

Italy

Corporate Italy keeps it in the family

Powerful dynasties wield control over country's business fabric

Rachel Sanderson in Milan OCTOBER 26 2019

Italian capitalism is largely a family affair. Behind the largest industrial groups and even the largest banks, family owners have traditionally been the main players. While the ravages of the European debt crisis forced some to sell up and move on, recent events in Italy Inc show that Italians keeping it in the family are still providing the most dramatic corporate sagas.

Just last week a power struggle broke out within the Benedetti family — owners of newspapers including La Repubblica and La Stampa — after Carlo De Benedetti, who ceded power to his sons in 2012, made a very public offer to buy back the papers without warning them first.

In the 1980s Italy's blue-chip index was dominated by the Agnelli family, whose patriarch Gianni Agnelli was considered the country's de facto king, a statesman industrialist who could wield as much if not more power than the prime minister. The Agnelli clan's power, held through companies and cross shareholdings that criss-crossed corporate Italy, became the benchmark for aspirant Italian capitalists.

Since the European debt crisis the interconnected power of family owners and entrepreneurs has diminished as they cut back on their cross-shareholdings amid concerns they would become paths for contagion. Italian political risk, worries over succession and technological disruption have also driven some family members to sell. Examples include the Recordatis, who sold their drug company to private equity, or the Pesenti family, who sold their cement group to HeidelbergCement.

Yet reports of the death of Italian family capitalism that characterised the years of Italy's triple-dip recession are proving greatly exaggerated. More than a third of the companies on Italy's leading FTSE MIB index have families as the major shareholder.

From the mega merger led by Ray-Ban maker Leonardo Del Vecchio to create global eyewear leader EssilorLuxottica and the Berlusconi clan's push to make family broadcaster Mediaset a pan-European group, to the Benetton dynasty's dilemma over the future of their diversified conglomerate and infrastructure group Atlantia, Italy's business families are proving unexpectedly dynamic.

Guido Corbetta, professor of family capitalism at Milan's Bocconi University, argues that a number of entrepreneurs in their forties and fifties — such as the Lavazza coffee dynasty brothers or Campari owner Luca Garavoglia — who are quietly expanding their businesses and making bigger revenues through exports.

But it is the octogenarian business leaders such as Mr Del Vecchio, former prime minister and Mediaset owner Silvio Berlusconi and Luciano Benetton whose businesses are grabbing the limelight, as the owner-founders race against time to secure their legacy at the empires they created.

Against a backdrop of growing disruption and Wall Street-led shareholder capitalism, some Italian family business owners see an opportunity for a positive reappraisal of their paternalistic style of business ownership.

Mr Corbetta remains on the fence. He argues that Italian family capitalism traditionally rates better than the Anglo Saxon variety on attention to corporate social responsibility and local communities. But, he says, “they have to better open their companies to outside managers and outside capital”.