitality, such as that of the Italian post-war period, Pietro always looks confidently to the future and plans his growth strategies by expanding production, hiring staff and expanding the network of its reference markets. The transition from commercial activity to industry has already started. Everything proceeds with the usual security by reinvesting revenues.

Exactly nine months after the wedding day, his son Enrico was born. Pietro's luck is that he will manage to have his family in his heart as an entrepreneur too. With the birth of Enrico, whom everyone calls Chicco, Pietro's professional life will also change. Chicco cries and Pietro thinks. During the night, awakened by the baby's noises, he takes one of his pieces of paper and begins to give body to a new idea. Pietro had noticed that in Italy there were no companies that specifically deal with childcare. He thinks of a special teat with a hole to let air filter through. He discusses it with the Artsana technicians and after a short time the first Chicco product was born. Chicco was born in 1958, a company destined to grow very quickly and become a worldwide giant.

Pietro chooses the childcare products and personalizes them with a communication intervention by the packaging and ends up in the sales network. Mothers become his most important consultants. Pietro Catelli's great commercial intuition is precisely in the use of pharmacies as a distribution channel for children's products. Pharmacies are still an important fortress of the old Italian cultural system. With the Chicco products, the first counter displays, dispensers, crowners and floor stand also arrive. The fact that the product is there, in the pharmacy, and that the purchase deed involves a doctor, guarantees the quality of the product.

In the meantime, Pietro Catelli becomes father for the second time. In March 1960 Michele was born.

Vision and creativity require him to enter the world of production. He listens to people's needs and transforms them into ideas.

Unlike the industrialists in the area, Catelli stands out for its willingness to produce for itself and its brand.

Thus, was born another great product, the first cradle games for children. The carousel of bees was born from an intuition of Pietro Catelli who, finding himself on a trip to Zurich, sees in the window of a jewellery a collar with bees. And fascinated by this curious animal, he thinks how nice it can be to build a carousel to put on the baby's cradle, which turns to the sound of a music box. This object will be produced in millions of copies and which will make generations of children smile.

Pietro predicts that the acupuncture market is destined to change radically, first he will see the use of disposable syringes become established and the great invention of this entrepreneur was the first syringe that did not cause pain. After several tests in the factory, the first prototype is defined which will then be launched on the market. The name Pic, from the French Pique, puncture, will become one of the most recognized medical-health brands.

In 1968 the birth of his daughter Francesca. While Francesca still plays with the bee house, Pietro buys a large space in Grandate and builds a factory where a thousand people work.

Pietro seems to summarize all the qualities of intuition, creativity and genius that the world attributes to Italians.

Pietro Catelli uses every moment of the day to invent new products and perfect the evolution of existing ones. The Chicco shoes, inspired by the Jungle Book. The text describes a boy crawling barefoot on the path, injuring himself. Pietro notes the words that the advertisers would then have written on the brochures: "Rear protection between sole and upper, reinforced

toe cap in leather, bean-shaped pads on the ankles and plantar support with non-slip anchors on the sole. Slightly raised heel".

The trade union claims are pressing and pressing, but Pietro Catelli and his Artsana have the economic resources to accommodate many of the workers' requests and keep the level of confrontation within the factories under control.

On 2nd June 1974 Pietro Catelli was recognized as the Cavaliere del Lavoro, awarded by the president of the republic.

In the seventies, the structure of the Chicco Artsana Group was based on a pyramid model with an absolute head and few managers, less than a dozen, who manage thousands of employees. Pietro puts collaborators in a position to do, then asks them to act. Humanity mixes with concreteness, intentions for results, will for merit.

A strongly compact group is created, which does not waste time in unnecessary discussions. Managers each enjoy their own individuality but with a unique common interest. The entrepreneur is the fulcrum of everything, but he has the ability to manage relationships with individuals by dedicating each of them to himself, thrilling them with his vision of life and work.

His commercial technique was revolutionary and successful. Every new product, every new idea meant to be the last to enter a world of specialists. At the beginning it was necessary to minimize costs, risks, waste, and instead maximize revenues, investments in image and product development. Then, once they became leaders in the sector, Catelli would stop wearing the clothes of the distributor and wear those of the industrialist. He planned the investments, identified the machines and designed the new production lines.

During a visit to China, Catelli met a local entrepreneur who marketed products similar to his under the Chicco brand. Pietro decides to meet him. And after a discussion that lasted for hours Pietro Catelli leaves China with the certainty that that entrepreneur will continue to copy his

products and one day, he will make them better and make them pay less. He says: "We will come here to produce. In a while there will be a large factory, with real workers and air conditioning, cutting-edge machinery and production rhythms like ours. Here it will be the heart of the world. It is just matter of time".

One of the typical characteristics of these entrepreneurs is that of making big decisions in very fast time. Strategic issues for the future of the company address them and resolve them in a matter of minutes. He is certainly a natural talent, he has the instinct of the company, the nose for the business, a sensitivity that allows him to see in the hidden folds of people, in the shaded sides of the most diverse situations.

In Spain, the Control brand was born in a small condom factory. The condom market is really difficult. Latex processing is secret, and packaging is even more difficult.

The birth and success of the Control brand are the expression of this talent, of this patient but incessant search for excellence.

In the meantime, Chicco continues to grow, inaugurates the first outlet in Grandate and spends over twenty billion lire on advertising.

Pietro strongly believes in the retail project. Supported by his two sons, Enrico and Michele, the TuttoChicco store network would be born, a network of sales points capable of playing the role of a large advertising campaign in the area.

At the end of the eighties another company would revolutionize the Chicco brand. The inclusion in an already started sector and the exploitation of an intelligent marketing campaign will give a result of 43 billion lire and an image that will make Chicco a world leader in the sector of car seats, capable of anticipating trends and exploiting timing and entrepreneurship anticipating events.

When the new legal provisions were launched in September 1980, three hundred thousand car seats had already been sold.

Convergence of work and intuition, apparently divergent qualities, but a patrimony of values that belong to Pietro Catelli and which at the same time has extended to all members of the industrial group that has built in its image and likeness.

On 20<sup>th</sup> January 2006 Pietro Catelli died in his Villa on Lake Como. He was 85 years old, and he left on of the major innovation and culture inheritance of all times.

*"Pietro was a child, but he never had a toy. Life was his toy. Like family, work, the company.*

*Games that allowed him to grow up, remaining a child. Able to grow, sow Happiness beans".*

In June 2016, after a period where the successor of the entrepreneur managed the family, a fund acquired the 60% of share of the company, becoming the major shareholder. The InvestIndustrial Fund concluded that to maximise value Chicco and PIC should be formally separated, allowing the respective management teams to more sharply focus on growth in two very different sectors.

As of December 31, 2018, Artsana includes: 23 branches worldwide, of which 12 in Europe and 4 in emerging countries, more than 400 points of sales related to Chicco and more than 700 related to PRG Group.

Considering the whole Group, the **direct economic value generated** and the **direct economic value distributed** amount respectively to € 1,661 million and € 1,565 million (+32% and +35% compared with 2017 figures); (Artsana Sustainability Report 2018, 2018). 2018 and 2017 are not comparable for the following reasons:

- 2018 consolidation of 100% of PRG Group for the full year, while in 2017 it started from September 2017.

- 2018 includes only 7 months of Pikdare S.p.A., while in 2017 it was included for the full year.

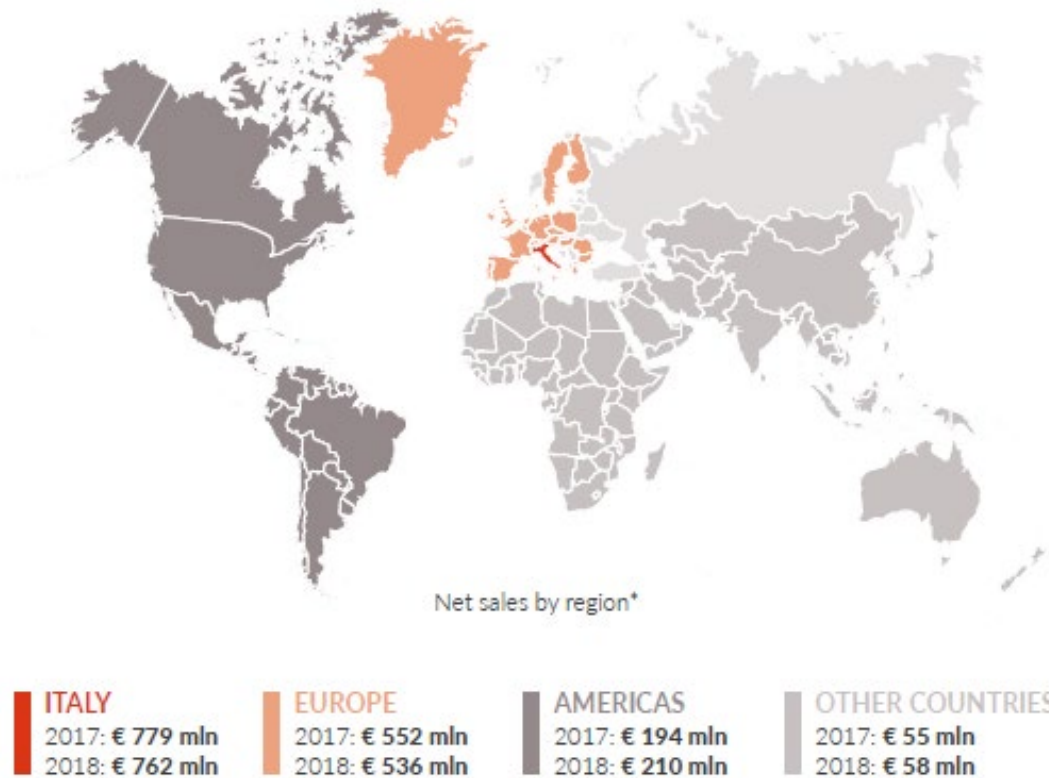


FIGURE 9 - WORLDWIDE REVENUE DISTRIBUTION (ARTSANA SUSTAINABILITY REPORT 2018, 2018)

	2017	2018
Direct economic value generated [k€]	1,253,881	1,660,842
Direct economic value distributed [k€]	1,161,938	1,564,710
Operating costs	902,599	1,252,155
Employee wages and benefits	200,376	281,854
Payments to providers of capital	31,997	19,809
Payments to government	25,673	9,449
Community investments	1,293	1,444
Economic value retained [k€]	91,943	96,131

FIGURE 10 - REVENUE DATA COMPARISON (ARTSANA CORPORATE WEBSITE, 2020)

In 2018, Artsana engaged with almost 200 suppliers from 20 countries all around the world in purchasing approximately 253 million euros worth of finished products. Italy remains one of the top supplier countries for Artsana, and the majority of the remaining supplier countries are from developing nations. The Code of Conduct is in line with national and international laws, as well as the International Labor Organization Convention. Therefore, by doing business



with its suppliers, Arstana helps contribute to the local, economic and social development, as well as environmental protection, of those countries. It is fundamental to identify Artsana's stakeholders in order to determine effective and efficient ways to engage with them. This is why the Sustainability Committee remains continuously receptive to alterations in stakeholder groups. Artsana has identified its stakeholders by analysing the characteristic business model of the baby care area, examining the relationships between the Company and different stakeholder categories, and through meetings with the management team. With respect to 2017, two new stakeholders have been recognised among the fundamental categories in 2018 during dedicated workshops: e-commerce intermediaries as well as Social media (including social media platforms and users), which have gained important relevance for Artsana with the recent creation of its e-commerce channel, and through which it can contribute to increase awareness of its CSR culture and its sustainability goals. (Artsana Sustainability Report 2018, 2018)

Through Chicco and its other brands, Artsana is dedicated to listen to the needs emerging from society and always considers babies and their families at the core of its activities. Both the structure of the traditional family and the roles within it are quickly changing.

Artsana's examination activities enable the Group to be constantly updated and ready to offer innovative solutions.

One of the elements that goes hand-in-hand with Artsana's research activities is the act of studying children to capture the truest and deepest expressions of their soul.

For years now, Artsana has established a continuous relationship of discussion and cooperation with Universities for targeted research studies related to the development of its products, and to preserve a dialogue with the new generations, the parents of tomorrow.

What has always been in the hand of the entrepreneur, that as an innovator, creates new idea and turns them into perfect solutions for the young mothers of the middle nineties, now is a

pool of people working together and share ideas and needs of different customers to find the perfect solution or improvement.

In particular, the Baby Research Center has collaborated with many Universities in Italy such as:

- the **Politecnico di Milano University** for juvenile products,
- the **University of Insubria** for pacifiers in collaboration with the orthodontic and pediatric departments, with relevant clinical studies,
- the **Biomedical Campus University of Rome** for bottle feeders together with the biomedical engineering departments,
- the **University of Pavia** for studies on shoe ergonomics,
- the **University of Turin** for studies relating to bottle feeder suction.

Artsana cooperates with an international network of independent scientific advisors and testing laboratories for the assessment and approval of products.

#### 4.2 Artsana brands ([Artsana Corporate Website, 2020](#)):

	<p>Brand devoted to the entire world of children. Chicco has been “wherever there is a baby” and is one of the top 10 Italian consumer goods brands. Present in over 120 countries, with almost <b>400 single-brand stores</b> and has a <b>turnover of about 700 million euros</b>. The United States market is the second after Italy in terms of sales volume.</p>
---	---

	<p>American brand acquired in 2008 and market leader in nursing pillows. In the United States, the Boppy nursing pillow was voted the "<b>Children's Product of the Year</b>" more than 15 times, a record!</p>
	<p>NeoBaby has a 23% market share and is the primary baby care brand for infant products in mass market retailers. Its aim is to make quality baby care products accessible to everyone at the right price. 100% of the soothers and feeding bottles are made in Italy.</p>
	<p>Fiocchi di Riso is a cosmetic line meant for infants and children that respects the physiological equilibrium of the skin thanks to the total absence of substances that hinder skin perspiration or that dehydrate/irritate it.</p>
	<p>Fisiolact is a line of specialized electric breast pumps for clinic and home, reflect a child's physiological sucking. They are suggested both when starting to breastfeed and to support nursing mothers.</p>

The logo for RECARO, featuring the word "RECARO" in a bold, black, sans-serif font.

Artsana develops, manufactures and distributes high-end child car seats and strollers under an **exclusive worldwide licence** with RECARO, which is a German brand synonymous of **quality, safety and innovation in design seating systems** developed for sectors such as the high-end automotive or aviation industries.

The logo for Prenatal Retail Group, featuring the word "PRÉ" in green, "NATAL" in grey, and "RETAIL GROUP" in green on a grey background, with the tagline "GROW WITH US" below.

Prenatal Retail Group is the leading international retailer, which provides a wide range of products to meet the needs of new mothers and children up to the age of 8. It markets its products through a network of over **700 stores**.

The logo for goovi, featuring the word "goovi" in a bold, black, lowercase sans-serif font.

Born from the collaboration between **Michelle Hunziker** and **Artsana Group**, the **Goovi** lines are designed for the **well-being of women**, family and home care by combining the benefits of natural ingredients with a "good vibes" philosophy.

	<p>Control is the number one brand in Portugal, the number two brand in the sexual wellbeing market in Italy and Spain. For <b>over 40 years</b> Control has been researching, innovating and developing condoms, lubricants and sex toys of the highest quality and consolidated safety.</p>
--	---



FIGURE 11 - ARTSANA WORLDWIDE PRESENCE (ARTSANA SUSTAINABILITY REPORT 2018, 2018)

Artsana works in 23 branches worldwide, of which 12 in Europe and 4 in emerging countries, more than 400 points of sales related to Chicco and more than 700 related to PRG Group.

To conclude the display of products that have made Artsana and its brand Chicco famous worldwide we have to mention some of the major introduction and invention in the childcare sector:



FIGURE 12 - MOST IMPORTANT INNOVATION & PRODUCTS (ARTSANA ARCHIVE)

- **1958: Anti – hiccup teat.** This product is standard teat, equipped with a special anti-hiccup valve that was conceived to prevent the baby from breath in air while nursing, thus decreasing hiccups and regurgitation.
- **1967: The little bee house.** The must have product for a long number of generations of babies has now achieved today a multi-million production. This product marks Chicco's entrance into the exclusive toy industry, which had previously been dominated.
- **1971: The first Chicco Soother** featured the purest rubber latex, ensuring a smooth comfortable feel for baby while sleeping. Unprecedented intuition is still the determining factor of success. Continuous research lead to the creation of the **Physio**

**Soft Soother** in 2006, which has an orthodontic teat that encourages the correct development of the mouth.

- **1990:** Chicco introduced the **Little Transit Child Car Seat** for babies with a maximum weight up to 9kg. A ground-breaking concept in car transport for children.
- **1999:** **Trio Transformer** supplied a smart 3 in 1 solution for parents going out with their baby. It included a Carrycot, a stroller and the Chicco Synthesis child car seat.



FIGURE 13 - MOST IMPORTANT INNOVATION & PRODUCTS (ARTSANA ARCHIVE)

### 4.3 Values of Artsana

I'm going to introduce the four most important values of Artsana. These values have been studied and adapted to the different changes of the group along the growing and maturity phase of the company.

The four values:

1. Passion
2. Innovation
3. Responsibility
4. People

Each of these values assume a particular importance. It is rooted in the history of the company, firstly introduced by the entrepreneur and later adopted by all the employees.

**Passion:** We are proud to work to promote the well-being and health of children, families and people all over the world, with enthusiasm and dedication. We are committed to what we are doing, and we go above and beyond our limits, bringing a positive energy that animates the organisation.

**Innovation:** Boosted by our expertise, we have the audacity to take on and overcome new challenges, looking to the future with curiosity and constantly reconsidering the current situation in order to improve it.

**Responsibility:** We are conscious of the impact of our work, both with regard to the internal organisation and the world outside, and we act consequently, feeling as if we are part of a shared project.

**People:** We promote teamwork and the formation of encouraging relationships through listening, respect, trust and open, effective communication, in the knowledge that both the company and the individual are expanding together towards a common vision.



Each of these values has been decomposed in different “everyday action” to better understand the meaning.

**Passion\*:**

- ENTHUSIASM: Demonstrating energy and interest with regard to work and the company.
- BELONGING: Being committed/proud to be working for the company, using "we", recognising ourselves in others.
- PROACTIVITY: Anticipating events and taking the initiative, being open to change, making things happen.
- COMMITMENT: Devoting all the will and power to performing the requested work, alone and/or in groups

**Innovation\*:**

- CURIOSITIES: Studying and exploring key themes and issues, digging beyond the surface of a situation, looking for the reasons behind the choices made.
- PROACTIVINESS: Proposing alternative approaches and solutions, including those that are partial or incomplete, which when pooled, enable progress to be made.
- FLEXIBILITY: Adapting to changing situations and conditions with ease, both internally and externally, with an attitude of constructive criticism.
- RESPONSIVENESS: Reacts rapidly to changing situations and conditions, both internally and externally.

**Responsibilities\*:**

- ACCOUNTABILITY / OWNERSHIP: Taking on a task and following it through from start to finish, making things happen, viewing the tasks assigned to the person as being something we own.

- FOCUS ON RESULT ORIENTATION / PROBLEM SOLVING: Taking a pragmatic approach to finding solutions and achieving results as opposed to pursuing an ideal approach, not giving up and finding alternatives that enable the goal to be achieved.
- EXPERTISE / LEARNING FROM EXPERIENCE: Developing, disseminating and enhancing the expertise available, both our own and that of the organisation.
- AUTONOMY AND DECISION-MAKING CAPACITY: Making decisions within the limits of our professional role with regard to the various scenarios available, after assessing the impact of these decisions in terms of costs and benefits.
- ORGANIZATION: Taking a structured and organised approach to problems, prioritising in a way which is appropriate to each individual situation.

**People\*:**

- LISTENING: Seeking to understand what people say, both in explicit and less explicit ways.
- TEAMWORK: Acting with a multicultural group context with the belief that we can achieve the best results by working as a team, through collaboration, information sharing and recognition of each member.
- RESPECT: Giving recognition to people, both as individuals and in relation to their role, refraining from judgements or behaviours that could cause hurt or upset.
- TRANSPARENCY: Ensuring all information that can contribute to the successful management of professional activities is available to all.
- VALUING PEOPLE: Guiding, coordinating and monitoring people in order to achieve goals, promoting professional growth through appropriate use of the delegation and supervision processes.

\* This information is strictly confidential and are taken from (Archive, 2020).

## 4.5 Case Study Analysis

In my research what I really find interesting and worth-studying in this research is the power and the capacity of the entrepreneur of instil in his employees the idea of emotional-intelligence and the dedication of the funder, and used these concepts in the Innovation Process, creating a connection between two elements, that at a first sight, seem distant and different. Pietro Catelli was always present in all the activity in first person, and also taught to his successors and families to be always present and show interest and devotion in everyday activities.

*“We had been out watching as he explained to his collaborators how the products were arranged or how to find a solution for a problem. Then we understood why the company was so successful. No one else will ever put this commitment. Another may come, even with more experience than him, but he will never know what he knows.”*

This beautiful and great thing that he has created was his dream.

*A rule that we want to follow and is very important for creating something: CCS is an important acronym, it stands for: Confront, Collaboration and Sharing. We must also collaborate and decide everyday activities. If you carry out the first two phases in an optimal way, the third comes by itself. When looking for a collaborator or during the hiring phase, skills are there, everyone has them, they are commodities, they are no longer essential, you must have them. What matters is people's emotional intelligence, the ability to disenchant and the desire to collaborate.*

Fundamental emotional intelligence for People don't buy what you do they buy why you do it. An emerging explanation is that family owners pursue noneconomic goals that create socioemotional wealth (Gomez-Mejia L. C., 2011), which is defined as the “non-financial aspects of the firm that meet the family’s affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty” Gomez-Mejia et al. Compared to non-family firms, which manage Innovation investments basically to achieve economic goals,

family owners will manage Innovation investments to accomplish goals related to both socioemotional wealth and economic results. One of the main drivers of socioemotional wealth is the affective endowment derived from control of the firm by the family (Gomez-Mejia L. H.-N.-F., 2007).

The idea of understanding the need of the customer is fundamental to analyse the success of the brand Chicco.

#### 4.5.1 The Golden Circle Framework:

*The Golden Circle* framework: it's pragmatic and offers an excellent methodology for defining and refining your company's core values and strategy the *why, how and what*. To create desire clients, you have to sell *belief* and *trust*.



FIGURE 14 - THE GOLDEN CIRCLE ANALYSIS (SINEK, 2006)

The Golden Circle framework is very successful scheme helpful for developing a deep understanding and developing our clients' messaging. Why? Because if you don't know your *why*, also the product will be general product and not recognizable in the middle of hundreds of other cannibal product. Sinek explains that 'Why' is probably the most important message that an organization or individual can communicate as this is what inspires others to action.

*Successfully articulating your 'Why' is a very impactful way to communicate with your customer. Taking into account the organizational level, communicating your 'Why' is the basis of a strong value proposition. (Sinek, 2006)*

#### 4.5.2 Artsana way of search for Innovation:

Dr. Marelli, one of the most important collaborators of Mr. Catelli, which I had the pleasure to interview, told me some very remarkable element regarding innovation and how it happened in that time, that I wanted to report the most important highlights. *"In wandering around the different places around the world we used to go home with the first ideas, we were looking for the need of consumers. Curiosity and fame and success were the main elements that pushed us to improve every day. "Inventor does not make money" always repeated the Sig. Catelli, you had to copy your idea and market them out on the market with a quick time-to-market. Of 10 products that were marketed, maybe even 2 were wrong. When there were large meetings attended by the most important managers, everyone was seated around the table, but the expert was always and only one: entrepreneur Catelli who knew how to impose his idea and intuition: One-Show-Man. It is on the field that the ideas for the product were found. "If there is no fast time-to-market, you lose the position of leader and risk becoming a follower." yesterday's need was to be seen, but today, once the brand is built, then you can make different investments also to expand and have different results.*

*Great intuition is the ability of Mr. Catelli to realize the lack of a company that dealt with 360 degrees for childcare products in the different stages of the child's age. And so it is with the birth of his first son Enrico, Pietro realizes that the few companies on the market were specialized exclusively in the production of few items for children, generating a market hole that had an absurd potential, given the countless births of the post - war age.”*

Furthermore, when carrying out local research activities, organizations always try to find out for alternatives and possible solutions that build on present knowledge already in use. Distant searching activities essentially require the search for solutions that are not correlated to the firm's present knowledge base.

In the *table 1* I divided the history of the company in three stages: Start-Up, Growth and Maturity, this was possible only through a detail study of the history of the company. In the Start-Up phase only the entrepreneur and a bunch of near collaborators and family are involved in the organization. With the Growth phase the company starts the process of internationalization. New subsidiaries were opened: France, Spain, Germany and USA and last but not least the Maturity Phase, the period in which the firm is living today. More than 20 subsidiaries world-wide, more than 7,000 employees and a structural and complex managerial and hierarchical structure.

Arrows are connecting each phase with its characteristic elements that were found relevant in the analysis of history and firm archive. So after having conducted some interviews and read some chapter of this fantastic history of this firm I found some recurrent element that I considered fundamental for the analysis and study of correlation between innovation and culture. All these elements and characteristic were reported in boxes that are repeated in each phase in order to better create a term of comparison and a qualitative base for understanding the differences that occurred in the three phases.

1. *Family Dimension*: How the family is involved in the particular phase under analysis

2. *Innovation Process*: How the process of innovation takes place, and which are the principle determinants
3. *T2Market and R&D*: in this part the focus is on the structure of the company and the ability of the company in create and market a product to satisfy a customer need
4. *Leadership*: this was very helpful for understanding the value of the entrepreneur in the decision process and how the decisional process has changed in the last years.

There is a recurrent element in the analysis and is the important figure of the entrepreneur that together with his curiosity and intuition has allowed him to create and forge a great company based on structural and important cultural values.

It is part o f a technology leader's job to create the culture that fosters innovation. To get innovation at all levels of the company, each of the individuals' energy and ideas need to be focused on achieving challenging organizational goals, using teams as a vehicle. But the used of Teams has also some drawback.

Everybody is supposed to be part of a team, because teams are "the way things get done." In a team-based corporation, there is the highest degree of compliance. A small group applies a formidable social force. If you don't adapt to what your team wants, you may be isolated which can be a terrible experience.

To grow innovation at all levels, the individuals' energy and ideas need to be dedicated on accomplishing challenging organizational targets, using teams as a vehicle. There are some important principles and guidelines that need to be followed in order to achieve a collective goal.

1. Decisions are founded on clear goals
2. People acknowledge that helping others to be innovative is part of their business
3. Innovation is seen as something to be sought, not as something to be managed

and this is also what Veronica Borghi, Innovation Manger in Artsana, has described me during the interview:

*“On the consumer-centric area, my research area, we must start from consumers and implement research with the study of technological innovation, because consumers cannot imagine the technological future. There is a part of deep analysis on the consumer and trying to maintain the entrepreneur's great observation and experiential capacity, we try to deepen the requests and needs of customers. The difference from the past lies in the fact that a new and in-depth research on the consumer has been activated in the last 4 years by going to interview the consumer directly and enter his reality. Entering empathy, we are provided with fundamental information, which then completes the picture and gives us answers on evidence that we have already intercepted in traditional research.”*

Opinions are needed to be taken extensively inside and outside of the organization. Senior managers are expected to travel and cover a wide assortment of relevant stakeholders, including competitors, suppliers, customers, academics, and other labs in order to obtain new information and opinions.

Focusing and the table presented below I wanted to focus the attention on the development of the company in three separated phases that are structural different for owning and decisional structure. And some recurrent elements that are the master pillars upon which this company is based and funded.

Focusing on the concept and value of Innovation I also have the pleasure to interview Pierluigi Franco, Group CTO + R&D Director Nursery and Medical product, who explain me two important streams of Innovation:

- Technological Innovation
- Product Innovation



*“There is also a theme of the company's response also in organizational terms. Transversal figures have been established within the company, the research methodologies remain the same for all and remain transversal for all types of product. Cross business units were created, but strictly complementary. Mechanisms are made possible given that there is no sectorialisation of innovation, we try to look at innovative processes in the most transversal way possible. Research can start from the consumer or from a technology that has not yet become mainstream but that may be able to respond to a consumer need. The language of innovation must be common.”.*

*“The two approaches must meet. If on the one hand, there is technological innovation there is also to understand what demand the consumer could satisfy and thus the two worlds of technology driven and consumer driven intersect” confirms Veronica Borghi*

Another important and relevant characteristic is the T2Market. The needs are to be as fast as possible and innovations must come to the market as quickly as possible. Innovations that require technology development take a longer time.

*“Artsana does not develop technologies in the first line, and since on the one hand processes are long and on the other some technologies are not controlled by us, what we need to do is to have a continuous of innovation projects, a continuous FUNNEL so that the channel it always stays full, so you don't have some lack of ideas and projects” .*

We must take into account the fact that not all Innovations succeed, and if you want to maintain a certain degree of innovation everywhere you always have to start a little more and it is natural that some are abandoned.

Pierluigi also give me two important concepts to always consider when starting an Innovation process:

- 1. Avoid failure by keeping more ideas at stake*
- 2. Start early to get there first*

Some projects that have been made at Artsana, for example consulting external experts on certain types of technologies, precisely for the concept of Open Innovation. Today in view of the growth of the human knowledge, limited resources and duplication of knowledge, what a company needs it can find it out and simply outside in the market and later adapt it to its reality. However, there are problems related to the rights and appropriability of knowledge.

Once upon a time companies were jealous of their inventions and established much more rigid models of partnerships. Nowadays much of the innovation comes from start-up companies and approaches completely change.

Taking into account the Artsana case study Veronica Borghi illustrates:

*“Before, closed briefs were held, with unmodifiable cardinal points, now with start-ups it is a conceptual path that is built in an open and together way. Starting a path that is not as clear as it was before, but an unknown factor that is organized with milestones and stage and gates where research breaks and divides into several areas and step by step construction process.”*

There are always transversal figures who are always involved at a certain point of the project: purchasing department, marketing, the technological part and then there are a series of other figures. Since there is no fixed team that deals with innovation, every time an innovation project is activated, a temporary team is also set up to take care of bringing the project forward.

*“Within the team there are always two marketing people from the competent area and two figures with different skills and training and different skills. Depending on the project, at the beginning the team can be made up of a 6/7 person and slowly you have to call outside stakeholder, starting with people with ideas more distant from our evaluations and more people involved and we are convinced that it is as objective as possible.”*

After phase 3, other stakeholders come into play with involvement of the technical part.

Pierluigi continues the description of the Supply Chain of Innovation:

*“Taking into consideration the technology side, the purchasing department plays a mediating role between the market and the company and a fundamental aspect is always the monitoring of the competition, which always manages to give points of evaluation on existing and future projects and on the state of the art of other companies.”*

#### 4.6 Artsana Cultural feature

*“Innovation is no accident, it comes from a culture that supports it, and senior managers who work hard to maintain it.”*

There is a scarcity of culture–innovation research that focuses on the national level of culture. Proof that a nation's culture affects innovation may carry significant consequences for company strategists concerned with locating R&D superior services and a broad range internationally. This case-study allows me to investigate the culture–innovation relationship with greater certainty than have been possible in prior numerical research.

National culture affects innovation through influencing the preferences, beliefs, and incentives of individuals throughout a society. That's way Artsana has implemented a strong system of interviews to enter in empathy with his costumer and better understanding their needs.

While there is no unanimity over which are the “right” cultural values to stimulate long run national innovation rates, some of the historical and research literature hypothesize that individualism is a strong candidate.

To better understand the changes that culture, and values undergo during the three phases of Artsana development I create a table that is very helpful for analysing how the pillars of the culture developed and adapt to the different period of the company. Some of the most important are Curiosity, Intuition and Passion; some of the master pillars upon which the company is funded also during this time.

Veronica Borghi during my interview has explained the power of culture on innovation highlighting two important elements: Experience and Passion:

*“What gives value to innovation for our company is the infinite experience it has about the child at 360 degrees. our expertise is something important that lies within our company and can be compensated externally for shortcomings. knowledge of target is a fundamental value element with regard to innovation. The enormous passion that is handed down in the field of baby-care and that in these last years is transformed into family-care is carried out for the great passion that our colleagues and the whole company has towards the business and this "Solid Passion for Life" project.”*

Many culture theorists and historians suppose that the cultural is a “master variable”, a causal force involving innovation which either determines or overcomes all other causal factors.

Curiosity, Intuition, Responsibilities, Innovation, Passion and Knowledge these are the main pillars of Artsana. During these years of strong change in the ownership and in the structure of the company, all the cultural elements has been stressed out and forced to resist, in order to maintain an identity and to make the employees feel the sense of belonging

The Curiosity of the entrepreneur and his intuition enabled him to create his dream. A company that was born to help resolving the problem of few and ended up solving problems of many. Originated from a personal experience and need and based on the intuition of the time was able to foresee the necessity in the market and use his knowledge and passion to forge and create one of the biggest childcare company in the industry.

A company with a great sense of responsibilities toward its employees, customers and all the external stakeholders, that has been able to innovate and change during difficult times to remain always on the leading edge of innovation and never lose its position in the industry. In the last few years the international expansion in fast-emerging growing countries like China and India is another great opportunities for the company, and another big challenge for its culture, that must be forced and challenged another time to maintain its integrity on the one hand, and on the other to adapt to the necessity of the country of internationalization.

I want to finish this part of my thesis with a quote from Simon Sinek that in few words describes the history of this company and gives a perfect summary of the culture of the company and the idea of Innovation.

#### 4.7 Table Relation Culture and Innovation

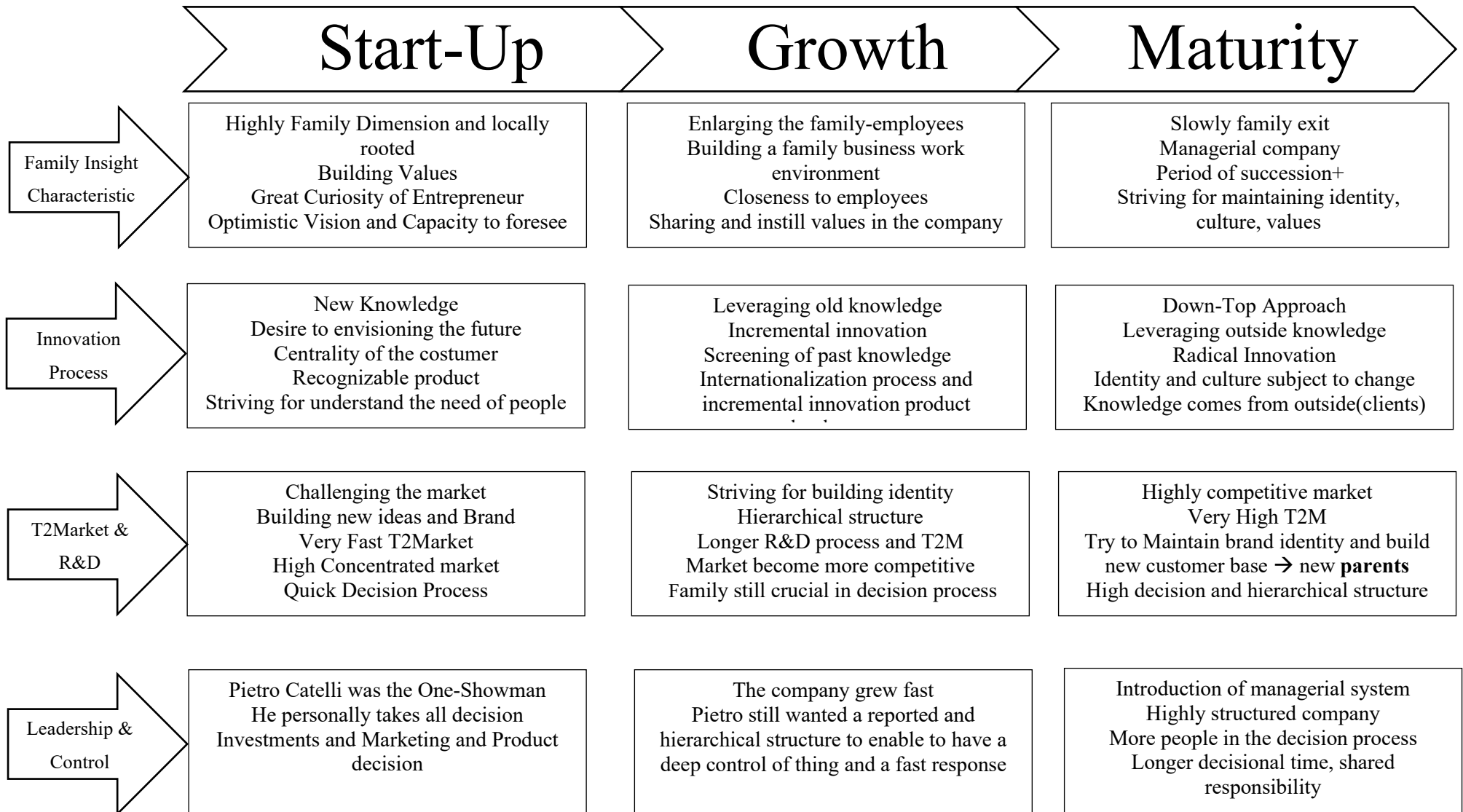


TABLE 2 – ANALYSIS OF ARTSANA CHARACTERISTICS

	<i>Start-Up</i>	<i>Growth</i>	<i>Maturity</i>
<i>Curiosity</i>	-Curiosity of the entrepreneur -Trying to find an idea or solutions	-Curiosity become a firm prerogative also for collaborators when looking and during visits	-Brand identity -Same curiosity of the baby -Fundamental element for success
<i>Intuition</i>	-Pietro Catelli a man with enormous intuition and capacity to foresee the need -No instruments to analyse the market	-Difficult element to instil -Employees and collaborators start using different system to foresee the need of the market and clients	-No more only one person-intuition -Process of analysis of market and customer research and interviews
<i>Responsibilities</i>	-All the activities were in the hands of the entrepreneur -Final decision was in the hand of Pietro Catelli	-Enlarging the company, Pietro Catelli develop a system of reporting and controlling -Responsibilities in the hand of few manager	-Big managerial company -High bureaucracy -Shared responsibilities among managers and business area
<i>Innovation</i>	-Ideas and new revolutionary products -Incremental innovation -Product improvements -Pietro on the leading hedge of Innovation	-Screening of the past knowledge -Incremental innovation, more employees involved in this process -Pietro Catelli instilled the value of continuous innovation and curiosity as improvements	-Leveraging new knowledge from outside -Few Radical Innovation -Open innovation and sharing of knowledge between Business Units and customer
<i>Passion</i>	-Great passion for the firm -Passion for the family and products -Great passion for his work	-This characteristic of passion was successfully instilled and passed through 2 <sup>nd</sup> generation to the employees	-Presence of a strong passion also nowadays -One of the funding elements of the company → Motto “Solid passion for life”
<i>Knowledge</i>	-All of the knowledge was in the market, and the capacity of the founder to grasp information and elaborate needs -Pietro Catelli was a real source of knowledge	-The resource-based-view was optimally used to focus the attention on the knowledge and resources already active in the firm	-Step-back (reconsider knowledge outside in the market) -Knowledge needs to be grasped outside -Sharing Innovation and Knowledge

TABLE 3 - ARTSANA CULTURE & VALUES DEVELOPMENT

## 5. Discussion

In this section I want to present the results and support my thesis with limitation and possible future research. In order to give a clear and more understandable structure I try to divide this part in four sections:

1. *Summary of the research*: brief and concise summary of what I did and the what it guided me to the research question
2. *Contribution to Theory*: after having analyse the Literature Review I tired to fulfil the gap in the literature and support this part with references
3. *Managerial implications*: I wanted here to address my results to managers and entrepreneur who are willing to know how culture and innovation can be leveraged in family firms
4. *Limitations and future research*: knowing the limits of my research activity I decided to display them in this section and help future researcher for any possible future interest.

### 5.1 Summary of the research

Findings introduce and describe a model that can be useful to analyse Artsana's journey from its birth until today, focusing on two main aspects: Culture and Innovation. But before entering in the detail of the discussion let's take a step back in order to re-analyse the story that lead me to this point. Starting from the premise that searching Innovation was a concept deeply studied by most of the scholars, in my readings, I hardly could notice the culture involvement; moreover, there were only the few remarkable connection with the family firms.

I have sought to elaborate and extend existing theory of innovation trying to interpolate the concept of culture, in all its facets, and elaborate a consistent analysis of a case study by illuminating the process through which firms generate innovative value with the help of culture



throughout the whole lifecycle of a company. I started the analysis with the idea that culture and family firms could not leverage the innovation process, but results and the case study analysis give me proof that I was wrong. The analysis reveals a process that is more variegated than existing innovation in non-family firms. Search and organizational learning models are deeply affected by the lifecycle phases in which the company is, and a deep focus on innovation search, unveiled a set of routines and practices that characterize the distinctive structure and dynamics of the Innovation and Culture process in family firms.

During the research I focused my attention on some important cultural characteristics, how they were forged and instilled in the organization, by which events they were affected the most. Then we saw how the different elements of Culture and Innovation of the organization faced some major alterations and what are the methods that were implemented in order to connect these phases creating a harmonious process enabling the company to grow fast and to exploit its characteristics to win the market.

To increase the knowledge regarding some aspects I personally conducted 3 interviews within the organization also involving one important stakeholder that played an important role in the company evolution and internationalization expansion process. I was also given the opportunity to rely on internal documents and participated to annual meetings and one workshop on Artsana's culture. Since my research activity was mainly focused on culture and innovation it was necessary to study these two concepts at 360 degrees because they initially mature internally in the firm and then replicate on the outside through the brand image.

Nonetheless, I implemented the iterative process since it allows and enables to emphasize potential issues and try to solve them.

## 5.2 Contribution to Theory

Similar to previous study I want to focus my attention on Innovation in Family Firms and analyse how can innovation be leveraged to create breakthrough discoveries and viable products on the market. I started my research analysing the most important papers and scholar's contributions. The first result was always the same: *"They are generally considered to be less entrepreneurial than their non-family counterparts. Innovations are the most important driving force for entrepreneurship and growth"*. Firstly, I wanted to present the case of a family firm that has been able to leverage innovation in a proper way and be on the leading hedge of the market for several years since its foundation. As previous studies did not account for the different levels of involvement of family managers and directors, a contribution was made by providing a more detailed explanation of family influence (Kurt Matzler, 2015). I saw a clear lack of one of the most important elements, speaking about family firms: Culture.

I came across the field of family business studies suggesting that family firms are different and that they may have an advantage because of their family involvement. After a deep analysis of what can be consider as culture, I realise that the study of culture is on the rise; still, this popularity comes with the cost of increasing fragmentation (Simona Giorgi, 2015).

The concept of culture is central to organization studies. The concept of culture, although fragmented, is considered a mixture of values, beliefs, social norms and principles that are instil in the organization by the founder and by the strong presence of the family in the firm. In this thesis have been studied six of the most important concepts that emerged from the deep analysis of the history of the company and the family commitment. So, despite all the fragmentation of the concept I tried to investigate, starting from a real case, the development of some cultural values in different time of firm's development. For firm phases of development it is meant three steps starting from start-up phase, where only the entrepreneur and few other collaborators were presented, passing to growing and arriving at the company as it is today, in

the maturity step, where it employees thousands of people all around the world. Organizational culture is an important strategic resource that family firms can use to gain a competitive advantage (Zahra, Hayton, & Salvato, 2004). After having examined the two concepts in all theirs facets I realised there was a gap in the literature review. The two concepts where used in every firms separately, but only few of them merged together the two pillars and created an incredible competitive advantage that let the firms win the market, and propose viable and optimal solutions, thanks to a great and profound analysis of the need of the customer and a great empathy among employees, collaborators and final clients. The use of personal traits of the entrepreneur such as curiosity, intuition and innovativeness in entrepreneurship studies has been questioned (Mueller & Thomas, 2000).

The use of the term “personality” in many studies also suggests that such characteristics are unchangeable and unaffected by experience or circumstance. (Mueller & Thomas, 2000). However, as I tried to demonstrate in my thesis, contrary to what most of the scholars reported, characteristics such as Curiosity, Intuition, Leadership and Responsibility are not necessarily engraved at birth or an early age and may be assimilated at a later time due to practises in the work place, education, exposure to role models, parents, and social setting (culture) which shape values and opinions (Mueller & Thomas, 2000).

The responsibility of family business culture and values is acknowledged as key drivers of corporate entrepreneurship in family firms, and important to track the role and evolution of family business values through the emergence, evolution, and maturation of family firms.

Family firms whose cultures strongly favour an outdoor searching and a strong family presence may find it easy to spur the entrepreneurial initiatives resulting from the autonomous action of their managers and employees (Zahra, Hayton, & Salvato, 2004).

In severe contrast with prior research suggesting that family firms should either stick to their founding values (De Massis, 2016) or abandon them in order to professionalize and adopt dominant

business values, or “logics” from the industry (Stewart, 2012), my study questions such hypothesis and suggests that it is important to never abandon the principal concepts and values that bring the company in its position, but is strictly necessary to align the changes in the external market to the culture and beliefs in order to not have the feeling of being old, not supportive and problematic to pivotal entrepreneurial growth. Finally, the findings of this study deliver support for the view that the impact of culture on Innovation will be greater in family than in non-family firms, due to the concept of permeated culture, values and beliefs instilled by the strong participation of the family in the managerial and organizational structure.

These results highlight the importance of the concept of familiness (Zahra, Hayton, & Salvato, 2004). The concept of familiness is extremely relevant and forwarding when speaking about culture and firm identity. It is primarily applied to family firm because of its obvious presence of the family, but *it will be useful to study how the concept of familiness can affect the Innovation process and the entrepreneurial growth.*

The outcomes strengthen the frequent examination, rarely supported by empirical evidence, that the combination of the family and the business may generate competitive advantages for family firms. Of course the results are only based on an empirical observation of only one case study. The possibility to further expand the analysis of the correlation between culture and innovation it will be more supportive for my hypothesis. So I will expect in the future to see other studies supporting this important heritage that is left to successors (i.d. culture) and that if it is leveraged in a smart and profitable way can lead a company to obtain a competitive and sustainable position in the market. Why don't support also the analysis with some quantitative data and create a group of analysis with different firms around the world and try to enlarge the examination also taking in consideration the Process Innovation and national culture try to analyse the different approaches of different entrepreneurs around the world ?

### 5.3 Managerial Implication

The results of my studies also have important managerial implications that I want to display here in this section. Specifically, our study illustrates that family firms can be on the leading hedge of innovation by taking into account the values and major cultural elements that reside inside the organization. The Artsana case study gives the perfect idea of what should be done in order to find the correct combination between culture and Innovation. The priority is always to generate innovations, activities aimed at search for latent need in the target and leveraging them with the main cultural element already instilled in the company, all this process lead to a breakthrough and unexpected innovation, both incremental and radical one.

Since the early beginning, start-up phase, it is important to instill in employees and stakeholder what is meant for culture and values, and which are the most important characteristics upon which building knowledge and history. If, instead, the priority is generating innovation, then research activities must be based on outside knowledge and based upon curiosity and intuition, creating a feeling of empathy with the customer. It is important to understand that “People don't buy what you do; they buy why you do it. And what you do simply proves what you believe” (*Simon Sinek, Start with Why: How Great Leaders Inspire Everyone to Take Action, 2009*). In the framework presented above the concepts of culture and innovation evolve during the development phases of the firm. Managers and entrepreneurs should consider the fact that in real life and during development phases, the concepts may evolve and change the principle characteristic, that's what I did considering the Artsana's history. It is also fundamental to build an ethical code that must be signed by whole stakeholders in contact with the company.

It is possible to discuss here that some procedures and habits can be used to foster the capabilities to interiorize and reinterpret cultural distant elements. This can be done by permeating the culture of the entire corporation and allowing those involved in the innovation

process to recognize the strategic significance of the past, and of seeking within it and converting it into new product functionalities and meanings.

It gives the impression that firms benefit more from establishing an innovation mentality in order to fully control the potential of their innovations.

The results suggest that families need to be actively engaged in order to achieve this. Once employees and stakeholders are engaged in cultural and innovation development, positive effects can be expected.

#### 5.4 Limitation and future research

The model I chose to analyze and with which I proposed to support the research activity is based on a single case study and it simply makes it possible for the qualitative generalization of theory. Another limitation is the particular focus on the industry: childcare industry is a specific sector where innovation is driven by the major players in the market and where industry-specific effects are recognized to shape the causes, procedures, and consequences of innovation process only focusing on this industry. The *How* research question allows me to implement only a qualitative analysis and does not have the support of data and statistical analysis. More generally, the outcomes are framework specific. This means that it may contribute to explaining how to leverage Innovation and Culture in family firms but does not consider the conditions under which its implementation may be more or less costly and viable. Time and the particular world-wide delicate situation (Covid-19) forced me to take some decisions and did not help me in the writing of my thesis; videocall instead of real meeting give a sense of distance from the Company and a difficult comparison with the major stakeholder involved.

Despite some limitation presented above I remain open to any possible comment and suggestion for future research. Hereunder, I want to present some advice that might be helpful

for extending our conclusions by considering the role of culture and Innovation in others family business and concentrate the analysis on different companies and organizations in different industries and enlarging the cross-section. To inspire future research I also suggest creating a focus group of students or scholars in different part of the world, it would be worth to study the relation between Culture and Innovation not only on an organizational base but also how the national culture can affect the Innovation process, and compare the different attitudes of different countries around the world

## 6. Conclusion

Prior researches and the analysis of literature review demonstrated the great power of Innovation as a competitive advantage, that can create large benefits and brings important changes inside and outside of the organization. My research offers an empirical evidence on how innovation can be used together with another important family firm heritage: Culture. It has been shown that the process through which organizations create new knowledge leveraging Innovation and culture is a more varied and complex phenomenon but results in a greater outcome. This analysis focuses its attention on the concept of culture and its development during the lifecycle phases of a family firm. Considering the organization as a human being it has been demonstrate that value, beliefs and culture are subject to changes during time, but it is strictly necessary to maintain the original identity of the company. At the same time, it shows that different innovation outcomes can be found by leveraging outside knowledge and blended it with the great cultural heritage maturated during the years. This thesis revealed me the power of Innovation, as a continuous improvement and a great way to feed the organization, but on the other side the cultural heritage validated the power of “old” knowledge that is fundamental for understanding the phases of the company’s development and the feelings of stakeholders and customers.

## 7. Bibliography

- Aldrich, H. E. (2003). The pervasive effects of family on entrepreneurship: Toward a family embeddedness perspective. *Journal of Business Venturing*, 18(5), 573–596.
- Archive, A. (2020). Artsana Spa.
- Artsana Corporate Website. (2020, Febbraio 02). Retrieved from Artsana Group SPA:  
<http://www.artsana.com/>
- Artsana Sustainability Report 2018. (2018). Artsana Sustainability Report 2018. Grandate, Como, Italia: Artsana SPA.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 99–120.
- Beck, L., Janssens, W., Lommelen, T., & Sluismans, R. (n.d.). *Research on innovation capacity antecedents: distinguishing between family and non-family businesses*.
- Bennedsen, M., Nielsen, K. M., Perez-Gonzalez, F., & Wolfenzon, D. (May 2007). Inside the Family firm: The Role of families in succession decision and performance. *The Quarterly Journal of Economics*, 648-691.
- Block, J. H. (2012). R&D investments in family and founder firms: An agency perspective. *Journal of Business Venturing*, 248–265.
- Christina Grundstrom, C. O. (2012). Family-owned manufacturing SMEs and innovativeness: A comparison between within-family successions and external takeovers. *Journal of Family Business Strategy*, 162–173.
- Corbetta C.A., & S. (2004). The board of directors in family firms: One size fits all ? *Family Business Review*, 17(2), 119–134.



- De Massis, A. (2016). Innovation Through Tradition: Lessons form Innovative Family Business and directions for future research. *Academy of Management Perspectives*, Vol. 30, 93–116. Retrieved from <http://dx.doi.org/10.5465/amp.2015.0017>
- Denise Fletcher, L. M. (2012). Culture and values in family business—A review and suggestions for future research. *Journal of Family Business Strategy*, 127–131.
- Denise Fletcher, L. M. (2012). Culture and values in family business—A review and suggestions for future research. *Journal of Family Business Strategy*, 127-131.
- Dyer, G. &. (2006). Family firms and social responsibility: Preliminary evidence from the S&P 500. *Entrepreneurship Theory and Practice*, 30(6), 785–802.
- Eisenhardt, K. M. (1989). Building theories from case study research. *The Academy of Management Review*, 14: 532–550.
- Frohman, A. L. (1998). Managers at Work: Building a Culture for Innovation,. *Research-Technology Management*, 41:2, 9-12,. doi:10.1080/08956308.1998.11671190
- Gedajlovic, E. a. (2012). Markets, Hierarchies, and Families: Toward a Transaction Cost Theory of the Family Firm. *Entrepreneurship Theory and Practice*, Vol 34, Issue 6, Pag: 1145–1172.
- Gioia, D. A., & Corley, K. G. (2004). Identity ambiguity and change in the wake of a corporate spin-off. *Administrative Science Quarterly*, 49(2), 173–208.
- Gomez-Mejia, L. C. (2011). The bind that ties: Socioemotional wealth preservation in family firms. *Academy of Management Annals* , 5, 653–707.
- Gomez-Mejia, L. H.-N.-F. (2007). Socioemotional wealth and business risks in family controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, 52, 106–137.

- Gomez-Mejia, L. R., Campbell, J. T., Martin, G., Hoskisson, R. E., Makri, M., & Sirmon, D. G. (2013, November). Socioemotional Wealth as a Mixed Gamble: Revisiting Family Firm R&D Investments With the Behavioral Agency Mode *Entrepreneurship Theory And Practice*, 1042-2587. Baylor University.
- Gülnil AYDIN, A. A. (2014). The Role Of Brand Trust on parents' purchaseIntentiones of Baby-care products. *Marka Güveninin Ebeveynlerin Bebek Bakim Ürünleri Satin Alma Niyetleri Üzerindeki Rolü*. Doğuş Üniversitesi Dergisi.
- Habbershon, T. G. (1999). resource-based framework for assessing the strategic advantage of family firms. *Family Business Review*, 12, 1–25.
- Hart, S. &. (1994). How strategy-making processes can make a difference. *Strategic Management*, 15(4), 251–269.
- Hesmondhalgh, D. (n.d.). Cultural and Creative Industries. *The Sage Handbook of Cultural Analysis*, 552-569.
- Hurmelinna-Laukkanen, P. R. (2012). Incremental and Radical Innovation in Coopetition— The Role of Absorptive Capacity and Appropriability. *J Prod Innov Manag*, 154-169.
- James J. Chrisman, J. H. (2015). The Ability and Willingness Paradox in Family Firm Innovation. *J PROD INNOV MANAG*, 32(3):310–318. doi:10.1111/jpim.12207
- Juhani Iivari, N. I. (2011). The relationship between organizational culture and the deployment of agile methods. *Information and Software Technology*, 509-520.
- Kekeya, J. (2016). *Analysing qualitative data using an iterative process*.
- König, A., Kammerlander, N., & Enders, A. (n.d.). The Family Innovator's Dilemma: How Family Influence Affects the Adoption of Discontinuous Technologies by Incumbent Firms. *Academy of Management Review*, 1-48.

- Kraus, S., Pohjola, M., & Koponen, A. (2012). Innovation in family firms: an empirical analysis linking organizational and managerial innovation to corporate success. *Rev Manag Sci*, 6:265–286. doi:10.1007/s11846-011-0065-67
- Kurt Matzler, V. V. (2015). The Impact of Family Ownership, Management, and Governance on Innovation. *J PROD INNOV MANAG*, 32(3):319–333. doi:10.1111/jpim.12202
- Lopez-Vegaa, H., Tellb, F., & Vanhaverbeke, W. (2015). Where and how to search? Search paths in open innovation. *Research Policy*, 125–136.
- Lounsbury, M. &. (2001). Cultural entrepreneurship: Stories, legitimacy and the acquisition of resources. *Strategic management Journal*, 545–564.
- Lowhorn, G. L. (May, 2007). *Qualitative and Quantitative Research: How to Choose the Best Design*. Regent University.
- Lucio E. Dana, K. X. (2010). Family business best practices: Where from and where to? *Journal of Family Business Strategy*, 40-53.
- Masia, L. (2011). *Il Signor Chicco*. Milano, Milano, Italia: Silvana Editore.
- Massis, A. D., Minin, A. D., & Frattini, F. (Fall 2015). Family-Driven Innovation: Resolving the Paradox in Family Firms. *California Management Review*, VOL. 58, .
- Mattias Nordqvist, L. M. (n.d.). *Introducing theoretical perspectives on family business*. Retrieved Febbraio 13, 2020, from Elgar Online.
- McPherson, C. M. (2013). Logics in action: Managing institutional complexity in a drug court. *Administrative science quarterly*, 165-196.
- Melin, M. N. (2012). Entrepreneurial families and family firms, *Entrepreneurship & Regional Development*. *Entrepreneurship & Regional Development*, 22:3-4, 211-239,. doi:10.1080/08985621003726119

- Miller, D. a.-M. (2005). Managing for the long run. *Managing for the long run*.
- Montanari, T. (1996). *"La Mia Artisanite"*. Como, Como, Italia: servizio Formazione Artisanaria.
- Mueller, S. L., & Thomas, A. S. (2000). Culture and Entrepreneurial Potential: a nine country study of control and Innovativeness. *Journal of Business Venturing*, 16, 51–75.
- Nerkar, L. R. (2001). Beyond Local Search: Boundary-Spanning Exploration, and Impact in the optical disk Industry. *Strategic Management Journal*, 22: 287–306.  
doi:10.1002/SMJ.160
- Patel, P. C., & Chrisman, J. J. (2014). Research Notes and Commentaries: Risk Abatement as a strategy for R&D Investments in Family Firms. *Strategic Management Journal*, Strat. Mgmt. J., 35: 617–627.
- Peng, S. S. (2013). Informal institutions, shareholder coalitions, and principal–principal conflicts. *Asia Pac J Manag* , 30:853–870.
- Prachi Srivastava, D., & Nick Hopwood, D. (2009). A Practical Iterative Framework for Qualitative Data Analysis. *International Journal of Qualitative Methods*, 76-84.
- Pratt, M. G. (2009). For the lack of a boilerplate: Tips on writing up (and rewriting) qualitative research. *Academy of Management Journal*, 52(5), 856–862.
- Sanchez-Bueno, F. M.-B. (2011). The Impact of Family Involvement on the R&D Intensity of Publicly Traded Firms. *Family Business Review*, 24(1) 62–.
- Sandra Valle, D.-B. (2009). Concurrent engineering performance: Incremental versus. *Int. J. Production Economics*, 136-148.
- Schein, E. H. (1985). Organizational culture and leadership. *CA: Jossey Bass*.
- Simon Sinek. (2020, Marzo 15). *The Golden Circle*. Retrieved from Simon Sinek:  
<https://simonsinek.com/>

- Simona Giorgi, C. L. (2015). The Many Faces of Culture: Making Sense of 30 Years of Research on Culture in Organization Studies. *The Academy of Management Annals*, 9:1, 1-54. doi:10.1080/19416520.2015.1007645
- Sinek, S. (2006). *Start with Why: How great leaders inspire everyone to take action*. London.
- Stewart, A. &. (2012). Why can't a family business be more like a nonfamily business? Modes of professionalization in family firms. *Family Business Review*, 58-86.
- Stuart, T. E., & M., P. (1996). Local search and the evolution of technological capabilities. *Strategic Management Journal*, 17: 21–38.
- Thomas M. Zellweger, K. A. (2010). Exploring the concept of familiness: Introducing family firm identity. *Journal of Family Business Strategy*, 54–63. Retrieved from [www.elsevier.com/locate/jfbs](http://www.elsevier.com/locate/jfbs)
- Timothy G. Habbershon, M. L. (1999, March). A Resource-Based Framework for Assessing the Strategic Advantages of Family Firms. *FAMILY BUSINESS REVIEW*, pp. vol. XII, no. 1.
- Verganti, R. (2009). In R. Verganti, *Design-Driven innovation. Cambiare le regole della competizione innovando radicalmente il significato dei prodotti e dei servizi*. Milano: Rizzoli.
- Wilson, S., & Taylor, M. Z. (2010). Does culture still matter?: The effects of individualism on national. *Journal of Business Venturing*, 234-246.
- Zahra, S. A., Hayton, J. C., & Salvato, C. (2004). Entrepreneurship in Family vs. Non-Family Family vs. Non-Family Based Analysis of the Effect of Organizational Culture. *ENTREPRENEURSHIP THEORY and PRACTICE*, 363-381.
- Zellweger, T. (2017). *Manging The Family Business*. Massachusetts, USA: Edward Elgar.