Economia Aziendale Online

Business and Management Sciences
International Quarterly Review

The temporal development of strategy in small family firms. Empirical evidence from Italy

Paolo Bogarelli

Pavia, December 31, 2023
Volume 14 - N. 4/2023

DOI: 10.13132/2038-5498/14.4.1157-1182

www.ea2000.it
www.economiaaziendale.it

PaviaUniversityPress

Electronic ISSN 2038-5498
Reg. Trib. Pavia n. 685/2007 R.S.P.

Economia Aziendale Online – Business and Management Sciences International Quarterly Review
SPECIAL ISSUE - Vol. 14-4/2023 - DOI: 10.13132/2038-5498/14.4.1157-1182

The temporal development of strategy in small family firms. Empirical evidence from Italy

Paolo Bogarelli

Assistant Professor of Business Administration Department of Economics and Management. University of Brescia. Italy.

Corresponding Author:

Paolo Bogarelli

paolo.bogarelli@unibs.it

Cite as:

Bogarelli, P. (2023). The temporal development of strategy in small family firms. Empirical evidence from Italy. *Economia Aziendale Online, 14*(4), 1157-1182.

Section: *Refereed Paper*
SPECIAL ISSUE 2023

Received: September 2023
Published: 31/12/2023

ABSTRACT

While strategy development in large firms has been studied since the 1990s, very little research has examined how strategy is formed and implemented in small family firms without formal business planning systems. To address the paucity of research and the consequent difficulty in identifying the characteristics of strategy development in the context of small family firms, this study proposes a longitudinal analysis framework to examine the temporal development of strategy in small family firms. Furthermore, through an in-depth longitudinal case study of a small Italian family firm in the wine sector, we verify whether the proposed framework allows fully understanding the strategy implemented over time and how it emerged dynamically in the absence of any formal business planning. To gain a richer understanding of how strategic processes unfold in small family firms, the strategic goals pursued, and whether and how these were achieved, this study reconstructs the impact of the progressive implementation of the strategy on the firm's operational and financial performance, as well as the business model changes introduced over time.

Mentre lo sviluppo della strategia nelle grandi imprese è stato studiato a partire dagli anni '90, pochissime ricerche hanno esaminato come la strategia venga formata e implementata nelle piccole imprese familiari senza sistemi formali di pianificazione aziendale. Per affrontare la scarsità di ricerche e la conseguente difficoltà nell'identificare le caratteristiche dello sviluppo della strategia nel contesto delle piccole imprese familiari, questo studio propone un quadro di analisi longitudinale per esaminare lo sviluppo temporale della strategia nelle piccole imprese familiari. Inoltre, attraverso un approfondito caso studio longitudinale di una piccola azienda familiare italiana, operante nel settore vitivinicolo, viene verificato se il framework proposto consenta di comprendere appieno la strategia attuata nel tempo e come essa sia emersa dinamicamente in assenza di una pianificazione aziendale formale. Per comprendere meglio come si svolgono i processi strategici nelle piccole imprese familiari, quali gli obiettivi strategici perseguiti e se e come questi sono stati raggiunti, questo studio ricostruisce l'impatto della progressiva implementazione della strategia sulle performance operative e finanziarie dell'impresa, nonché i cambiamenti del modello di business introdotti nel tempo.

Keywords: Strategy; Longitudinal research setting; Case study; Key Performance Indicators; Small Family firms; Franciacorta wine

1 – Introduction

The Italian economic landscape is dominated by small firms, in large part family firms (Faraci & D'Allura, 2018). Strategy development is an important issue for family businesses and has attracted the attention of numerous scholars (e.g., Ibrahim *et al*., 2004; Astrachan, 2010; Craig & Moores, 2010). However, prior research has tended to focus on the strategic planning processes of medium-large family businesses, where formal planning is fundamental (e.g., Nordqvist & Melin, 2010; Nordqvist, 2012). This approach is not viable in small family firms where strategic alternatives are informally debated and personally evaluated in the absence of a formal, written business plan. Indeed, to our best knowledge, no longitudinal studies have been conducted on the strategic processes in small family firms, especially in those without strategic plans in place.

Not only is there little to no research in this field, but a framework that allows capturing the specificities of the strategic development of small family firms is also lacking. This is unfortunate because reconstructing the strategic development of small family firms without planning systems would allow for longitudinal analyses and their fruitful comparison over space (between firms in the same sector) and time (in the same firm over the years).

Bridging this gap, our study proposes a longitudinal analysis framework to examine the development of strategy over time in small family firms without strategic plans. In addition, our proposal "*benefits from the prior development of theoretical propositions*" (Yin, 2003: 14), as highlighted in the following sections.

In line with the literature that considers the strategic management perspective crucial for family firms (e.g., Chrisman *et al*., 2005; Daspit *et al*., 2017) and studies in the Italian context (e.g., Marchini, 1995), we adopt the incremental approach of Normann (1977) and Quinn (1981) to deepen our understanding of the strategic processes in small family firms. According to Normann (1977: 49), in family firms without strategic plans, the manager "*does not formulate his goals as future states he wishes to achieve; instead, he formulates a vision of a future state, a vision based on insights at present available. Starting from this vision, he decides upon one or two first step in a process. When these steps have been taken, the experiences they generate should be evaluated and the vision adjusted in light of the new state of knowledge*". While for Quinn (1981: 63), "*by the time the strategy begins to crystallize and focus, pieces of it are already being implemented*".

With regard to the longitudinal analysis framework that summarizes theories formulated over the years, we propose that the longitudinal analysis of a business case aimed at reconstructing the strategic development of a small family business without formal planning should include and consider the following:

1 – The situation of the small family business at the beginning of the analysis period, the specificities of the business model (what is being done), the organization (who does what), the firm's positioning in the market, its economic and financial situation, and the challenges and problems faced.

2 – The strategy progressively realized, reconstructing the changes introduced in the

business model, the objectives pursued, the KPI's monitored, the organizational results, and the financial performance achieved over the years.

3 – The situation of the small family business at the end of the analysis period compared to the beginning of the analysis period, according to point 1 above.

To obtain a holistic and in-depth view of the phenomenon (Yin, 2003) and to verify the validity and effectiveness of the proposed framework, we conducted an exploratory longitudinal case study of a small Italian family firm producing Franciacorta wine. To this end, we analyze the family firm's economic situation at the beginning of the observation period, its organizational structure, and its competitive positioning. We then outline the choices and events that, taken together, allow understanding how the strategy unfolded. More precisely, after framing the family CEO's strategic objectives, we clarify how these have been achieved. After reconstructing the operational and financial indicators to evaluate the effectiveness of the firm's business activities, we analyze the performance achieved over the years. Moreover, given the relevance of the topic, we pay particular attention to the business model changes adopted to successfully address the challenges posed by the Covid pandemic. Finally, we outline the firm's economic situation at the end of 2020 as a result of the strategy implemented and the new challenges to be faced. We then discuss our findings, outline their theoretical and practical implications, and identify some limitations of our study.

Our study makes the following contributions to the small family business strategy literature. First, we propose a longitudinal analysis framework that allows comprehensively reconstructing the strategic development of a small family firm without a formal planning system. Second, our findings confirm the need for in-depth longitudinal analyses not only to study the strategic development of large firms (Webb & Pettigrew, 1999), but also to understand how strategic processes unfold dynamically in small family firms. In particular, our study demonstrates the importance of defining a set of operational and financial indicators (Neely *et al.*, 2005), even for small firms without strategic planning, to ensure alignment between the strategy, behavior, and metrics. Moreover, the proposed framework highlights that to fully understand the strategic development of small family firms, to reconstruct the strategic objectives pursued, and to determine whether and how they have been achieved requires clarifying how the progressive implementation of the strategy has affected the firm's financial performance. Our study also confirms that small firms well managed by family owners can achieve a sustainable competitive advantage even in the absence of formal planning systems, execute effective strategies, and achieve superior financial performance in terms of profitability, short-term liquidity, and capital structure. Finally, our case study contributes to research on how small family businesses have successfully dealt with the challenges arising from the Covid pandemic (Calabrò *et al.*, 2021; Katare *et al.*, 2021).

2 – Theoretical framework: The proposal background

Reconstructing strategic development is relatively easy in family businesses with formalized planning processes that clearly link the strategic objectives, organizational activities, key performance indicators, and expected financial results over time. Formalized planning also allows reconstructing over time whether the intended strategy has actually been realized or not.

Conversely, for small family firms without formalized plans, strategy development has to be reconstructed ex-post, as the strategy is chosen informally (Craig & Moores, 2010) in the context of meetings between family members (Eddleston *et al*., 2008; Nordqvist, 2012).

Family business scholars have studied strategy in relation to multiple complementary aspects, including innovation (Craig & Moores, 2006), governance (Montemerlo & Ward, 2005; Montemerlo, 2019), family involvement (Gallucci *et al*., 2015), organizational flexibility (Hatum & Pettigrew, 2004), competitive advantage (Miller & Le Breton-Miller, 2005), performance (Mazzi, 2011; Williams *et al*., 2018; Latifah *et al*., 2020), distinctiveness (Miller *et al*., 2018), ambidexterity (Van Doorn *et al*., 2022), disruptive changes (Calabrò *et al*., 2021; Stafford *et al*., 2013), and turnaround (Cater & Schwab, 2008).

Recent studies (e.g., Chrisman *et al*., 2016) point out that the processes by which family firms design and execute their strategies have not yet been adequately investigated. This is unfortunate, as strategy execution may be particularly relevant as a source of family firm heterogeneity (Chua *et al*., 2012). In fact, in the family firm strategic management perspective (Daspit *et al*., 2017), similar strategies can be executed in different ways (De Massis *et al*., 2016).

Although the link between family involvement and firm performance has long been examined (e.g., Dyer, 2006; Chu, 2009; Mazzi, 2011), to our best knowledge, no empirical studies consider how the progressive execution of the strategy translates into financial performance for small family firms.

Regarding the theoretical background, corporate strategy has been studied for over half a century (e.g., Andrews, 1971; Ansoff, 1984; Hax & Majluf, 1984; Collis & Montgomery, 1997; Nonaka & Takeuchi, 2021), and scholars agree that strategic decisions are made for the long term, with investments aimed at achieving the organizational goals. Therefore, the study of the temporal development of strategies requires examining sufficiently long periods of time, depending on the firm's industry, activities, and investments.

As Webb and Pettigrew (1999) note, the temporal development of strategy can be better understood through relevant business cases and the case study methodology (Yin, 2003; Eisenhardt, 1989). To this end, longitudinal research is very helpful in determining the strategic change processes (Pettigrew, 1990), as it allows identifying the emergent and realized strategy (Mintzberg & Waters, 1985). Moreover, Rumelt *et al*. (1991) emphasize the importance of longitudinal analyses for the dynamic reconstruction of strategies, while Porter (1991) encourages research based on historical data to reveal the causality that can dynamically explain the evolution of the strategy. According to Hax and Majluf (1984), historical data allow framing the firm's strategic choices, which in many cases respond to environmental changes caused by unexpected events that make strategic repositioning unavoidable. However, this also requires that the time period of the analysis is defined by a precise starting point and arrival point. In some cases, the analysis covers several decades (Mintzberg & Waters, 1982), in others several years (Bogarelli & Castellano, 2023). What is important is that the years considered are sufficient to allow the reconstruction of the strategy implemented in relation to the firm's initial situation of uncertainty.

The aforementioned incremental approach of Normann (1977) and Quinn (1981) is particularly suitable for the longitudinal analysis of strategic development in small family firms for two main reasons. On the one hand, the strategy and performance of small family firms are significantly influenced by the values and beliefs of members of the family involved in the firm's management (Sundaramurthy & Kreiner, 2008; Gallucci *et al*., 2015; Wielsma & Brunninge, 2019). In these contexts, creative intuition is particularly important in navigating strategic opportunities (Walsh *et al*. 2023). On the other hand, most small family firms do not have formal planning and control systems (McChlery *et al*., 2005; Wilkerson and Bassani, 2020; Bogarelli, 2020). Despite this, some small family firms achieve excellent results (*e.g.*, Marchini, 1995), mainly due to the fact that family managers are often directly involved in managing the firm's operations (Coda, 2010) and gradually develop a deep mastery of the critical business aspects (Mintzberg & Waters, 1982). More precisely, their small size and relatively simple production processes and technologies allow using operational and accounting data (Anthony, 1970) to understand whether the strategy is progressing as intended or whether it is necessary to modify the activities, organizational structure, or both. In other words, in small family firms, a simplistic management accounting function anchored to accounting information (Wilkerson & Seers, 2019: 162) "*becomes a problem only when resolved against contingencies that render the [...] function consistently deficient for supporting the small firm's performance goals and needs*".

However, this does not diminish their need for adequate information to monitor the progress of the firm's activities and adapt the strategy to unforeseeable events, such as the Covid pandemic. This need reflects the importance of identifying, even for small family firms, a set of operational and financial indicators (Venkatraman & Ramanujam, 1986; Kaplan & Norton, 1996) to evaluate the progressively realized strategy. Indeed, performance is the time-test of any strategy (Schendel & Hofer, 1979). Consequently, the literature emphasizes the importance of assessing the consistency of key performance indicators (KPIs) with the strategy (e.g., Neely *et al*., 2005) to ensure the alignment of the firm's strategy, behavior, and metrics.

As for the operational indicators, these should be selected according to the firm's critical aspects and growth potential (Franceschini *et al*., 2019). In other words, they should correspond to the specificities of the firm's business model, which should therefore be adequately identified and presented at the beginning of the analysis, along with its financial situation. Operational indicators should be traceable, verifiable, well understood, easy to interpret, and able to show trends over time.

As for the financial indicators (Subramanyam, 2014; Penman, 2013; Mella, 2012), these should be chosen so as to enable assessing how the realized strategy translates into financial performance on at least three interrelated levels: profitability, short-term liquidity, and capital structure. The literature agrees on the superior explanatory power of a carefully selected set of ratios (Bhattacharya, 2007), pointing out that the chosen financial statement ratios should be consistent with the firm's characteristics and strategic objectives (Whittington *et al*., 2020). In addition, the elaboration of financial statement ratios allows comparing the firm's performance over time and space with other firms that serve as benchmarks, which is essential to critically assess the results achieved.

In summary, Figure 1 presents the framework for an exploratory analysis of the temporal development of strategies in small family firms without formal planning and control systems.

In particular, the starting point of the analysis should be a year in which the firm faced significant challenges in terms of the opportunities to be seized or the problems to be addressed under uncertainty. To capture the particularities of the business case, the longitudinal analysis should frame the conceptual combination of the business model (Bruni & Comacchio, 2023) and organizational specificities. An overview of the economic and financial situation is also needed, since negative performance limits the options available to the small family firm, while positive financial performance expands the options. The starting point should be distant enough to reconstruct the strategy implemented by the small family firm to deal with the situation of uncertainty. Similarly, the arrival point of the analysis should be identified in a year sufficiently close to the present, focusing on the opportunities and critical issues that the small family business will have to manage.

In sum, understanding the progressively implemented strategy requires analyzing:

a. The changes introduced in the business model, depending on the results obtained and the changes in the task environment (Thompson, 1967), as well as the strategic objectives of the family managers.

b. The operational and financial indicators (Mella, 2005) to evaluate the effectiveness of the activities.

c. The performance achieved over time, both at the operational and the financial level.

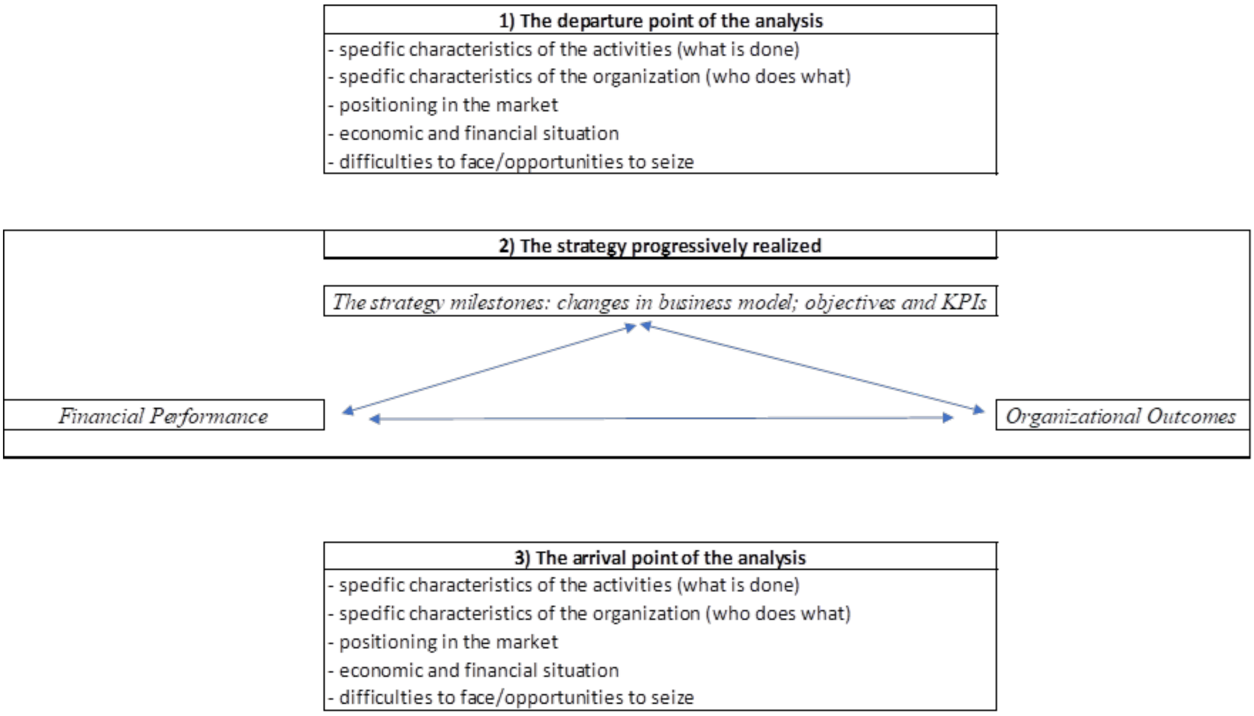

Fig. 1 – The proposed framework for a longitudinal analysis of strategic development in small family firms

3 – Method

3.1 – *Research approach*

As Burgelman (2011) underlines, longitudinal qualitative studies play a key role in management and organization research. Therefore, in this study, we adopt a qualitative methodology (Yin, 2003; Eisenhardt, 1989) to verify the effectiveness of the proposed framework and reconstruct the complementary causes that affect firm development. Case study research allows not only focusing on the specific dynamics in the course of events, but is also an effective method to describe complex phenomena (such as family firm strategy) and place them in the actual context in which they occurred (De Massis & Kotlar, 2014). To this end, we conducted a longitudinal case study to identify factors that may support or constrain the long-term effectiveness of a strategy (Court, 2010). Indeed, longitudinal research allows focusing on the historical dimension, contributing an additional perspective to understanding the strategic processes. In particular, our single exploratory case study facilitates the in-depth exploration of the links between different complementary aspects of strategic development in small family firms. To adequately evaluate the findings – particularly in relation to financial performance – we compare the family firm under study with the market leader and a direct competitor.

3.2 – *Case selection*

The selection of the case must be carefully considered (De Massis & Kotlar, 2014), as it will determine the quality of the research and the results. For our case, we chose the Monterossa family business for several reasons, first of all for its unique characteristics. In our preliminary analysis, Monterossa emerged as an excellent case (Peters & Waterman, 1982) in the context of small Italian family businesses, especially in terms of implementing an effective strategy, even in the absence of a formal planning system, and always achieving excellent economic and financial results. Second, Monterossa has been led by the same CEO, the second son of the founder, for over twelve years. Through a series of interviews, we were able to reconstruct the firm's strategic development over the study period. Moreover, Monterossa's ownership and management are well aligned (Faraci & D'Allura, 2018). Third, observing an extended period of twelve years allowed us to examine how Monterossa dealt with periods of economic growth and crisis, especially the Covid pandemic. Finally, Monterossa produces Franciacorta wines, and the wine sector, especially in Italy, has always been characterized by the widespread presence of family businesses (Gallucci *et al*., 2015).

3.3 – *Data collection and analysis*

This study is based on multiple sources of information constituting a rich dataset, including interviews with Monterossa's CEO (the founder's son and shareholder) and the Chief Administrative Officer. The interviews with the CEO, which took place at irregular intervals between January 2020 and April 2022, allowed us to focus on the qualitative data essential for understanding the strategic development of the family business, including market share, critical success factors, organizational goals, and KPIs. These data reflect the CEO's point of view and experience. The two companies used for benchmarking purposes in terms of financial performance and wine quality were suggested by the CEO: one is market leader (Ca' del Bosco) and the other a direct competitor (Contadi Castaldi).

The interviews with the Chief Administrative Officer enabled collecting the following operational and organizational data for the twelve years covered in our study: the amount of investments in property, plants, and machinery, the dividends paid to shareholders, the number of employees assigned to the various functions, the number of bottles produced and sold, export turnover, and the composition of the sales network. The interviews were semi-structured, with open-ended questions to capture the point of view of the individuals, allowing them to express themselves freely without the conditions that closed questions would have imposed. For the same reason, the interviews were not recorded, but notes were taken of the most relevant aspects that emerged.

We used the Bureau van Dijk AIDA database to reconstruct the financial performance of Monterossa and the benchmark firms. Finally, to reconstruct the investments made over time, the dividends paid, and the number of employees of the benchmark firms, we collected and examined the financial statements for the twelve years covered by the study.

In summary, the data collection and analysis consisted of:

- The interviews with the CEO that enabled identifying the milestones of Monterossa's strategy, together with the operational and financial KPIs.

- The interviews with the Chief Administrative Officer that enabled tracing Monterossa's organizational evolution and operational KPIs over time.

- The analysis of Monterossa's financial statements that allowed calculating the key operational indicators, such as the average unit cost of bottles sold each year.

- The AIDA database that allowed reconstructing the financial performance of Monterossa and the two benchmark firms, and the financial ratios to be calculated that emerged during the interviews with the CEO.

- Finally, the examination of the financial statements of the benchmark firms enabled reconstructing their operational investments over time, the dividends paid, and the number of employees.

Linking the various data sources according to the proposed framework and comparing them over time with the benchmark firms allowed us to frame Monterossa's realized strategy and assess the degree of effectiveness achieved.

4 – Findings

4.1 – *Case study*

Società Agricola Monterossa s.r.l. (hereafter Monterossa) is a family business that produces Franciacorta DOCG wine, a high quality sparkling wine that for over a decade has been increasingly appreciated by consumers, even as an alternative to French champagne. Franciacorta is a territory in the Lombardy region of northern Italy covering about 200 km^2 and 19 villages that fall under the province of Brescia.

Monterossa was founded in 1972 by Paolo Rabotti with the help of his wife. Monterossa was one of the first companies to focus on the production of Franciacorta wine, participating in the "Consorzio Franciacorta" (Franciacorta Consortium) founded in March 1990 to guarantee and monitor compliance with the regulations governing the production of Franciacorta wines. Since 2008, the Consortium has regulated three different types of wine produced from grapes grown in Franciacorta: Franciacorta DOCG, Curtefranca DOC, and Sebino IGT. The Consortium regulations specify, among other things, the minimum aging period that must be completed before disgorging, which varies between 18 and 60 months depending on the type of Franciacorta wine. The long aging period, as we will clarify, means that planning and control of the wine inventory is crucial. The wine production and bottling activities are almost entirely carried out at properties Monterossa owns on an ancient estate dating back to the 17th century.

Monterossa has always been a family business. Over the years, new shareholders have been brought in to finance growth without excessive bank borrowing, but Monterossa has remained a family firm, controlled and managed by the Rabotti family, and since December 2007, by the founder's son, Emanuele Rabotti.

The following sections outline Monterossa's strategic development according to the framework proposed in Figure 1.

4.2 – *The departure point of the analysis: Monterossa's situation at the end of 2009*

At the end of 2009, the first year of observation, Monterossa had the following characteristics:

- The family firm had always adopted a *functional structure* (Jones, 2013). The functions were structured to minimize overheads and ensure high operational flexibility. In particular, production was assigned to five employees (of whom three blue-collar workers), and outsourcing some activities, such as vineyard cultivation and grape harvesting. Administration, with two employees, consisted of bookkeeping, customer order management, and logistics (incoming and outgoing), as well as fulfilling the tasks required by wine legislation. With regard to the commercial department, pricing decisions were made by the CEO and the department relied on a sales network of 36 agents to increase turnover, especially through sales to HOtels, REstaurants, and CAfes (hereafter HO.RE.CA.). Employee satisfaction was high in all departments.

- Monterossa did not prepare plans and budgets: financial performance was monitored through interim financial statements, and financial management was entrusted to the administrative function.

- The firm's capabilities, including organizational skills, were deemed adequate. Consequently, no major investments were planned in the short term to adapt or expand the winery, renovate plants and machinery, or increase land for vines.

- The high quality of the wines did not require radical changes to the business model. By the end of 2009, the firm had invested sizable resources in inventory to support future sales growth. In particular, in 2009, Monterossa produced 520,564 bottles of wine (constituting semi-finished products due to the technical time required for the aging process) and sold 331,135 bottles.

- The investment in building an adequate inventory was partly financed with bank loans. At the end of 2009, the firm had a net financial position of €4,467,312 with inventory stock worth €4,544,935, interest charged to the profit and loss account amounted to €111,122.

- Monterossa's products were positioned in the mid-range of the Franciacorta wine market.

- Monterossa's market share in the Franciacorta wine sector was not high (around 2%) compared to the main players in the market: turnover in 2009 was around €3,700,000 compared to €20,300,000 for Ca' del Bosco (market leader) and €5,450,000 for Contadi Castaldi (competitor).

- The firm's degree of internationalization was low, with only around 3.6% of sales from exports.

At the end of 2009, Monterossa's competitive context was highly uncertain. First, the Italian economy was also affected by the Lehman Brothers crises, which threatened to spill over into the consumer goods market, including wine consumption. In addition, the number of Franciacorta producers had increased, leading to greater competition, also in terms of prices.

4.3 – *The strategy Monterossa progressively implemented*

4.3.1 – The strategy milestones: Objectives and KPIs

Management scholars (e.g., Kaplan & Norton, 1996; Neely *et al.*, 2005; Franceschini *et al.*, 2019) agree on the importance of identifying a set of operational and financial KPIs for each business to understand whether the strategy is progressing along the intended lines and whether to intervene in the activities or the organization.

In the case of Monterossa, the CEO identified the following operational KPIs to evaluate the effectiveness of the firm's activities:

1. Formal market recognition of the quality of the wines; increasing brand loyalty and awareness.
2. Number of bottles produced annually.
3. Number of bottles sold annually.
4. Average unit price of bottles sold annually.
5. Average unit cost of bottles sold annually.

Emanuele Rabotti, like the family members who preceded him in running the business, believed in the need for strict cost control, a flat organizational structure, and outsourcing non-strategic activities. In his view, one of the critical success factors of the Franciacorta market is operational flexibility, in which bottle inventory planning plays a fundamental role (Horngreen, 1962). Stock has always been essential to maintain sales in vintages in which the number of bottles produced decreases, perhaps as a consequence of reduced harvests due to weather conditions (frost, hail, drought, etc.). Furthermore, Franciacorta wines require a long aging period of between 18 and 60 months: not having enough stock in each vintage could lead to a shortfall in satisfying market demand. In addition to high operational flexibility, minimizing delivery times is important. From this point of view, Monterossa was well organized, having signed an agreement with a freight forwarder that allowed reducing the delivery time of wines to customers. In this context, Monterossa did not plan its strategy in detail. Starting from a vision based on current knowledge (Normann, 1977), the CEO decided on the first steps to be taken, and after completing them and reducing uncertainty (Quinn, 1981), chose the subsequent steps. This form of management occurred in the absence of a formal strategic planning and control system.

As a result of the retrospective reconstruction of the strategy (Mintzberg & Waters, 1985), and as typically occurs in small family firms (Habbershon & Williams, 1999; Nordqvist, 2005; Coda, 2010; Gallucci *et al.*, 2015), the Monterossa family manager was involved in strategy implementation. Specifically, the strategy that Rabotti pursued, albeit never formalized, aimed to achieve the following objectives:

a. Improving wine quality and expanding the range of Franciacorta wines.
b. Consolidating appreciation of the Monterossa brand and its wide range of wines, positioning it as a premium product within the Franciacorta wine niche, and improving brand recognition and loyalty.
c. Progressively increase sales in Italy and abroad.
d. Progressively increase prices.
e. Carefully manage the fixed and variable costs.

These objectives, although distinct, were intertwined: brand awareness was key to commanding progressively higher prices. This result, together the efficient use of production capacity, enabled improving profitability. In short, with this unifying strategy (Ansoff, 1984), different parts of the organization were called upon to develop coordinated responses that would allow achieving the objectives.

While these objectives were clear in the CEO's mind, they were not certain to be met given the economic uncertainty and the increased number of competitors.

4.3.2 – Strategic emergencies: Covid pandemic management

The decisions taken to deal with the impact of the Covid pandemic deserve a separate mention, given the theoretical and practical relevance of the issue. Numerous studies have examined how small family businesses adapted their activities and organization to the pandemic emergency (e.g., Amaral & Da Rocha, 2023; Soluk *et al.*, 2021). In essence, small family businesses that have successfully coped with the Covid pandemic are those that have demonstrated a high capacity to adapt, even proactively, thanks to operational flexibility. From this point of view, Monterossa is an exemplary case. The flat functional structure, together with the decision to outsource some production and commercial activities, enabled operating in conditions of efficiency even during the lockdown periods, keeping fixed costs as low as possible. Moreover, Monterossa did not limit itself to minimizing costs in the face of the decline in volumes recorded in the first six months of 2020 (approximately 20% compared to the previous year). In fact, Rabotti developed a new marketing strategy to support sales without reducing margins. The main emergency that Monterossa faced was a drop in sales in the Ho.Re.Ca. sector due to the forced closure of hotels, restaurants, cafés, and bars. The measures taken in this regard were essentially three:

- Developing online shopping.
- Revising discount pricing.
- Stipulating agreements with supermarkets.

With regard to the first, the firm's website was improved to make it easier to purchase wine online. Regarding discount pricing, before the pandemic, Monterossa offered quantity and cash discounts. In the first quarter of 2020, the family firm adopted a new "Covid" list, recognizing a 3% cash discount, *eliminating* quantity discounts, and applying a flat-rate discount of 10% to all customers, regardless of the quantities purchased. Taking into account that agents tended to apply volume discounts widely, the revision of discount prices resulted in on average *increase* in net selling prices.

Regarding the third point, before the pandemic, supermarkets bought small quantities of Monterossa wines from retailers, and sometimes used these in their loss-leader strategies, applying heavily discounted prices. This caused conflicts with the Ho.Re.Ca. sector, as bars and restaurants complained about the low prices that supermarkets charged.

After an in-depth analysis, Rabotti concluded that the only way to resolve this problem was to negotiate with supermarkets to ensure they bought the wines directly from Monterossa and not from retailers.

These negotiations were not easy, but thanks to the skills of the family manager and consumers' appreciation of the wines, Monterossa was able to formalize the supply relationship with supermarkets, ensuring that its wines would no longer be used as loss-leaders. In this way, Monterossa achieved two important results at the same time:

1) Saving the cost of commercial retailers by selling the wines directly to supermarkets.
2) Avoiding conflicts between supermarkets and the HO.RE.CA channel.

As we clarify next, the original marketing strategy that Monterossa adopted in 2020 to deal with the Covid emergency allowed:

– Limiting the decline in sales to 17% (compared to 2019), slightly higher than Ca' Del Bosco (12%), but lower than Contadi Castaldi (19%).

– Maintaining average sales prices in line with those of 2019, although the reduction in turnover in the HO.RE.CA sector was compensated by higher sales to supermarkets at lower prices.

4.3.3 – Organizational outcomes

The organizational outcomes emerging from the interviews can be summarized as follows:

1. The quality of the wines is appreciated and recognized by customers, competitors, and market operators, and brand recognition has significantly improved over time.
2. The progressive increase in the number of bottles sold, also thanks to the inventory policy that guaranteed the availability of bottles even in the alternation of favorable and unfavorable vintages.
3. The progressive increase in the average price per unit.
4. The adaptation and efficient use of production capacity over the years, thanks to targeted investments; a lower increase in production costs than in turnover, a lower increase in the number of employees than in turnover.

Regarding the first point (quality of wines), over the years, Monterossa has received many recognitions, including from German and English trade magazines, amongst which the Bibenda Guide (Italian Association of Sommeliers) awarded 5 grappoli (bunches) to the Cabochon wine in the years 2014, 2015, and 2017.

The CEO was aware that Monterossa's strength lay in the high quality of its products, and that the strategic asset to be valorized through meticulous and constant work was the wine stock. Furthermore, Rabotti understood the importance of building brands (such as Cabochon, the flagship wine) and bridging the gap from a purely production to a marketing orientation. To this end, Monterossa:

- Assiduously promoted the quality of the wines.
- Expanded the range of products and introduced new Franciacorta wines to the market. Emblematic from this point of view are the "PR Brut Blanc de Blancs" launched to coincide with its 35th anniversary, "Coupè Wine" launched in 2013, and "Cabochon Fuoriserie Rosé n. 06" in 2019.
- Differentiated its products also by carefully redesigning the labels.
- Offer prices in line with the quality of the wines, without adopting an aggressive pricing policy.
- Not incurring high advertising costs.

With regard to the second aspect (bottles sold), Table 1 and Table 2 show the quantities of bottles sold and the percentage of export turnover.

Table 1 – Number of bottles sold (units)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Bottles sold	331,135	378,769	372,415	350,762	409,284	445,611	488,225	566,650	502,041	502,802	482,983	412,068

Table 2 – Percentage of export turnover (euro)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Exports	134,287	149,418	226,908	299,915	251,462	292,306	307,799	710,977	444,013	503,407	415,667	402,871
Turnover	3,726,890	4,158,300	4,180,667	3,883,913	4,326,419	5,033,400	5,846,079	6,976,216	6,902,919	7,031,733	6,827,059	5,845,989
% Export turnover	3.6%	3.6%	5.4%	7.7%	5.8%	5.8%	5.3%	10.2%	6.4%	7.2%	6.1%	6.9%

These tables show Monterossa developed sales by penetrating foreign markets, but more by further anchoring its presence in Italy.

The turning point, in terms of sales volume, occurred in the years 2014 and 2015 when the number of bottles sold reached 445,611 and 488,225 units respectively.

According to the CEO, the increase in sales did not derive from specific events that occurred in 2014 and 2015, but from long-term organizational efforts aimed at improving the quality of the wines and differentiating them from their competitors'. Consequently, the increase in sales also testifies to an improvement in brand awareness.

In the following years, the number of bottles sold stabilized at an annual volume of about 500,000 bottles, corresponding perfectly with the number of bottles produced in the various vintages. Table 3 shows the number of the bottles produced over the years.

Table 3 – Number of bottles produced (units)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Bottles produced	520,564	560,514	375,331	615,213	306,957	382,535	592,938	533,450	626,442	351,872	654,288	333,100

The cross-examination of the tables shows the strategic importance of the stock policy in matching production and sales. For example, thanks to the inventories from 2009, 2010, and 2012, Monterossa was able to fulfill orders even in scarce vintages, such as in 2013, when the number of bottles produced was below market demand due to bad weather.

As for the fourth point, Figure 2 shows the trend in the average price per unit, calculated by dividing turnover by the number of bottles sold per year, as shown in Table 4. This indicator could not be calculated for Ca' del Bosco or Contadi Castaldi because no data was available.

The trend shown in Figure 2 confirms that the years 2014 and 2015 were a turning point in Monterossa's competitive positioning: in addition to a significantly increase in the number of bottles sold, Monterossa achieved progressively higher unit prices. Moreover, once the sales target was reached (approximately 500,000 bottles), the firm increased the average price to just over €14 per bottle, even in 2020, when the number of bottles sold fell significantly (from 482,983 to 412,068 units) due to the Covid emergency (the decisions that allowed achieving this result are illustrated in section 4.3.2).

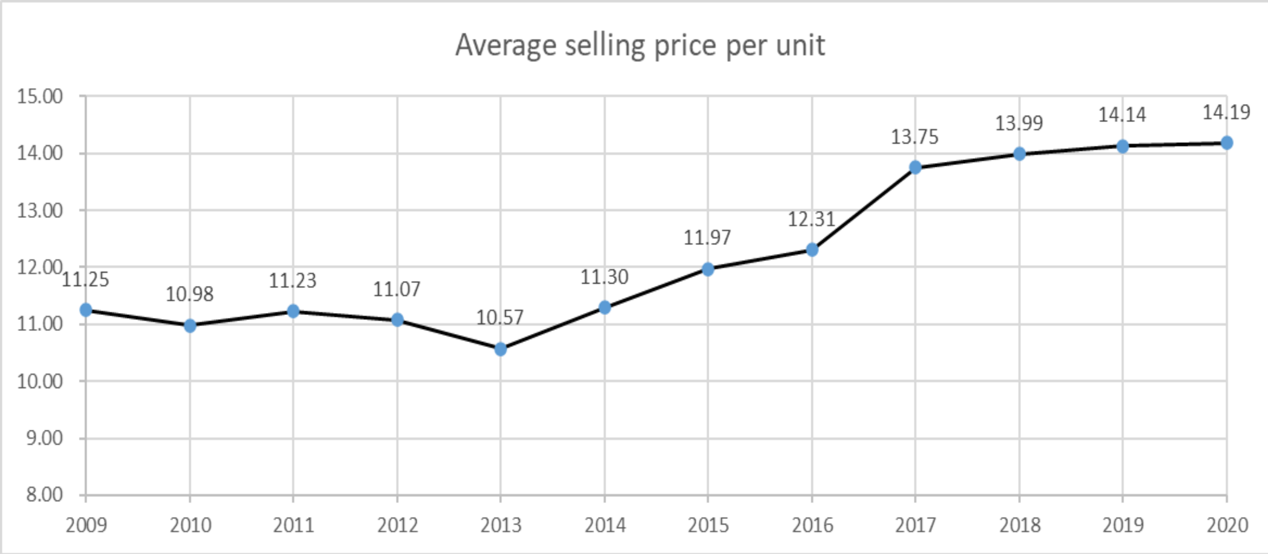

Fig. 2 – Average selling price per unit (euro)

Table 4 – Average selling price per unit (euro)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Turnover	3,726,890	4,158,300	4,180,667	3,883,913	4,326,419	5,033,400	5,846,079	6,976,216	6,902,919	7,031,733	6,827,059	5,845,989
Bottles sold	331,135	378,769	372,415	350,762	409,284	445,611	488,225	566,650	502,041	502,802	482,983	412,068
Average price per unit sold	11.25	10.98	11.23	11.07	10.57	11.30	11.97	12.31	13.75	13.99	14.14	14.19

In terms of production capacity and efficiency, in the years under consideration, Monterossa made investments to ensure the performance of its departments, as shown in Table 5 together with those of Ca' del Bosco and Contadi Castaldi.

Table 5 – Investments in tangible fixed assets (euro)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Monterossa	141,714	223,182	134,084	105,905	47,018	770,364	490,067	372,688	52,871	270,043	1,222,614	4,609,374
Ca' del Bosco	2,436,324	3,092,704	2,672,904	2,282,857	2,526,512	6,268,565	3,902,955	8,965,123	7,556,128	24,267,286	14,242,607	8,233,433
Contadi Castaldi	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	567,930	577,346	253,827	308,093	124,555

Monterossa's investments in 2014 and 2015 concerned the purchase and adaptation of a new cellar to increase warehouse management efficiency. In 2019 and 2020, Monterossa invested almost six million euro in the purchase of land and the construction of a new plant to which wine production would be transferred by the end of the first quarter of 2022.

In terms of Ca' del Bosco's investments, in addition to Franciacorta wines, the firm also produces Curtefranca and Sebino IGT wines, always obtained from grapes grown in the Franciacorta region. These huge investments are the result of a growth strategy that involved the acquisition of vineyards, property, plants, and machinery.

As for Contadi Castaldi, we were unable to reconstruct the investments made from 2009 to

2015, since this information, although mandatory, was not included in the notes to the financial statements. In the following years, Contadi Castaldi did not make any significant investments.

Monterossa's production efficiency is shown by the average unit cost of bottles sold, calculated by dividing the total cost of bottles sold by the number of bottles sold per year, as shown in Table 6. Due to the unavailability of data, this indicator could not be calculated for Ca' del Bosco and Contadi Castaldi.

Table 6 – Average unit cost of bottles sold (euro)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cost of bottles sold	3,269,192	3,509,728	3,675,089	3,199,937	3,722,261	4,048,733	4,376,507	4,971,667	4,853,600	4,689,784	4,783,646	4,258,742
Bottles sold	331,135	378,769	372,415	350,762	409,284	445,611	488,225	566,650	502,041	502,802	482,983	412,068
Average unit cost of bottles sold	9.87	9.27	9.87	9.12	9.09	9.09	8.96	8.77	9.67	9.33	9.90	10.34

The invariability of the unit cost of bottles sold is explained by the fact that the firm was able to increase sales without significantly increasing fixed costs. Table 7 presents the number of employees at the end of each year compared to those of Ca' del Bosco and Contadi Castaldi.

Table 7 – Total workforce (units)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Monterossa	7	9	9	10	10	11	11	14	14	13	13	13
Ca' del Bosco	68	75	76	78	82	94	102	96	99	104	94	103
Contadi Castaldi	n.a	n.a.	20	21	21	22	23	22	24	25	28	28

The number of employees of Contadi Castaldi was not available (n.a.) for the years 2009 and 2010, as the information was not reported in the notes to the financial statements. Worth noting is that the lower number of employees at Monterossa reflects the outsourcing of grape harvesting and work in the vineyards, as well as entrusting sales to a network of agents.

In sum, over the years, Monterossa has been able to considerably increase the number of bottles sold and the average unit selling price, with a limited increase in the average unit cost of bottles sold.

4.3.4 – Financial performance

Achieving satisfactory results has allowed Monterossa to improve its financial performance in all three complementary areas: profitability, short-term liquidity, capital structure. Tables 8, 9, and 10 show the profitability of sales for each of the three firms.

Both Monterossa's turnover and profit increased significantly since 2014. To note is that the tax burden was almost zero, since Monterossa has always been an agricultural firm, and the Italian tax system allows the liquidation of taxes based on the cadastral income rather than on the profit.

In addition to Franciacorta wines, Ca' del Bosco produces Curtefranca DOC and Sebino IGT wines. Ca' del Bosco also benefited from the agricultural tax regime, while the loss in the year 2019 was due to extraordinary tax charges of over thirteen million euro following a tax assessment.

Of note here is that Contadi Castaldi also produces wines other than Franciacorta but does not benefit from the agricultural tax regime (it pays corporate income tax of 24% and a regional production tax of 3.9%).

Table 8 – Monterossa's profit on turnover (euro).

Monterossa	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Profit	328,034	548,650	469,112	590,150	497,042	881,937	1,387,112	1,968,915	2,029,577	2,326,206	2,032,339	1,574,894
Turnover	3,726,890	4,158,300	4,180,667	3,883,913	4,326,419	5,033,400	5,846,079	6,976,216	6,902,919	7,031,733	6,827,059	5,845,989
Profit on turnover	8.8%	13.2%	11.2%	15.2%	11.5%	17.5%	23.7%	28.2%	29.4%	33.1%	29.8%	26.9%

Table 9 – Ca' del Bosco's profit on turnover (euro).

Ca' del Bosco	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Profit	3,882,172	4,380,718	4,833,506	4,525,783	5,199,923	5,753,243	6,526,410	8,855,917	8,232,565	10,065,602	-6,039,455	8,027,326
Turnover	20,321,811	22,036,946	23,970,784	25,143,790	25,804,419	28,225,649	31,035,822	34,159,622	36,297,763	38,599,220	40,577,507	36,142,194
Profit on turnover	19.1%	19.9%	20.2%	18.0%	20.2%	20.4%	21.0%	25.9%	22.7%	26.1%	-14.9%	22.2%

Table 10 – Contadi Castaldi's profit on turnover (euro).

Contadi Castaldi	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Profit	288,308	214,274	10,345	363,411	736,368	608,323	676,766	740,641	1,397,921	1,523,277	1,547,235	2,179
Turnover	5,451,124	5,704,250	4,373,157	4,944,564	5,884,277	5,901,775	5,074,003	6,212,731	8,522,489	8,307,590	8,274,017	6,925,169
Profit on turnover	5.3%	3.8%	0.2%	7.3%	12.5%	10.3%	13.3%	11.9%	16.4%	18.3%	18.7%	0.0%

To show the profitability achieved, Figure 3 compares Monterossa's profit on turnover with those of Ca' del Bosco and Contadi Castaldi. Since 2015, Monterossa's profitability (profit to sales ratio) has exceeded that of Ca' del Bosco and Contadi Castaldi. Moreover, Contadi Castaldi recorded a significant deterioration in profitability in 2020 due to its limited ability to adapt its production and commercial activities to the Covid pandemic. In particular, the annual accounts as at 31 December 2020 show that the firm was unable to reduce its personnel and overhead costs proportionately, while experiencing a significant decrease in turnover. In addition, the firm's annual accounts were balanced by halving the depreciation rates, as permitted by the special legislation enacted after the Covid pandemic, and consequently recording depreciation charges of approximately €300,000 instead of approximately €600,000.

In view of the strategic importance of stock, Tables 11, 12, and 13 present Monterossa's inventory to turnover ratio compared to Ca' del Bosco and Contadi Castaldi. A high value of the ratio indicates low inventory turnover and the possibility of fulfilling customer orders even in scarce vintages when the number of bottles produced is lower than market demand.

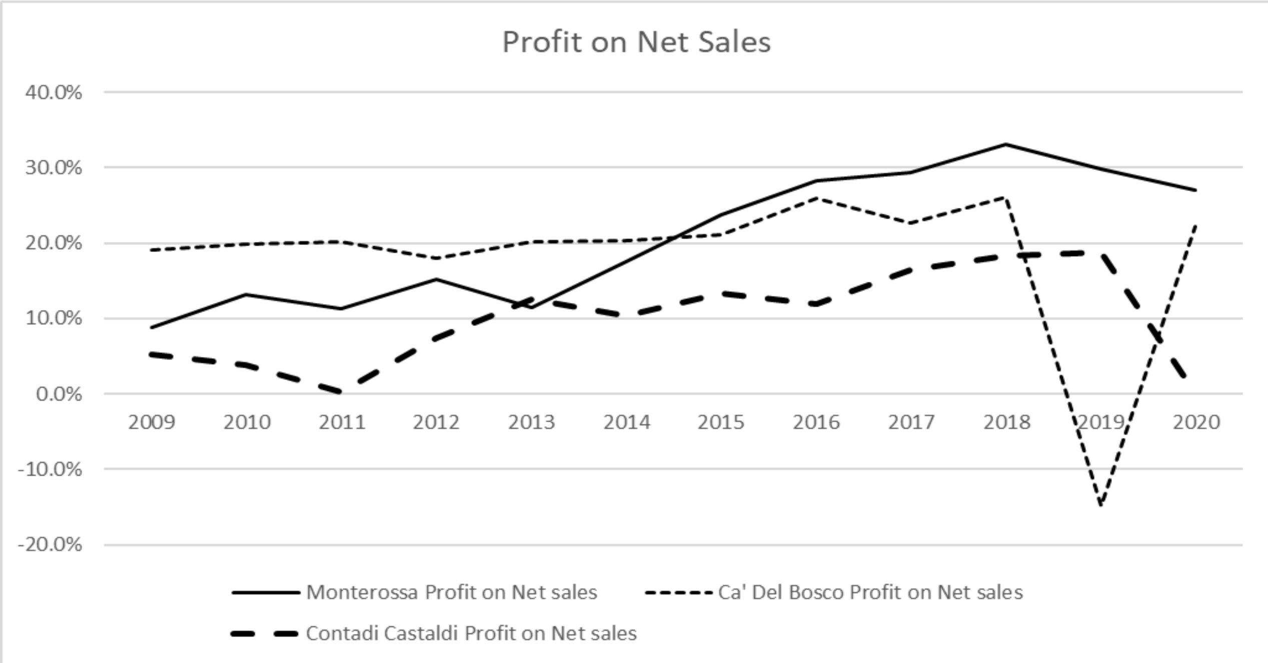

Fig. 3 – Profit on turnover

Conversely, a low inventory to turnover ratio indicates both high inventory turnover and the risk that the firm will not be able to fill customer orders during scarce vintages. Figure 4 compares the inventory to turnover ratio of the three firms.

Table 11 – Monterossa's inventory to turnover ratio.

Monterossa	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Inventory	4,544,935	4,644,298	5,014,196	5,239,207	5,141,070	5,258,918	5,389,674	5,645,783	5,498,238	5,646,208	5,829,683	6,015,627
Turnover	3,726,890	4,158,300	4,180,667	3,883,913	4,326,419	5,033,400	5,846,079	6,976,216	6,902,919	7,031,733	6,827,059	5,845,989
Inventory to turnover ratio	1.22	1.12	1.20	1.35	1.19	1.04	0.92	0.81	0.80	0.80	0.85	1.03

Table 12 – Ca' Del Bosco's inventory to turnover ratio.

Ca' del Bosco	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Inventory	19,808,102	20,619,795	21,842,627	24,017,052	25,535,881	26,769,919	28,355,202	29,676,675	30,552,177	35,073,430	37,730,007	42,781,883
Turnover	20,321,811	22,036,946	23,970,784	25,143,790	25,804,419	28,225,649	31,035,822	34,159,622	36,297,763	38,599,220	40,577,507	36,142,194
Inventory to turnover ratio	0.97	0.94	0.91	0.96	0.99	0.95	0.91	0.87	0.84	0.91	0.93	1.18

Table 13 – Contadi Castaldi's inventory to turnover ratio.

Contadi Castaldi	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Inventory	9,763,206	9,759,139	10,763,488	11,200,211	11,265,877	11,011,822	12,036,603	13,361,374	12,636,591	15,482,105	17,446,348	17,752,155
Turnover	5,451,124	5,704,250	4,373,157	4,944,564	5,884,277	5,901,775	5,074,003	6,212,731	8,522,489	8,307,590	8,274,017	6,925,169
Inventory to turnover ratio	1.79	1.71	2.46	2.27	1.91	1.87	2.37	2.15	1.48	1.86	2.11	2.56

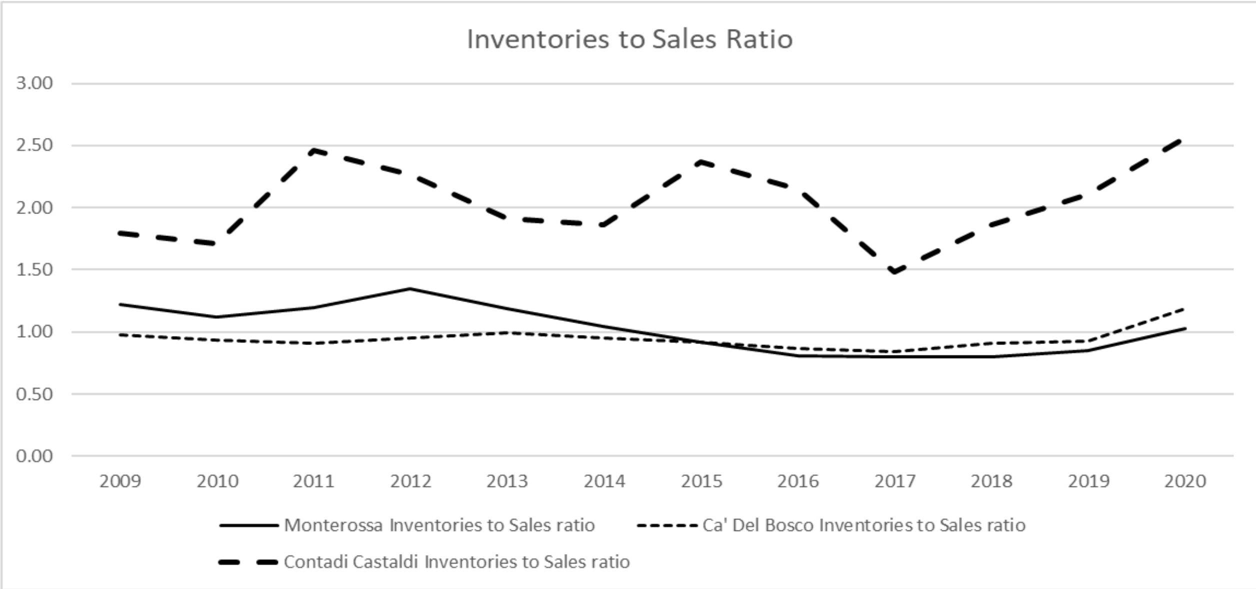

Fig. 4 – Inventory to sales ratio

The reduction in the inventory to turnover ratio in the years 2014, 2015, and 2016 confirms that in those years Monterossa used its inventory to satisfy the increased demand for its products, implying the need to adequately replenish its stock of bottles. To note is that for Ca' del Bosco, the indicator remained substantially stable over time. As for Contadi Castaldi, the indicator never fell below 1.5. This is probably due to the fact that Contadi Castaldi, not benefiting from the tax regime for agricultural activities, did not have to comply with the obligation to produce wines with at least half of the grapes harvested directly from its land, and increasing its inventory by purchasing large quantities of grapes from other farmers. The increase in 2020 was also due to the reduction in sales resulting from the Covid pandemic.

As for short-term liquidity, Tables 14, 15, and 16 show the liquidity ratio of the three firms calculated as (cash + receivables)/current liabilities. Figure 5 compares the liquidity ratios of the three firms.

Table 14 – Monterossa's liquidity ratio.

Monterossa	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cash and receivables	1,471,033	1,647,967	1,727,881	1,525,754	1,644,888	2,657,884	2,633,429	3,949,020	4,749,951	6,119,923	5,628,188	6,888,193
Current Liabilities	2,509,564	2,696,955	3,113,409	1,802,291	1,957,581	1,907,476	1,839,014	2,234,237	1,677,529	1,690,255	1,657,683	3,050,973
Liquidity Ratio	**58.62%**	**61.10%**	**55.50%**	**84.66%**	**84.03%**	**139.34%**	**143.20%**	**176.75%**	**283.15%**	**362.07%**	**339.52%**	**225.77%**

Table 15 – Ca' Del Bosco's liquidity ratio.

Ca' del Bosco	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cash and receivables	9,234,197	10,903,776	10,825,852	9,985,227	18,219,365	12,188,841	15,782,491	16,224,300	21,025,507	24,043,529	14,295,488	23,658,483
Current Liabilities	26,298,884	23,142,437	23,678,183	24,349,219	24,580,335	22,573,432	26,955,268	32,234,857	42,101,938	32,304,377	72,916,903	78,587,217
Liquidity Ratio	**35.11%**	**47.12%**	**45.72%**	**41.01%**	**74.12%**	**54.00%**	**58.55%**	**50.33%**	**49.94%**	**74.43%**	**19.61%**	**30.10%**

Table 16 – Contadi and Castaldi's liquidity ratio.

Contadi Castaldi	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cash and receivables	557,088	1,291,878	338,984	558,124	560,703	559,530	686,401	1,203,008	1,528,436	2,011,628	1,980,964	3,554,068
Current Liabilities	12,332,803	2,489,234	2,334,944	2,658,396	2,664,923	2,657,278	5,031,171	4,242,814	3,883,082	6,609,218	3,964,364	2,784,219
Liquidity Ratio	4.52%	51.90%	14.52%	20.99%	21.04%	21.06%	13.64%	28.35%	39.36%	30.44%	49.97%	127.65%

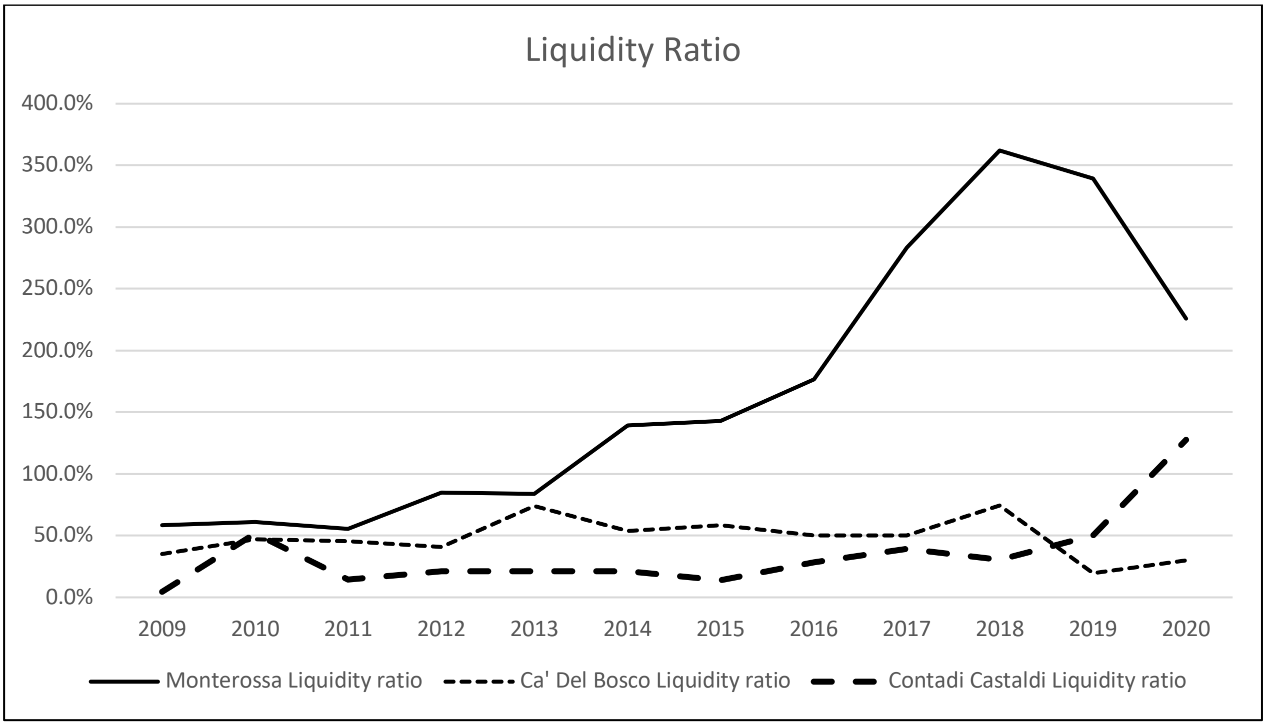

Fig. 5 Liquidity ratio

The above data suggest that since 2014, in addition to realizing profits, Monterossa has been able to generate huge cash flows.

To adequately appreciate the liquidity ratio trend, Table 17 shows the dividends paid by the three firms over the years.

Table 17 – Dividends (euro).

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Monterossa	0	0	0	0	0	0	0	0	0	600,000	1,200,000	0
Ca' del Bosco	2,058,000	2,717,000	3,070,000	3,385,000	3,170,000	3,640,000	4,000,000	4,500,000	6,200,000	5,750,000	7,045,000	7,000,000
Contadi Castaldi	0	0	0	0	0	0	0	0	0	0	0	0

Table 17 also shows that the family firms Monterossa and Contadi Castaldi postponed the payment of dividends. Monterossa, after accumulating large amounts of liquidity, paid dividends in 2018 and 2019, but as a precaution, did not do so in 2020 during the Covid emergency. Ca' del Bosco, a non-family firm, has consistently distributed large dividends over the years, even during the Covid pandemic.

As for the capital structure, this is well represented by the net financial position, which allows evaluating the capital structure in absolute terms, and the equity to fixed assets ratio, which enables evaluating the capital structure in relative terms. Table 18 presents the net financial position of the three firms.

Table 18 – Net financial position (euro thousands).

Net financial position	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Monterossa	4,467.31	4,596.03	4,098.94	3,771.99	2,875.88	2,526.46	1,557.88	-260.52	-2,060.95	-3,755.68	-3,841.16	-554.42
Ca' del Bosco	8,704.36	11,362.85	14,417.16	16,268.58	15,601.54	18,477.42	18,301.54	13,771.53	16,637.90	45,175.70	57,169.05	42,905.94
Contadi Castaldi	11,194.20	11,292.66	11,091.32	10,806.68	10,476.04	9,745.46	10,263.00	10,745.43	10,094.90	8,861.21	11,002.67	13,550.40

The trend in the net financial position shows that Monterossa used part of the cash flow generated to reduce its financial debt. Unlike the other two firms, Monterossa has had a negative net financial position since 2016, namely liquidity exceeding financial debt. Contadi Castaldi and Ca' del Bosco made extensive use of debt, obtaining loans from banks or shareholders. The evaluation of the trend of the net financial position must also take into account the dividends distributed by the three firms over time. As shown in Table 17, Monterossa's net financial position remained negative despite having paid €1,800,000 in dividends in the 2018 and 2019.

Tables 19, 20, and 21 show the ratio of equity to fixed assets for the three firms, while Figure 6 compares the ratios of the three firms.

Table 19 – Monterossa's equity to fixed assets ratio.

Monterossa	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Shareholder funds	7,388,768	7,937,417	8,406,530	8,996,680	9,493,721	10,375,661	11,762,771	13,731,687	15,761,263	17,487,470	18,319,808	19,287,050
Fixed assets	7,597,633	7,601,589	7,526,969	7,426,233	7,292,081	7,800,634	8,107,708	8,284,137	8,148,838	8,179,922	9,126,425	13,907,903
Equity to fixed assets ratio	97.3%	104.4%	111.7%	121.1%	130.2%	133.0%	145.1%	165.8%	193.4%	213.8%	200.7%	138.7%

Table 20 – Ca' del Bosco's equity to fixed assets ratio.

Ca' del Bosco	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Shareholder funds	27,629,274	29,292,992	31,056,498	32,197,281	34,227,204	36,340,447	38,866,857	43,222,774	45,255,340	49,274,805	31,054,109	32,067,568
Fixed assets	25,512,103	25,885,704	25,925,245	25,433,970	25,195,967	28,724,883	29,991,177	36,510,542	41,616,135	63,074,485	71,935,867	76,037,546
Equity to fixed assets ratio	108.3%	113.2%	119.8%	126.6%	135.8%	126.5%	129.6%	118.4%	108.7%	78.1%	43.2%	42.2%

Table 21 – Contadi Castaldi's equity to fixed assets ratio.

Contadi Castaldi	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Shareholder funds	10,192,256	10,406,532	10,416,875	10,780,287	11,516,652	12,124,978	12,801,744	13,542,382	14,940,305	16,409,785	17,903,514	17,919,816
Fixed assets	12,906,068	12,473,561	12,044,000	11,738,542	11,700,527	11,828,435	14,563,427	13,101,760	13,174,892	12,715,141	12,371,602	12,138,456
Equity to fixed assets ratio	79.0%	83.4%	86.5%	91.8%	98.4%	102.5%	87.9%	103.4%	113.4%	129.1%	144.7%	147.6%

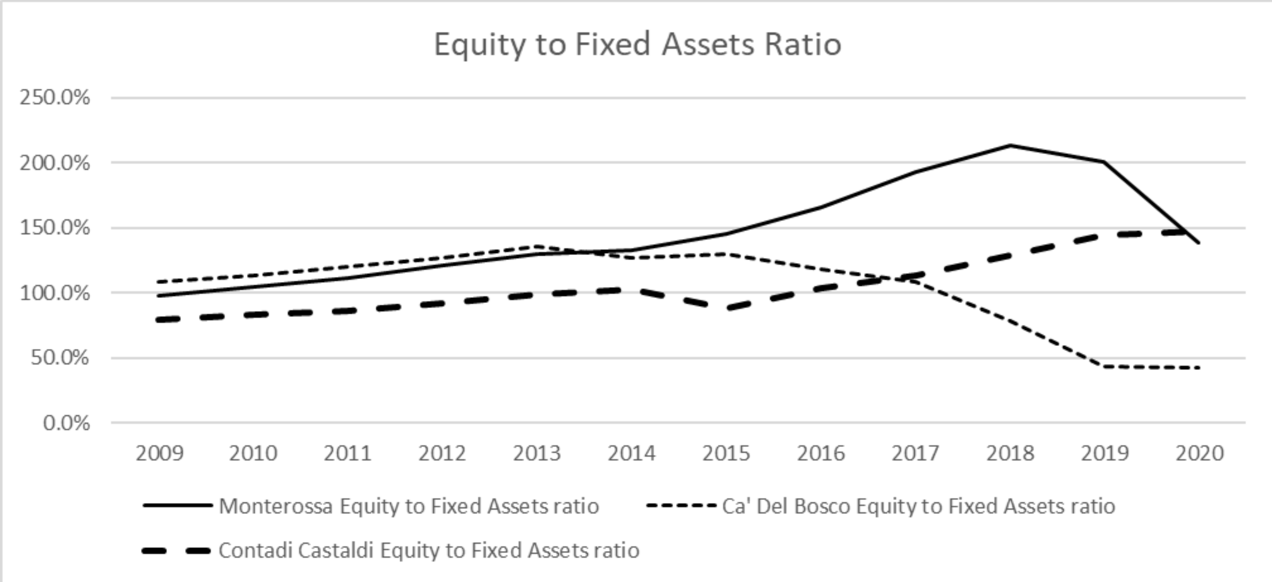

Fig. 6 Equity to fixed assets ratio

The decrease that Monterossa recorded over the last few years was due to investments in the new plant (Table 5) and the dividends distributed to shareholders (Table 17). Ca' del Bosco's relatively low equity to fixed assets ratio is also due to huge investments and the dividends paid out over the years.

Overall, the trend of the net financial position and equity to fixed assets ratio shows that Monterossa's capital structure has improved over time, even in relation to the market leader and competitor.

4.4 – *The arrival point of the analysis: Monterossa's situation at the end of 2020*

At the end of 2020, Monterossa still had a flat functional structure: despite the growth of the business over time, the organizational structure was not subject to significant quantitative or qualitative changes. Specifically:

- Production was assigned to eight employees (of whom six blue-collar workers), outsourcing some activities, such as vineyard cultivation and grape harvesting.
- Monterossa organized guided tours of the ancient cellar as well as wine tastings, with one employee welcoming customers and handling on-site purchases.
- The administrative staff consisted of four employees who deal with bookkeeping, customer order management, and logistics (incoming and outgoing), and the fulfilment of tasks required by wine production and commercialization legislation.
- The sales network included 42 agents.
- Employee satisfaction remained high.
- Monterossa did not draw up plans or budgets: financial performance is monitored by means of interim financial statements, and financial management is entrusted to the administrative function.

Thanks to the marketing strategies implemented and enhancing the range of wines, brand awareness improved considerably: Monterossa's wines are positioned in the upper mid-range of the Franciacorta wine market. Its market share stood at about 3%, with exports accounting for about 7% of annual sales.

Despite not having a high market share, at the end of 2020, Monterossa was a sustainable business positioned among leading firms in the Franciacorta niche thanks to its excellent financial performance in terms of profitability, liquidity, and capital structure. In fact, during 2020, despite a reduction in turnover of about 17% from €6,827,059 to €5,845,989, Monterossa achieved a net profit of over €1.5 million, corresponding to turnover profitability of almost 27%.

In terms of short-term liquidity, at the end of 2020, Monterossa's liquidity ratio was excellent at about almost 225%, despite having invested over €4,600,000 in the new plant.

In terms of capital structure, at the end of 2020, Monterossa had a negative net financial position of €554,418, i.e., liquidity (€5,216,526) over financial debt (€4,662,108). Furthermore, the equity to fixed assets ratio was 138.7%. This means that, thanks to the excellent financial results achieved over the years, at the end of 2020, Monterossa financed the investments in fixed assets (€12,138,456) and inventory (€6,015,627) with its own capital (€19,287,050). Under these conditions, Monterossa was able to resume paying dividends to its shareholders.

Looking to the future, Emanuele Rabotti is optimistic: the growing demand for Monterossa's wines, with a production capacity of around 500,000 bottles, will allow sales prices to rise gradually, further improving margins. The main challenge ahead is the introduction of I.40 technologies. The investment in the new plant, with the purchase of technologically advanced, highly automated systems, will further improve production efficiency on completion in early 2022, with a consequent significant reduction in unit production costs. But according to Rabotti, the digitization of operational processes resulting from the I4.0 initiatives should also act as a stimulus for the development of a set of organizational skills and learning processes, which in turn should improve Monterossa's business model, including marketing and logistics.

5 – Conclusions, limitations, and future research directions

The purpose of this paper is twofold:

a) to propose a longitudinal analysis framework to study the strategic development of small family firms in the absence of formal business planning;

b) to verify the effectiveness of the framework through a case study.

To this end, and in line with the proposed framework and the longitudinal case study, we explore the temporal development of strategy in the context of a small family firm.

The results of the business case confirm that the proposed framework (Pfeffer, 1982) is testable and logically consistent with the strategy literature. Gaining a better understanding of how strategy unfolds in small family firms is undoubtedly important for research and practice. Our study contributes to this literature both theoretically and empirically.

First, our work highlights the importance of a longitudinal analysis framework to reconstruct the strategic development of small family firms without a business planning system. Second, our findings highlight the need for in-depth longitudinal analyses not only to study the strategic development of large firms (Webb & Pettigrew, 1999), but also to understand how the strategic processes unfold dynamically in small family firms. Third, our study confirms the possibility of defining a set of financial and operational indicators in the absence of formal strategic planning for small family firms to ensure the alignment of the strategy, behavior, and metrics (Neely *et al*., 2005).

The Monterossa case also confirms that family managers "*are generally willing to use a 'good enough' indicator, if it can provide useful information quickly*" (Franceschini *et al*., 2019: 8). Moreover, our results show that to fully understand the strategic development of family firms, it is not enough to highlight the strategic objectives pursued and whether and to what extent they have been achieved, but also reconstructing how the progressive implementation of the strategy has affected their financial performance. The identification of financial indicators that are consistent with the strategic results and operational KPIs is essential (Kaplan & Norton, 1996), as they allow a comparison with benchmark firms to fully and critically appreciate the results achieved by the family firm under investigation in terms of profitability, short-term liquidity, and capital structure. Among these, profitability, understood as the firm's ability to create new wealth, is particularly important for the growth and strengthening of family firms, since long-term earnings represent a "*major source of liquidity, solvency and borrowing capacity*" (Bernstein & Wild, 1998: 492). Finally, our case study contributes to research on how small family firms can successfully implement business model changes in response to strategic emergencies, such as the Covid pandemic.

The main *limitation* of our study is the choice of a single case, which may limit the generalizability and transferability of our findings to all small firms and to those operating in other industries or countries. Indeed, although the evidence in this case seems to confirm the validity of the proposed framework, further longitudinal analyses could aim to revise, improve, or complete it. However, we hope that our contribution can inform future theoretical and empirical studies on the longitudinal analysis framework and on the temporal development of strategies in small firms, family or otherwise, in different industries and geographic contexts.

6 – References

Amaral, P.C.F., & Da Rocha, A. (2023). Building resilience during the Covid-19 pandemic: the journey of a small entrepreneurial family firm in Brazil. *Journal of Family Business Management*, *13*(1), 210-225.

Andrews, K. (1971). *The Concept of Corporate Strategy*. Homewood, Illinois: Dow Jones-Irwin.

Ansoff, I.H. (1984). *Implementing* Strategic Management. Englewood Cliffs: Prentice/Hall International.

Anthony, R.N. (1970). *Management Accounting Principles*. Homewood, Illinois: Richard D. Irwin Inc.

Astrachan, J.H. (2010). Strategy in family business: Toward a multidimensional research agenda. *Journal of Family Business Strategy*, *1*(1), 6–14.

Bernstein, L.A., & Wild, J.J. (1998). *Financial Statement Analysis* (sixth ed.). Boston: McGraw Hill International Editions.

Bhattacharya, H. (2007). *Total Management by Ratios: An Analytic Approach to Management Control and Stock Market Valuations* (second ed.). London: Sage Publications Ltd.

Bogarelli, P. (2020). Punctual crisis assessment in SMEs: An applicative model. *Small Business*, 2, 148–178.

Bogarelli, P., & Castellano, N. (2023). L'implementazione di tecnologie 4.0 nelle piccole imprese: Analisi di un caso di successo. *Management Control*, 2, 137–164.

Bruni, E., & Comacchio, A. (2023). Configuring a new business model through conceptual combination: The rise of the Huffington Post. *Long Range Planning*, 56, 1-22.

Burgelman, R.A. (2011). Bridging history and reductionism: A key role for longitudinal qualitative research. *Journal of International Business Studies*, *42*(5), 591–601.

Calabrò, A., Frank, H., Minichilli, A., & Suess-Reyes, J. (2021). Business families in times of crises: The backbone of family firm resilience and continuity. *Journal of Family Business Strategy*, *12*(2), 1–8.

Cater, J., & Schwab, A. (2008). Turnaround strategies in established small family firms. *Family Business Review*, *21*(1), 31–50.

Chrisman, J.J., Chua, J.H., De Massis, A., Minola, T., & Vismara, S. (2016). Management processes and strategy execution in family firms: From "what" to "how". *Small Business Economics*, *47*(3), 719–734.

Chrisman, J.J., Chua, J.H., & Sharma, P. (2005). Trends and directions in the development of a strategic management theory of the family firm. *Entrepreneurship Theory and Practice*, *29*(5), 555–575.

Chu, W. (2009). The influence of family ownership on SME performance: Evidence from public firms in Taiwan. *Small Business Economics*, *33*(3), 353–373.

Chua, J.H., Chrisman, J.J., Steier, L.P., & Rau, S.B. (2012). Sources of heterogeneity in family firms: An introduction. *Entrepreneurship Theory and Practice*, *36*(6), 1103–1113.

Coda, V. (2010). *Entrepreneurial Values and Strategic Management: Essays in Management Theory*. New York: Palgrave Macmillan.

Collis, D.J., & Montgomery, C. (1997). *Corporate Strategy. Resources and the Scope of the Firm*. Boston: McGraw-Hill Companies, Inc.

Court, M. (2010). Longitudinal research. In Mills, A.J., Durepos, G., & Wiebe, E., *Encyclopedia of Case Study Research* (Vol. 1, pp. 535–538). Thousand Oaks: Sage Publications Inc.

Craig, J.B.L., & Moores, K. (2006). A 10-year longitudinal investigation of strategy, systems, and environment of innovation in family firms. *Family Business Review*, *19*(1), 1–10.

Craig, J.B.L., & Moores, K. (2010). Strategically aligning family and business systems using the balanced scorecard. *Journal of Family Business Strategy*, *1*(2), 78–87.

Daspit, J.J., Chrisman, J.J., Sharma, P., & Pearson, A.W., Long, R.G. (2017). A strategic management perspective of the family firm: Past trends, new insights, and future directions. *Journal of Managerial Issues*, *29*(1), 6–29.

De Massis, A., & Kotlar, J. (2014). Case study method in family business research: Guidelines for qualitative scholarship. *Journal of Family Business Strategy*, *5*(1), 15–29.

De Massis, A., Kotlar, J., Frattini, F., Chrisman, J., & Nordqvist, M. (2016). Family governance at work: Organizing for new product development in family SMEs. *Family Business Review*, *29*(2), 189–213

Dyer, W.G. (2006). Examining the family effect on firm performance. *Family Business Review*, *19*(4), 253–273.

Eddleston, K.A., Kellermans, F.W., & Sarathy, R. (2008). Resource configuration in family firms: Linking resources, strategic planning and technological opportunities to performance. *Journal of Management Studies*, *45*(1), 26–50.

Eisenhardt, K.M. (1989). Building theories from case study research. *Academy of Management Review*, *14*(4), 532–550.

Faraci, R., & D'Allura, G.M. (2018). *Emerging Trends in the Governance and Management of Entrepreneurial and Family Firms*. Torino: Giappichelli Editore.

Franceschini, F., Galetto, M., & Maisano, D. (2019). *Designing Performance Measurement Systems – Theory and Practice of Key Performance Indicators*. Springer Natural Switzerland AG.

Gallucci, C., Santulli, R., & Calabrò, A. (2015). Does family involvement foster or hinder firm performance? The missing role of family-based branding strategies. *Journal of Family Business Strategy*, *6*(3), 155–165.

Habbershon, T.G., & Williams, M. L. (1999). A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review*, *12*(1), 1–26.

Hatum, A., & Pettigrew, A. (2004). Adaptation under environmental turmoil: Organization flexibility in family-owned firms. *Family Business Review*, 17(3), 237–258.

Hax, A.C., & Majluf, N.S. (1984). *Strategic Management*. Englewood Cliffs, N.J.: Prentice-Hall.

Horngreen, C.T. (1962). *Cost Accounting. A Managerial Emphasis*. Englewood Cliffs, N.J.: Prentice-Hall.

Ibrahim, A.B., McGuire, J., Soufani, K., & Poutziouris, P. (2004). Patterns in strategy formation in a family firm. *International Journal of Entrepreneurial Behaviour & Research*, *10(*1-2), 127–140.

Jones, G.R. (2013). *Organizational Theory, Design, and Change* (seventh ed.). Pearson Education Limited.

Kaplan, R.S., & Norton, D.P. (1996). *The Balanced Scorecard: Translating Strategy into Action*. Harvard Business School Press.

Katare, B., Marshall, M.I., & Valdivia, C.B. (2021). Bend or break? Small business survival and strategies during the COVID-19 shock. *International Journal of Disaster Risk Reduction*, 61, 102332.

Latifah, L., Setiawan, D., Aryani, Y.A., & Rahmawati, R. (2020). Business strategy – MSMEs' performance relationship: Innovation and accounting information system as mediators. *Journal of Small Business and Enterprise Development*, *28*(1), 1–21.

Marchini, I. (1995). *Il Governo della Piccola Impresa (Vol. II) – La Gestione Strategica*. Urbino: ASPI/INS-EDIT.

Mazzi, C. (2011). Family business and financial performance: Current state of knowledge and future research challenges. *Journal of Family Business Strategy*, *2*(3), 166–181.

McChlery, S., Godfrey, A.D., & Meechan, L. (2005). Barriers and catalysts to sound financial management systems. *The Journal of Applied Accounting Research*, *7*(3), 1–26.

Mella, P. (2005). Performance Indicators in Business Value-Creating Organizations. *Economia Aziendale 2000 Web*, 2, 25-52.

Mella, P. (2012). *Analisi di bilancio*. Rimini: Maggioli Editore

Miller, D., Amore, M.D., Le Breton-Miller I., Minichilli, A., & Quarato, F. (2018). Strategic distinctiveness in family firms: Firm institutional heterogeneity and configurational multidimensionality. *Journal of Family Business Strategy*, *9*(1), 16–26.

Miller, D., & Le Breton-Miller, I. (2005). *Managing for the Long Run: Lessons in Competitive Advantage from Great Family Businesses*. Boston, MA: Harvard Business Press.

Mintzberg, H., & Waters, J.A. (1982). Tracking strategy in an entrepreneurial firm. *Academy of Management Journal*, *25*(3), 465–499.

Mintzberg, H., & Waters, J.A. (1985). Of strategies, deliberate and emergent. *Strategic Management Journal*, *6*(3), 257-272.

Montemerlo, D. & Ward, J.L., (2005). The Family Constitution. New York: Palgrave Macmillan.

Montemerlo, D. (2019). Le scelte improrogabili delle imprese familiari. Milano: Egea.

Neely, A., Gregory, M., & Platts, K. (2005). Performance measurement system design: A literature review and research agenda. *International Journal of Operations and Production Management*, *15*(4), 80–116.

Nonaka, I., & Takeuchi, H. (2021). Humanizing strategy. *Long Range Planning*, 54, 1-11.

Nordqvist, M. (2005). Familiness in top management teams: Commentary on Ensley and Pearson's "An exploratory comparison of the behavioral dynamics of top management teams in family and nonfamily new ventures: Cohesion, conflict, potency, and consensus". *Entrepreneurship Theory and Practice*, *29*(3), 285–292.

Nordqvist, M. (2012). Understanding strategy processes in family firms: Exploring the roles of actors and arenas. *International Small Business Journal*, *30*(1), 24–40.

Nordqvist, M., & Melin, L. (2010). The promise of the strategy as practice perspective for family business strategy research. *Journal of Family Business Strategy*, *1*(1), 15–25.

Normann, R. (1977). *Management for Growth*. Chichester: John Wiley & Sons Ltd.

Penman, S.H. (2013). *Financial statement analysis and security valuation*, fifth ed. New York: McGraw-Hill Education, New York.

Peters, T.J., & Waterman, R.H. (1982). *In Search of Excellence*. New York: Harper and Row.

Pettigrew, A. (1990). Longitudinal field research on change: Theory and practice. *Organization Science*, *1*(3), 267–292.

Pfeffer, J. (1982). *Organizations and organization theory*. Marshfield: Pitman.

Porter, M. E. (1991). Towards a dynamic theory of strategy. *Strategic Management Journal*, *12*(S2), 95–117.

Quinn, J. B. (1981). Formulating strategy one step at a time. *The Journal of Business Strategy*, *1*(3), 42–63.

Rumelt, R.P., Schendel, D., & Teece, D.J. (1991). Strategic management and economics. *Strategic Management Journal*, *12*(S2), 5–29.

Schendel, D.E., & Hofer, C.W. (1979). *Strategic Management: A New View of Business Policy and planning*. Boston: Little Brown.

Soluk, J., Kammerlander, N., & De Massis, A. (2021). Exogenous shocks and the adaptive capacity of family firms: Exploring behavioral changes and digital technologies in the COVID-19 pandemic. *R&D Management*, *51*(4), 364–380.

Stafford, K., Danes, S.M., & Haynes, G.W. (2013). Long-term family firm survival and growth considering owning family adaptive capacity and federal disaster assistance receipt. *Journal of small Business Strategy*, *4*(3), 188–200.

Subramanyam, K.R. (2014). *Financial Statement Analysis*, eleventh ed. New York: McGraw-Hill Education.

Sundaramurthy, C., & Kreiner, G.E. (2008). Governing by managing identity boundaries: The case of family businesses. *Entrepreneurship Theory and Practice*, *32*(3), 415–436.

Thompson, J.D. (1967). *Organizations in Action*. New York: McGraw-Hill Education.

Van Doorn, S., Tretbar, T., Reimer, M., & Heyden, M. (2022). Ambidexterity in family firms: The interplay between family influences within and beyond the executive suite. *Long Range Planning*, 55, 1-16.

Venkatraman, N., & Ramanujam, V. (1986). Measurement of business performance in strategy research: A comparison of approaches. *Academy of Management Review*, *11*(4), 801–814.

Walsh, C., Knott, P., & Collins J. (2023). The role of intuiting practices in navigating strategic opportunities, *Long Range Planning*, 56, 1-14.

Webb, D., & Pettigrew, A. (1999). The temporal development of strategy: Patterns in the U.K. Insurance Industry. *Organization Science*, *10*(5), 601–621.

Whittington, R., Regnér, P., Angwin, D., Johnson, G., & Scholes, K. (2020). *Exploring Strategy* (twelfth ed.). Pearson Education Limited.

Wielsma, A.J., & Brunninge, O. (2019). "Who am I? Who are we?" Understanding the impact of family business identity on the development of individual and family identity in business families. *Journal of Family Business Strategy*, *10*(1), 38–48.

Wilkerson, J.M., & Bassani, A.D. (2020). A functional elaboration theory perspective on management accounting in small firms. *Journal of Accounting and Finance*, *20*(1), 102–111.

Wilkerson, J.M., & Seers, A. (2019). Chronic underfit of the small firm's HRM function: When low functional elaboration interacts with contingencies. *J. of Organizational Psychology*, *19*(2), 161–176.

Williams Jr., R.I., Manley, S.C., Aaron, J.R., & Daniel, F. (2018). The relationship between a comprehensive strategic approach and small business performance. *Journal of Small Business Strategy*, *28*(2), 33–48.

Yin, R.K. (2003). *Case study research: Design and Methods* (third ed). Thousand Oaks: SAGE Publications.