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Corso di Laurea Magistrale o Specialistica in International economics and commerce

**Strategic decision-making process in a B-to-B  
company, the role of customer relationships –  
The Loccioni case**

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*Processo decisionale strategico in un'impresa B-to-B, il  
ruolo delle customer relationships – Il caso Loccioni*

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## **Abstract ( Italian language)**

Il tema del processo decisionale strategico nelle organizzazioni complesse è di cruciale importanza quando si guarda alle aziende con risorse e capacità limitate. Infatti, come la letteratura conferma, una decisione ben presa permette di guadagnare efficienza ed eventualmente di risparmiare tempo e denaro per un migliore utilizzo.

Questa tesi di laurea magistrale mira ad osservare come questo processo decisionale manageriale è strutturato in una SME a conduzione familiare che agisce nel mercato B-to-B. In particolare, mira a capire quali attori prendono parte sia internamente che esternamente e con quali ruoli e responsabilità. Un focus dettagliato sarà dato al ruolo del cliente all'interno di questo processo.

Per raggiungere questo obiettivo, sono state formulate due domande di ricerca:  
*Come viene sviluppato e gestito il processo decisionale strategico in Loccioni?*  
*Come e a quale livello il cliente appare in questo processo e qual è la sua influenza?*

L'analisi del caso Loccioni è stata elaborata dallo studente del master durante un periodo di 4 mesi di collaborazione con l'azienda. In questo periodo, è stata condotta una ricerca qualitativa.

A supporto delle osservazioni del caso studio, è stata riportata parte della letteratura manageriale ad oggi prodotta come quadro di riferimento. Il focus tematico della ricerca è stato il processo decisionale manageriale e il business relationship management. In particolare, il filone teorico seguito è stato quello suggerito dall'IMP Group.



## **Abstract**

The theme of strategic decision-making in complex organizations is of crucial importance when looking at companies with resources and capabilities constraints. In fact, as the literature confirm, a well taken decision allows to gain efficiency and eventually to save time and moneys for better utilization.

This master's degree thesis aims at look to how this managerial decision-making process is structured in a family owned SME acting in the B-to-B market. In particular, it aims to understand which actors take parts both internally and externally and with which roles and responsibilities. A detailed focus will be given to the customer role within this process.

In order to achieve this objective, two research questions have been formulated:

*How the strategic decision-making process is developed and managed in Loccioni?  
How and at which level the customer appears in this process and what is its influence?*

The analysis of the Loccioni case has been elaborated by the master's degree student during a 4 moths period of collaboration with the company. In this period, a qualitative research has been carried out.

Supporting the observations of the case study, previous managerial literature has been reported as a frame of reference. The topics focus of the research has been the managerial decision-making process and the business relationship management. In particular, the thread followed has been the one suggested by the IMP Group.



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## **INTRODUCTION AND METHODOLOGY**

Decision making in complex organizations is a central topic for managerial research. In particular, the understanding of what is a strategic decision, how the decision-making process is developed and who takes part to it hasn't yet found an univocal answer from the literature. Moreover, in the industrial market, the role of the customer and more in general of the network in this process has become central in the strategic management of companies. Nowadays in fact, connections between organizations are unavoidable, and if developed and managed well they can become a competitive advantage (Håkansson & Snehota, 1995).

This research was born with the aim to clarify some aspects concerning the strategic decision-making process in an industrial, family owned company working on projects by order in the BtoB market.

It is known from the past studies that, in working by order, resources allocation and customer relationships are two recurrent and critical topics companies have to deal with (Fiocca et al., 2009).

This thesis then, wanted to go deeper in a field where being resources and capabilities limited, strategic decisions are needed in order to let the business perform and survive in a long-term perspective.

Usually, these decisions are strongly influenced and driven by the external context within which companies operate (Harrison, 1996; Zeleny, 1981).

Moreover, looking at what the literature tells us with regard to customer relationships and networking practices in industrial companies, there is for the aim of this analysis the need to understand, how strongly business relationships are able to influence strategic decisions and whether there are some specific figures that take part in the decision-making process and how.

In order to conduct this observation then, two questions have been formulated:

1. How the strategic decision-making process is developed and managed in Loccioni?

This first question, allows to observe this process through various steps. Starting from the strategic definition, as Loccioni means it, to the most practical every-day decisions. Furthermore, it allows to understand where the boundaries are placed and how. Are the internal ones (among collaborators at different career levels) more present than the external ones (with customers)? In searching for answers to this question, it has been possible to observe every subject that takes part to this process and with which responsibilities.

2. How and at which level the customer appears in this process and what is its influence?

Whit this second question, the analysis focalizes on the customer role, approaching the customer relationship management field. This want to understand to which extent the customer is able to influence the company decision making process and if there are particular figures which are more likely to have a say in this matter. If yes, what Loccioni does in order to deal and manage this relationship?

In analyzing those aspects, various school of thoughts will be taken in consideration. In particular:

- The work of the IMP Group (Industrial Marketing and Purchasing) will be the main reference for this thesis. The IMP Group is a community of researchers born in Sweden in 1970s, it expanded lately all around Europe and counts today nearly 1000 scholars that collaborates with their studies to the growth of the community (Perna & Baraldi, 2015). The Group has a long experience in the “buyer-seller relationship” or “business relationship” field.
- In addition, especially regarding the managerial decision-making process the useful work of Harrison and his colleagues from the San Francisco State University will be observed.
- For the specific focus on family businesses, the analysis has been driven by the interesting paper works founded on various business journals. These are: the “Strategic decision-making in family businesses” , the “Corporate, Ownership and Control” and the “Journal of Small Business Management”

### *An overview of the methodology*

This research has been developed during a four months period of collaboration between the master's student and the Loccioni company. A period in which the student has been able to see all the work flows of the company, and get in touch with the daily routines. This allowed him not only to hear how the strategic decisional processes are implemented but also to see and get in touch with them in the daily management of the company.

The research is conducted as a qualitative case study adopting an exploratory and deductive approach to it. The choice to developing a qualitative research has been driven by the flexibility it embedded in order to don't lose any valuable but uncodable information. Again, the possibility given to the student to stay within the organization and to participate to its moments of work, enabled him to speak with many collaborators and to the Loccioni family itself in unformal talks. This eventually permits the gathering of detailed information that completed better the frame of analysis.

Moreover, for the aim of this study, 25 collaborators have been interviewed. They have been selected at different levels of the organizational structure so to have a clearer and more neutral vision of the issue. These can be grouped in:

- Family and General Management
- BU managers
- Sales managers

- Project managers and engineers
- Key account managers
- Sales representant
- HR managers

Those both located in Italy and in the foreign offices Loccioni owns.

The subjects of the interview are different in terms of roles, market orientation and age so to have, as much as possible , a complete overview of the phenomenon.

The study have been displayed as a narrative research (Athlas.ti, n.d.), using as a main tool the interview, following a pattern of 11 questions to answer within a duration of 45 minutes each.

The order has not always been followed, but the topics have been covered in all the 25 interviews.

### *Thesis structure*

In order to give answer to the questions mentioned before, this work has been divided in 5 chapters.

Starting from a literature review, the first chapter wants to give a general overview of the main feature of the BtoB market, the one in which Loccioni works in. A brief discussion has also been dedicated to what does it means working by order for a company.

The second chapter continues with an analysis of the managerial literature regarding the managerial decision-making process: what is a strategic decision, how a process is built and who gets involved into this process. Last paragraph of this chapter wants to have a look into family business field, to understand whether there are significant differences or not.

The third chapter that ends the literature review, focuses in business relationships, in particular those with customers. Here this work brings different point of view from different scholars.

The chapter number four is dedicated to a complete description of Loccioni company: the history, mission vision and values and the business setting.

The fifth and last chapter is dedicated to the case study. The analysis of the data gathered with the interviews and the final discussion and comments.



## **1. MAIN FEATURES OF THE B2B MARKET**

In this paragraph we are going to discuss the BtoB market and its peculiarities; namely that context where customers are not individuals or families but companies and other organizations positioned in different places of the production chain (Fiocca et al., 2009). The importance to give such a framework to our study is because this kind of market, that is rarely the focus of business management research, has very particular features and, as Gregori & Perna (2019) say, it is important to understand this “world” since often, behaviors of those player cited above are uninspected and maybe surprising if we just approach them with the Business to Consumer markets view.

Furthermore, Gregori & Perna (2019) claim that the consistency of exchanges and volumes of sales with respect of the whole economy is much more higher than the B2C market, so that we can deduce that in BtoB market operate the majority of the business organizations, producing an higher amount of sales. On average, two companies out of three (Gregori & Perna, 2019) work in this field. To understand this, we can just think to the number of components needed to assemble a device like a phone and we can consequently guess how many companies work in just that supply chain.

According to (Fiocca et al., 2009), the peculiarities of the BtoB market are:

- Concentration: the relative higher concentration is deductible from two levels.

First, total number of supplier and customers of a certain product/service is lower; second, also the exchange between them, meaning sales and purchases are fewer and more concentrated. On average, the first ten customers, represent around 60% and 70% of a company's total sales (Fiocca et al., 2009). This kind of conditions, lead to a different management of the relation between customer and supplier and the negotiations goes beyond the mere one-shot purchase of the product or service. It takes into consideration the whole service, in broader terms. This service definitely consists in resources, activities and relationships that the supplier itself develop with other player of the market. Finally, the concentration acts also at a geographical level and refers to the localization of customers and suppliers facilities often situated nearby the business taken in analysis.

- Heterogeneity: Concern the variety of services target in every exchange, and the relationships between organizations in the same market. This leads to uniqueness of every customer, of its requirements and then of the settlement of the relation with it (Fiocca et al., 2009).

- Continuity: that can be perceived from three dimensions such as: a) the purchasing and sales process that is a steady flow, not a one-shot game. This because the companies necessities of resources to hold up the business is a continuous flow; b) the turnover in the customer portfolio is a very rare event; c) there are various and continuous communication exchanges between the parties at the moment of the specification of the service, that is crafted in a tailor mode (Fiocca et al., 2009).

- Constant change: taking into account that relationships and connections with customers always change and adapt to the new market trends in a reciprocal exchange flow of information (Fiocca et al., 2009).

Then, as Fiocca et al. (2009) claims, in order to let the Business to Business markets be flourish, it's mandatory a constant and reciprocal relationship exchange, where the player of the market have solid interdependence among each other.

If we make a focus on the relationship, Fiocca et al. (2009) defines it as the link between two actors orienting their actions reciprocally and of a certain period in the time. Important to highlight the fact that we will not ever have a standardization of this reciprocity, but an endless number of these.

It is crucial then, to study and understand for each one the main characteristics such as: the durability, the intensity, the scope, the matters and the involvement level required (in terms of resource and capabilities).

Sometimes, in the BtoB scenario, happens, as Fiocca et al. (2009) argues, that the development of a relationship exclude the possibility to undertake another, similar one. And this, in a worst-case scenario could lead to an inefficient resource allocation. Nevertheless, relationships remain one of the most important item of this kind of market, they are born out of the need to interact with reciprocity, and supply valuable services to the customer.

For what concern the interdependence concept, it takes relevance when empirical research shows that demand for industrial goods/services it doesn't exist by itself,

instead it is derived (depends directly from the final customer) so, by definition it is unpredictable and dynamic one. There is no company in fact, that is isolated from the external environment, the one where it gets the required resources. For these reasons, the BtoB markets are not atomistic markets, namely where there are many independent actors, rather they are organized in a well-defined and linked network.

## **1.1 VARIOUS PRODUCTION SYSTEMS**

The kind of production process a company adopt, has a direct influence on the decision-making path and on the relationship, it establishes within its professional network.

The managerial literature (Slack et al., 2018) identifies five types of production processes: project, jobbing, batch, mass/line and continuous process; with reference to two production dimensions (Volume and Variety) of the four variables (the others being Variability and Visibility), which a company can leverage to develop its competitive advantage. In particular, Volume expresses the level of production, Variety represents the breadth of the range of products offered, Variability is understood as the company's ability to adapt to changes in the market and Visibility indicates the exposure of the production process and the possibility for the customer to take part in it (Slack et al., 2018).

Project and jobbing processes, characterized by lower volume and maximum variety, are comparable to contract production; batch and mass processes are comparable to pattern production, the last one corresponds to continuous flow production.

In real case scenarios it is not uncommon to find production contexts presenting different process features at the same time.

The present literature points out that the change from one organizational system to another requires a corresponding change in production, particularly in terms of

volume and variety. Slack et al. (2018) propose in this context the volume-variety matrix, from whose diagonal it is inadvisable to deviate, in order to avoid negative consequences on production flexibility and therefore on cost.

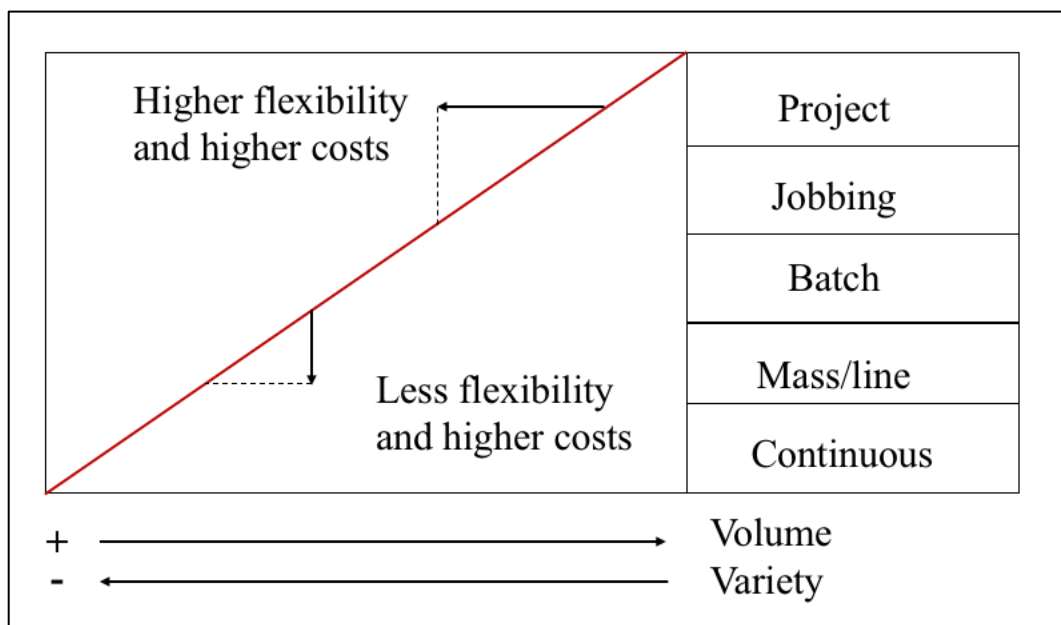


Figure 1 -Own elaboration of Volume-Variety Matrix (Slack et al., 2018)

For example, by adopting an organizational system focused on product variety for high-volume production, the company obtains more flexibility than it needs, cannot exploit economies of scale, and therefore incurs high costs. Conversely, by implementing an excessively rigid organizational system, the company will have to bear high set-up costs to obtain the production variety required by the market.

## **1.2.COMMISSIONED ORDER PRODUCTION**

As said in this discussion, in the BtoB markets, often costumers don't buy just goods and services but some more complex solutions, crafted specifically for their needs.

The concept of solution, refers to a group of processes that go from the identification of the necessity of the client to, all what concern the supply of the post-sale services (Fiocca et al.,2009).

The solution, is basically supplied to solve a problem the customer has and recognize to have. For this reason, it is composed by various items often very different from each other, as different are customers, markets and expectations. In the meantime, the solution by definition is dynamic, and multi-dimensional so it is subject to several changes and adaptation to the customer needs. Every solution must be also unique and characteristic, thus superior to the competition and this superiority have to be tangible and measurable. To be like that, the differentiating points have to be qualifiable and assessable in monetary terms.

The commission is totally different from the mass production since it is not repetitive, but most important it has an high participation rate of the client in the production process. The company whom execute it on the other hand, must be able to manage this customer presence on the various step of the order, just because the modification requirement, if not managed efficiently will turn a profitable job in a monetary loss. So than, the uncertainty with this way of working rise a lot (Fiocca et al., 2009).

The possibility to, from one side customize the offer to the client needs, and on the other to keep costs low is granted by the high technological potential and by the new flexible production techniques (such as JIT and lean production) that allow companies to reach a reasonable cost advantage (Vicari, 1980).

Nevertheless, customization rate required by the customer is limited when the related higher customer satisfaction is lower than the increment of the costs coming from the cited customization. For this reason, in order to avoid unsustainable costs, every company working with commissioned order should (Fiocca et al., 2009):

- Define a scrupulous budget, with precise definition of cost.
- Monitor step by step the quotation phase as well as the balance evaluation during the production process one. In fact, the request for a quotation (RFQ) is a crucial step for firms working by commissioned orders. The quotation, if not done cautiously could threaten the whole project bringing problems that during the process could increase exponentially compromising the whole work at the end.

For what concern the balance evaluation during the process, instead, this allows the company to have a view on the profitability of the commissioned order, and so the difference between cost and revenues; furthermore, it let the responsible of the project aware of the work in progress status in order to control the delivery deadlines as well as to manage the potential delays in time.

- Plan the next steps: companies that work by commissioned orders have the characteristic of work simultaneously on several production processes, and this



requires a strong interdependence among all the resources involved. Finally, with this way of working arise a balance between daily planning on one hand and mid-term strategic planning on the other.

The most efficient production process management of the commissions, include a set of key elements from where the quote arises; and these are:

- solution and service elements: these concern the physical part of the quote as well as the intangible one regarding the service such as installation, warranty, post purchase assistance, and training;
- the price and the costs related to the purchasing and to the usage that definitely affect the sacrifice perception of the customer;
- the transport condition and the related market communication of those conditions.

In the case where, the customer requirements are not adequately satisfied, arise a dangerous mismatching between the value it expects and the one that the company actually delivers to it (customer value proposition) (Fiocca et al., 2009).

This customer value proposition is derived by the sacrifices and benefit perceived by the client: the benefits regard advantages in terms of quality, service, and communication. Menon et al. (2008), split this benefits into:

- Core benefits: without which, the quote doesn't exist itself, it has no competitiveness in the market.

- Supplemental benefits: the ones that make the offer distinctive and unique. The hallmarks where the marketing gets in and that are the actual field where the negotiation game is played.

Sacrifices on the other hand, concern monetary costs which the customer has to take on to acquire the solution, and all the operating costs related to the relationship management such as purchasing costs.

It is fundamental so, that the supplier gets to understand the specific expectation of the customer, the various core features of the commission so the one that can make the difference in order to develop a solid and strong long-term relationship.

## **2. AN OVERVIEW OF THE MANAGERIAL DECISION-MAKING PROCESS**

This first chapter focuses on defining strategic decisions and the strategic decision-making process overtaken on a daily basis by companies. The analysis tries to give a perspective on the various steps of the process and how these steps interact with each other. In addition, it will highlight the main feature of this process according to the managerial literature. In the last paragraph a deepening will be carried out with regard to family businesses.

## **2.1. STRATEGIC DECISIONS AND DECISION-MAKING PROCESS**

The first thing to define, for the matter of this analysis is the concept of decision. There are not many discussion in the definition of decision in the present literature. Eilon (1966) brought at least three different formulations.

Fishburn (1964) states that deciding means “finding a strategy for action the expected relative value of which is at least as great as the expected relative value of any other strategy in a specified set”. Furthermore, Ofstad (1961), highlights three points of view for which can be said that a decision has been taken. First, a person might have decided, when he/she starts to take a series of behavior in favor of something; otherwise, this person might have made up his mind to do a certain action, which he/she has no doubt that he/she ought to do. However, Ofstad (1961) comes out with the most common definition that is to make a decision” means to make a judgement about what a person ought to do in a certain situation after having deliberated on various alternative courses of actions.

The most explicative that has been found from the literature is the one of Harrison (1996) that defines a decision as “as a moment, in an ongoing process of evaluating alternatives for meeting an objective, at which expectations about a particular course of action impel a decision maker to select that course of action most likely to result in attaining the objective”.

Advancing in the analysis, Harrison (1996), brings to the audience attention five criteria useful for identify and make a strategic decision in businesses.

1. The decision must have as objective the one to define the relationship between an organization and its environment.
2. The unit of analysis of the decision must be the organization as a whole
3. The decision must encompass all of the major functions performed in the organization.
4. The decision must give constrained guidelines to all the administrative and operational activities carried out within the organization
5. The decision must be important for the organization in a long-term perspective.

Harrison (1996), continues his analysis bringing the concept of “Strategic Gap” in order to give a framework to the relationship between an organization and its between internal resources and capabilities of the organization with the external opportunities and threats of the environment.

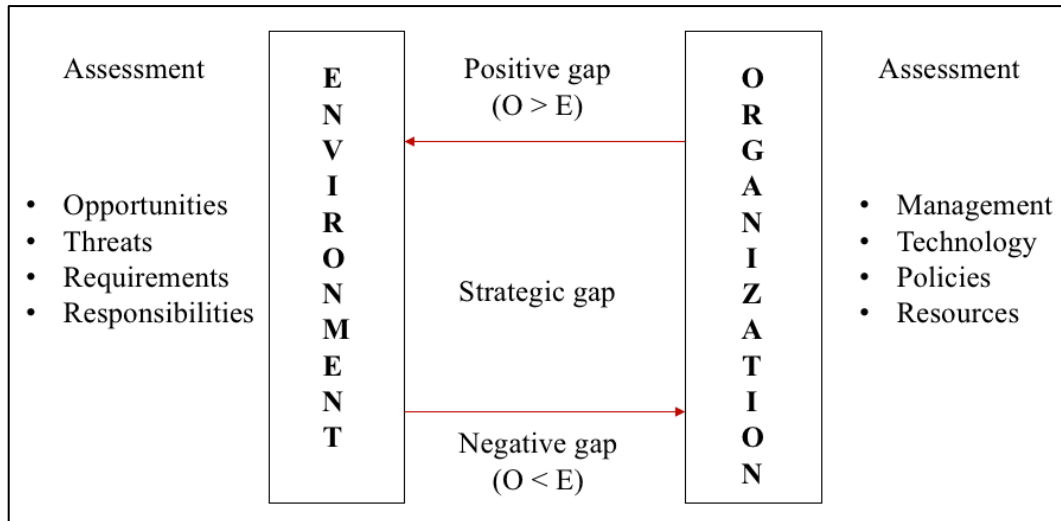


Figure 2 – Own elaboration of the “Concept of strategic Gap” (Harrison, 1996)

There are, according to this framework, three different output:

1. The positive strategic gap, when the sum of internal capabilities is clearly greater than its principal environmental aggregates (Harrison, 1996). This means the organization, as it is settled, will be able to cope with any opportunity, threats and requirement of the external environment.
2. The negative strategic gap, when the environmental aggregates are greater than the internal capabilities so that the organization fails to exploit opportunities and deal with perceived threats.
3. The zero strategic gap that is unrealistic for the researches but can be defined as the moment when in the judgment of management an organization has reached its irreducible minimum, meaning a good strategic fit.

According to the different outcomes of the strategic gap analysis, the decision-making focus will, as well, be different.

Moving forward with the analysis, this document will give an overview to the managerial decision-making process.

According to Harrison (1996), a managerial decision-making process is constituted by a set of decision-making function logically connected. Figure 3 depicts the process and the various functions that for Harrison (1996) are:

- Setting managerial objective. The process starts in a certain moment in the time with this phase and culminate with it, potentially reviewing and recalibrating it.
- Searching for alternatives. Scanning internal and external environment for relevant information.
- Comparing and evaluating alternatives. Basing the comparison on perceived relative cause-and-effect relationships.
- The act of choice. Choosing between alternatives becomes an act of picking up a given course of actions.
- Implementing the decision. Transforming the abstraction of a decision into an operational reality.
- Follow-up and control. Ensuring the outcome is coherent with the objectives settled at the beginning.

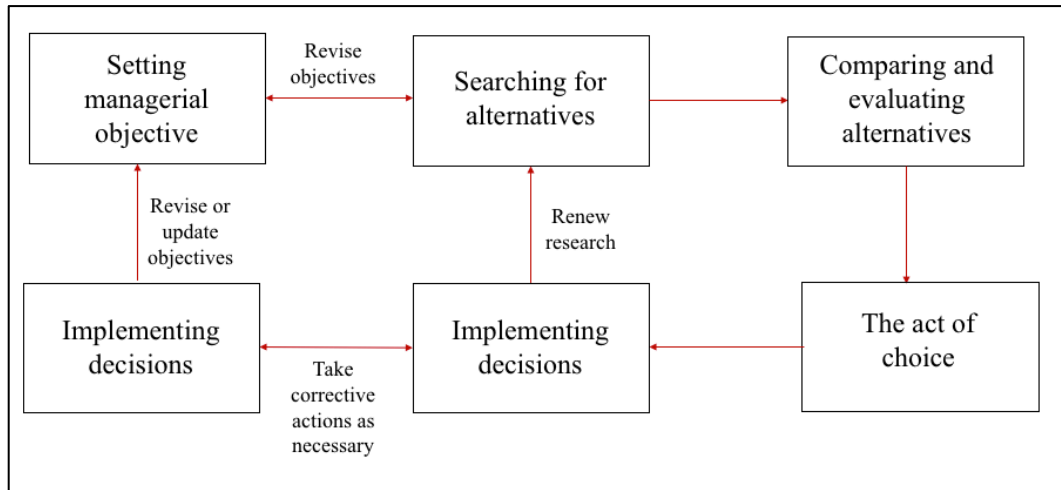


Figure 3 – Own elaboration of “The managerial decision-making process” (Harrison, 1996)

This process, appears to be highly interrelated. In fact, as Harrison (1996) claims, this interrelatedness can be proved taking into consideration an adverse situation where expectation are not achieved. In this case, decision maker can overtake corrective actions, renewed searches or revised objectives.

Last feature of the process to consider is its dynamicity. Using the words of Zeleny (1981), “Decision making is a dynamic process: complex, redolent with feedback and sideways, full of search, detours, information gathering, and information ignoring, fueled by fluctuating uncertainty, fuzziness, and conflict; it is an organic unity of both pre-decision and post-decision stages”. The importance of such dynamicity can be viewed if looking at synergies that the single functions create being merged with the others altogether.



Harrison (1996) observes that composing the strategic gap concept with the managerial decision-making process, the result will be the definition of a strategic decision-making process which main characteristics are the following:

- The pervasive influence of the external environment on the total process of strategic decision-making process.
- The pivotal coupling of strategic gap analysis with managerial decision making, meaning that managerial objectives must reflect the results obtained by the strategic gap analysis.
- The continuous flow of information throughout the process that begins with the initiation of gap analysis, continues with the search for information from which to develop a set of alternatives, and follows with an evaluative flow from the external environment as corrective action is taken and current cycles are replaced by future cycles.

#### *A look at the IMP Group perspective*

The IMP Group, suggests a similar approach to the strategic gap in order to analyze how strategic decisions are made. They give a special focus on what happens to firms' boundaries when managers have to take decisions and they base their observation in the so called ARA conceptual model (Håkansson & Snehota, 1995) that will be in depth analyzed in the next chapter of this thesis.

Torvatn et al. (2010) claims that managers, when comes to take strategic decisions have to take into account three level of analysis: firm, relationship and network. The IMP scholars findings show that business actors, in particular managers, when they have to take decisions they believe are important for the future of their organization, they tend to change boundaries around their “business system” in order to be able to use in an more efficient way some tools for analyze the performance of the system itself.

In particular, it’s shown how they tend to switch the focus from just the actors inside a certain organization (called the “small-world”) to the direct relationship that the organization have, until taking into consideration the whole network within which it operates. The expansion of the level of analysis explains Torvatn et al. (2010), allows eventually the decision makers to better understand the context within which the decision has to be taken and so to enhance the chances of success of the decision itself.

## **2.2. STRATEGIC DECISION MAKING AND FAMILY BUSINESS**

The topic of strategic decision making in family businesses (FBs) has been studied for quite a long time. In fact, some structural characteristics of FBs are of particular interest for the scholar. The first reason is that FBs are the most common business structures around the world, accounting for around 90% of the total (Anderson & Reeb, 2003). Another important feature, is that decision making in FB is often not related just to financial returns but some non-financial aspects such as social and emotional aspect are of relevance when comes to take strategic decisions.

The managerial literature, has tried to give during the time some framework from which the process can be observed.

The most traditional one, thus the most incomplete as well is that FBs use to take conservative decisions in order to preserve what Berrone et al. (2012) call the socioemotional wealth (SEW) of the family. Nevertheless, there are some behavior of these kind of businesses that contradict this thesis. In fact, Cruz & Justo (2017) and Gomez-Mejia et al. (2018) claim with their mixed gambles approach that: whenever the family, from its analysis expects an outcome that would eventually increase the SEW, it will often undertakes also a risky action.

This approach though, albeit offering a more complete overview of the real world cases, it fails to explain why FBs appears on average to be slow in changing a poor-performing strategy (Chirico et al., 2018).

In order to compensate the managerial literature missing, Penney et al. (2019) suggest that the “Image theory” might be taken as framework of analysis.

The image theory suggests that the decision maker weight a possible decision according to its inner belief and values, matching the outcome of a possible action with its past experiences and giving to those experiences, belief and values some images (Beach, 1998; Beach & Connolly, 2005).

This approach is putting to its core the fact that people takes decisions and that many decisions are made reflexively and often without conducting an extensive evaluation of the various possibilities and that one’s behavior is typically programmed (Beach, 1993).

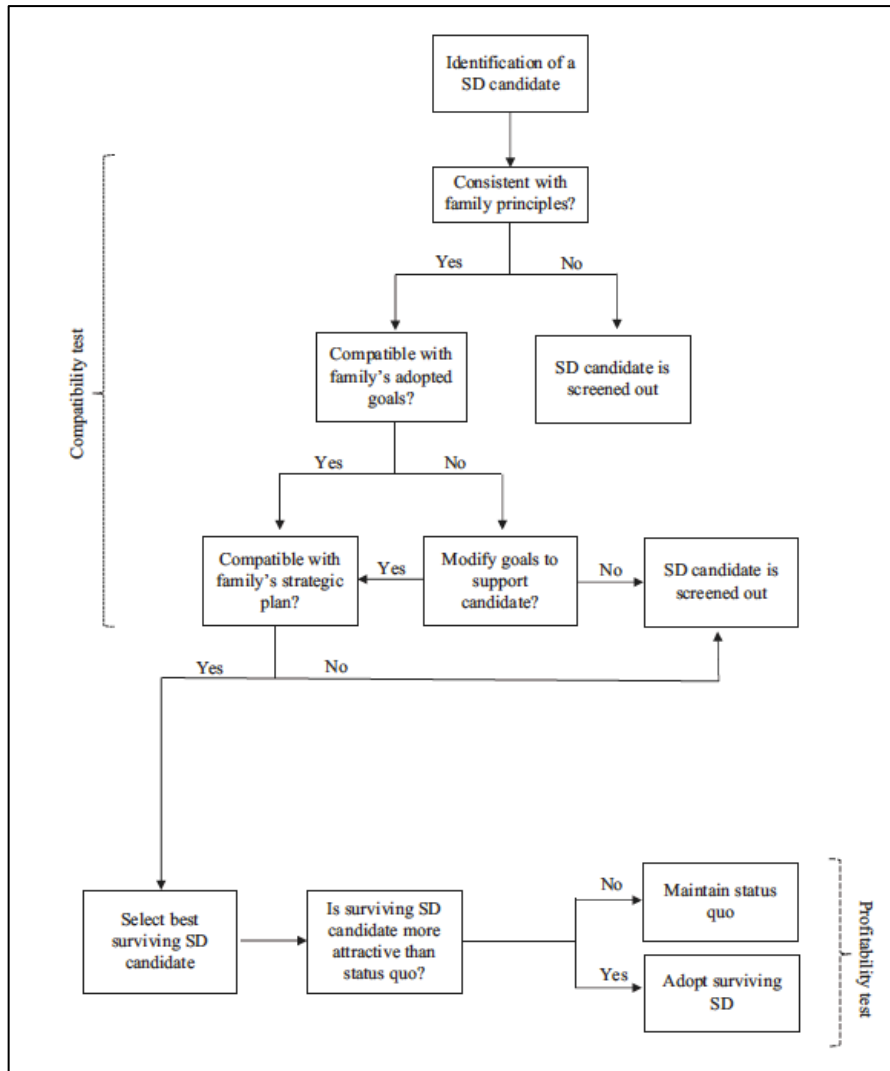


Figure 4 - Strategic decision making tree for family business (Penney et al., 2019)

Image theory suggests an adoption of a two-step process:

1. The compatibility test. Here, the possible decision candidates are tested (Beach, 1993). The test is performed comparing those possibilities against three images: the value image, the trajectory image and the strategic image.

The first relates to general values and principles, the second take into considerations previous goals and the strategic images pertain to strategy settled to pursue those goals (Beach, 1993).

Beach (1998) adds to this first step three important guidelines: that certain violations should weight more than others; that the ways in which a decision candidate may be compatible with an image cannot compensate for ways that the decision candidate violates an image; and that if there is a lack of information about the decision candidate, then the decision candidate is less likely to survive the compatibility test.

2. Once the first test is concluded and more than one candidate left over, a profitability test occurs (Beach, 1998; Lee & Mitchell, 1994).

This second test, differently from the compatibility aims to analyze the possible outcomes of a decision.

Another important feature to understand in family businesses decision-making process is upon whom is really the decision burden.

According to the managerial literature, data shows that in FBs it is present a power play controlled directly and at different levels by the founding shareholders and indirectly by the family members of the nuclear family (Feudjo et al., 2021).

The domination of family or majority shareholder can be partially explained by the want to preserve the authority, since the more the decision-making power is shared within the organization, the lower is the intimacy kept by him/her and his/her family, (Berrone et al., 2012; Child et al., 2010; Elbanna, 2018; Gómez-Mejía et al., 2007).

Moreover, a remarkable group of scholars, define the Board of Directors in family firms as just a fad because they believe that real decisions are taken elsewhere and only by the founding family (Chen & Hsu, 2009; Chrisman et al., 2012; Melin & Nordqvist, 2000; Schulze et al., 2001).

### **3. APPROACHES TO THE STRATEGIC MANAGEMENT OF BUSINESS RELATIONSHIPS**

This thesis has shown, so far, the various features of deciding in complex organizations in order to be competitive on the market. What has been highlighted, from all the school of thoughts reported, is that no decision is taken just internally, but there is always, at certain level a connection with the external environment. To better understand these connections, this work wants to have an in-depth observation on what does the literature say about business relationships, with a particular interest on the customer side.

Trying to understand where the research has gone by far, is helpful for the late business case analysis carried out in this dissertation. In fact, having a clear vision on what relationship marketing is about, permits to better understand the many facets the decision-making process in a BtoB company has.

In doing so, we will rely to the IMP approach that will allow us to look at the market as a network, where relations and interactions are not sporadic events; on the contrary the performance of single companies are often explained by the interaction they have with the network they are in (Perna & Baraldi, 2015).



### **3.1. THE NETWORK APPROACH TO STRATEGIC MANAGEMENT**

The many analysis of the IMP Group have put in evidence that the competitive environment of industrial companies is in continuous changing and so that the traditional market approach (the one sustained, among others, by Porter (1980)), doesn't explain anymore the most of the decisions and actions taken by the companies. In fact, as Tikkanen & Halinen (2003) et al. explains, most organizations have limited resources and capability and they try to overcome these restriction developing external linkages, meaning developing strong networks. In the end, those networks became a valuable source of competitive advantage (Gualati et al., 2000) and so, as Håkansson & Snehota (1989) states, the future performances and growth of a company can be largely explained by its ability to manage relationships.

According to Tikkanen & Halinen (2003), three assumption must be made in order to conceptualize the network approach to a business.

- The first one ins about the environment. The literature shows that these kind of assumptions differ considerably whit respect to the different school of thought. In this thesis, will be followed the IMP line. The IMP look at the environment as a network of relationships with a number of direct and indirect counterparts. Within this environment, the main aim for companies to develop relationship is the one to access to resources others have and to link some activities where they think they could gain an advantage (Håkansson & Snehota, 1989).

Another topic IMP points out is the dependence that exist among companies of the same network; this implies that, in a two-part relationship for example, both have to make investment to let this relation grow (Tikkanen & Halinen, 2003). This interdependency, as Kraplfel et al. (1991) say, may lead to an increase vulnerability and complexity when it comes to set objectives and organize resources. In fact, some existing relationships, as Håkansson & Ford (2002) and Gualati et al. (2000) say can be an opportunity but also can led to some constrains. Some of the constraints linked to this interdependency brought out by the scholars are: the explicit requirement by one of the part for exclusivity of some product or service, locking, as a matter of fact, the other part to that specific relation (Gualati et al., 2000).

Furthermore, networks evolve organically and continuously, they are thus, not coordinated by market mechanism or administrative rules (Håkansson & Snehota, 1995).

Another point stressed is the relativity of the understanding and thus definition of a network. In fact, in the IMP tradition, the network context becomes defined by each actor's own perceptions of relevant partners, and the identity of each actor in the network – its attractiveness as an exchange partner – is due to its unique set of connected relations with other firms (Andersson et al., 1994).

As Axelsson (1992) says though, no common objective and collective action are needed for the creation of a network. As last issue, also the performances of

companies within the same network are interrelated and they influence each other (Tikkanen & Halinen, 2003).

- The second assumption made by Tikkanen & Halinen (2003), gets into the discussion the concept of strategy and, diving it into the observation of the network approach, in contrast with the traditional point of view, defines it as a “dynamic and emergent phenomenon in networks”. For Johansson & Mattsson (1992) in fact, the business strategy, when structured, must be expressed in terms of changes that made potentially occur within the network of reference. Making a step forward, Mintzberg & Lampel (1999) states that the most innovative strategy inputs often comes for the external environment, meaning from linkages within a network. For this reason, becomes crucial the ability to identify, pursue and maintain the most desirable set of relationship. This last matter finds a strict link with the decision-making process.

- As third assumption, the literature tries to identify the management activities that have to be pursued in networks. Here, the researches have not a clean a univocal answer to this question. For the matter of this dissertation the actions proposed by Tikkanen & Halinen (2003) will be reported.

The network visioning, meaning anticipating network evolution and creating alternative evolutionary scenarios (Tikkanen & Halinen, 2003). The network positioning: selecting partners and changing positions within networks by establishing and dissolving linkages with other organizations (Tikkanen & Halinen,

2003). And as last, the network mobilizing, that is committing partners by sharing visions or goals, influencing relationship and network development, and allocating resources to the relationships (Tikkanen & Halinen, 2003).

### **3.4. BUSINESS RELATIONSHIPS**

According to what said in the previous paragraph, the network context is changing and it is shaped directly by the business relationships it embedded, and vice versa (Perna & Baraldi, 2015).

Håkansson & Snehota (1995) highlight some key feature of business relationships, these are:

- The needs of the parties involved in a relationship are at the basis of the relationship itself.
- There is a mutual dependency between relationships and business networks since they are heavily interconnected.
- When both parties of a relationship change resources and activities in order to better fit each other, an adaptation occurs. Adaptations can have different nature, for example: technical, administrative, logistical and others. Again, adaptations have a central role in a relationship, the better they happen, the highest is the potential longevity of that relationship.
- The content of a relationship changes with the volume of exchanges between parties.
- The relationships, being embedded inside a broader network, have multiple functions.

- Relationships have as a structural characteristic the continuity. This means that it is shaped by past events and it influences the future development. For this reason, its management requires a long-term vision.

Moving forward, the analysis wants to focus on the content and functions of business relationship.

In order to do so, the ARA (activities, resources and actors) thought by the IMP scholars (Håkansson & Snehota (1995)) will be used as a framework.

This model, breaks the relationship into three dimension: activities, resources and actors. In doing so it allows an interesting analysis of business relationships and their consequences (Perna & Baraldi, 2015).

Companies, interacting in a relationship, develop:

- Activity links, meaning connections between the job performed by the supplier and delivered to the customer that is often done jointly.

- Resource ties, when, as mentioned above on this dissertation there are some kind of adaptation in the resources of the parties involved in a relationship. These ties might lead to efficiency deployments or technical achievement for example (Perna & Baraldi, 2015).

- Actor bonds refer to all the contacts happening by the people of the different organizations. As Perna & Baraldi (2015) state, “ Actors play the key role of performing activities and controlling,

directly or indirectly, resources”. And in the long term, what could desirably happen is that actors inside the customer and the supplier organizations start to being committed to each other creating social, cultural and intellectual bonds.

Concluding, as Håkansson (1987) suggests, the three faces of the ARA model are strongly dependent on each other. In fact, resources are linked by the activities controlled and performed by the actors of the relationship.

In addition, the IMP literature bring to the attention three functions of a relationship. First, for the relationship itself (meaning for the continuity of it), second for the single parties directly involved in it and third for the actors indirectly influenced, in any way, by that relationship (Perna & Baraldi, 2015).

### **3.3. CUSTOMER RELATIONSHIP**

In this paragraph the analysis will do a step forward in the description of the business relationship, putting under a specific focus of observation the customer relationships, so looking at it from a supplier point of view.

Generally speaking, as Perna & Baraldi (2015) say, the complexity of customer relationship is connected to the wide range of resources, activities and actors which are involved in it. Another issue as well, is the already discussed adaptation that take place over time and in a continuous flow within a specific relationship.

#### 3.3.1. Complexity, dynamism and undetermined nature of customer relationships

The three dimensions from which Perna & Baraldi (2015) suggest to look at customer relationship are:

1. The intensity of contacts, widely discussed by Cunningham & Turnbull (1982), for whose among companies there often are “a complex set of interlocking contacts between people”, coming from different departments and belonging to different hierarchical levels.

Furthermore, if we look at the actors layer, the most effective indicator for measure the complexity of a relationship is the number of bonds that exist.

In addition, the possibility of changing of some subjects directly involved in the relationship might alter, and sometimes shake the relationship itself (Ford et al., 2011).



2. The second dimension is for Perna & Baraldi (2015) the type of offering. Ford et al. (2011) defines the offerings in industrial markets as a combination of physical products and other elements such as advices, logistic or general services. Here the complexity is directly proportional to the new adaptation made to some elements of the offering. Here, the supplier side is typically required to solve specific problems, and this require rapid and reactive adaptation of the whole organization.
3. As a last dimension there is the sales volume. Thinking into account than most of the BtoB market is characterized by suppliers that deals with small number of strategic customer, relationship become more complex and intense when dealing with customer that alone account for a huge steak of the supplier's turnover (Perna & Baraldi, 2015). The ratio of this cause-effect statement, is that the broader is the relationship in terms of contacts of actors, the highest is the number of adaptation required. In turn, the supplier can be, with an highest revenues volume, able to invest a part of these revenues to invest in order to better adapt to customer requirements.

Beyond its complexity, a relationship is characterized by certain dynamics that changes during the development of the relationship.

In order to completely understand the resources invested and the effort needed during the relationship, this dissertation will use the Perna & Baraldi (2015)

framework, dividing this in the beginning phase, the development one and the discontinuities that could likely occur.

- The beginning of customer relationships:

According to Perna & Baraldi (2015) , the literature brings two ways of looking at this part of relationships.

The first one, supported by Cunningham (1982), Campbell & Cunningham (1983), Fiocca (1982), Salle et al. (2000), see it as a well-defined process following some consolidated best practices. Behind this approach, there are scrupulous customer portfolio studies where the constraint resources allocation wants to be optimized.

On the other hand, the beginning of a relationship is viewed as a serendipitous event, meaning happened by chance while we are looking for other objectives. According to this, and to the lack of investigation this phase shows to date, it is possible to state that “the beginning of a relationships and their value is very difficult to forecast” (Perna & Baraldi, 2015).

- the development of a customer relationships starts when the interactions intensify and the first adaptations begins to take place between the parties (Perna & Baraldi, 2015). Crucial, in this stage of the relationships, are the interactions. As Ford et al. (2011) say, these interactions make both customer and supplier able to build reciprocal trust and commitment. Moreover, the coordination of the interactions is needed and this, entails costs and problems

for both parties limiting the freedom to coordinate those resources with other players.

The development stage has been formalized in a model by Ford (1980), and revised in Ford et al. (1998). Ford's model considers four stages: (i) the pre-relationship stage, (ii) the exploratory stage, (iii) the developing stage, (iv) the stable stage (Ford et al., 1998), this model main message is that the customer relationships life cycle is non-linear and entails difficulties in defining patterns of interactions of the parties involved.

This unpredictability shown by this stage is due to the combination of several factors that are not under control of single parties and that influences the involvement of the two (Perna & Baraldi, 2015). The three main factors highlighted by Perna & Baraldi (2015) are: the interaction between individual actors, the coordination of activities of the two actors and the adaptation of resources of the two companies.

As reported by Berry (2008), in order to develop the relationships, there are different strategies that might be pursued. There is the "Core service" strategy, aimed at focusing internal resource around the core service offered by the supplier and around which the customer relationship can be established. The "customization of the relationship", the ability to customize the service and the product to a certain customer is strictly related to the strength of the relationship itself. The more the parties get to know each other the higher is the possibility

to customize. This strategy provide the customer an incentive to remain with a supplier rather than “starting over” with a new one (Berry, 2008). The third possible strategy, is the “Service augmentation”, basically meaning to add extras into the service to make a particular offer different from competitors. This adding can be of any kind, the important thing, highlighted by Berry (2008), is that must be valued by the target market and not easily matched by competitors. Fourth strategy, is the “Relationship pricing”, this one, stands on the old marketing idea of “a better price for better customers”; the objective here is to encourage customer loyalty by rewarding it. The fifth and last strategy is the “Internal marketing”. This approach views the organization employee as a customer and the job as a product. Companies adopting such a strategy aim to create an organizational climate that lead to the right service personnel performing the service in the right way because, with Berry (2008) words, “when internal customer perform, the likelihood of external customer continuing to buy is increased.

- Discontinuity in business relationships happens because of the changeable nature of the business networks they are in (Andersson et al., 1994).

Although the literature finds discontinuity in business relationships a common fact, it is interesting to look at what happens at their inside. According to Skaates (2000), relationships show discontinuity when actor bonds changes, in other words, bonds sustained by trust and commitment weaken.

On the contrary though, Hadjikhani et al. (2012), say that trust, even in discontinuous relationships is not lost. In fact, in project-based interactions, may happen that, between two projects there are some stop phases where the relationship becomes a so called “sleeping relationship” and interactions stops for a while.

There is another source of discontinuity moved by Runfola et al. (2013) that is the occurrence of critical incidents due to behaviors and skills of the two organizations involved in the interaction.

### 3.3.2. The management of customer relationships

After having described the complexity, dynamicity and undetermined nature of business relationships, it's time to observe the last but not least aspect of customer relationships: the management.

First thing to highlight, is the approach of the IMP Group to this topic. According to Håkansson et al. (2009), the managerial activities of customer relationships must be analyzed as an outcome of interaction processes rather than unilateral decision taken inside a single firm. In other words, relationships and network structure influences managing activities.

As a first thing first, it is important for the aim of this research to stand out the focus of the IMP Group analyzing this field. These are, in fact, two. The first, is to look at the management of single relationship with a customer, the second is to observe

the management of a complete portfolio of customers Ford et al. (1998,2003,2006,2011). According to the scholars though, “a good overview of a company’s customer relationship portfolio can provide guidance as to how intervene at the level of single relationships” (Perna & Baraldi, 2015), since, the first objective of the Ford et al. (2006) portfolio management is to allocate, as efficiently as possible the right resources to the right customer in terms of returns for the company.

Perna & Baraldi (2015), investigating this topic, wanted to give answers to three main questions:

- The main factors and task influencing the management of customer relationships: the focus here is on the supplier side as Ford et al. (1998) suggests, the management of a customer relationship may change when task to carry out changes as well. This might be the case when the supply strategy of a customer change so that it decides to don’t outsource anymore a particular task carried out by a particular company.
- The evaluation of a customer relationship: crucial for the sake of relationships is to understand which one/ones is/are key for the supplier and which isn’t/aren’t.
- The categorization of a customer relationship: the aim here is to let the supplier always able to optimize the resource allocation, identifying certain dimensions of customer relationships (Perna & Baraldi, 2015).

According to Ford et al. (2011), the dimensions to take under consideration are: (i) the age of the relationship, (ii) the proportion of the supplier's total sale, (iii) the importance of the customer in terms of the supplier's operations to carry out, (iv) the share of suppliers, (v) the level of involvement, (vi) the outcome or effort of the customer relationship, (vii) some social aspects.

Perna & Baraldi (2015) considers the categorization proposed by various work conducted by Ford et al. (1998,2006,2011).

As can be seen by TABLE 1 there are eight categories of customer relationship when two dimensions are taken into consideration ( level of profits and profit's occurrence over time).

*Table 1 - A categorization of portfolio relationship (Perna & Baraldi, 2015)*

Level of profits	Medium-high	1 • Yesterday's profits	2 • Today's profits • Fall guys	3 • Tomorrow's profits
	Low	4 • Old men	5 • Cash Cows • Minor relationships	6 • New technical requirements
		Past (or no current profit)	Current	Future
		Profit's occurrence over time		

Both ideal and challenging for a supplier, is having all relationship located around square 2 and square 3. In reality, most customer relationships are usually distributed in the other quadrants (Perna & Baraldi, 2015).

The management of customer relationships of course, doesn't end with the categorization rather continues constantly by trying to enhance this categorization moving customer from a square to another.

In doing so, the literature comes up with various studies in the Key Account Management (KAM) field. This means, "to commit specific human resources to develop key customer relationships" (Perna & Baraldi, 2015).

Spencer (1999), states that a good KAM strategy needs to integrate the very complexity of the supplier organization itself, in terms of strategy, characteristics and relationships.



### **3.4. CUSTOMER RELATIONSHIP IN FAMILY BUSINESSES**

A brief discussion about customer relationships in family business will be presented in order to understand if there are, according to the managerial literature, consistent differences between family and non-family owned businesses.

The discussion will be based on the work of Cooper et al. (2005), that built a multidimensional logit model, tried to understand whether there were differences in the perception of the importance of customer relationships practices.

The results highlighted that family and non-family businesses have the same attitude toward the importance of customer relationships and the tools able to implement it in a strategic way (CRM for example). However, when the researches went deep to understand to which extent those investigated businesses were implementing such techniques and tool to support a customer relationship strategy, the family owned were way behind the non-family ones.

## **4. OVERVIEW OF LOCCIONI'S COMPANY**

### **4.1 LOCCIONI GROUP'S HISTORY**

The Loccioni Group is an entrepreneurial reality located in the Marche region business scenario. Currently, it employs around 500 collaborators with an average age of 34 years old and it makes business in various markets, geographically speaking, with its hi-tech solutions.

In legal terms, today the Group is formed by three enterprises: General Impianti, born in 1971, AEA rose in 1980 and Summa, the holding, founded in 1992.

The Loccioni Group history dates back to 1968 when, Enrico Loccioni, the founder, together with his wife Graziella Rebichini, decided to start a business: they established the I.C.I.E. (Impresa di Costruzioni Impianti Elettrici). Actually, Enrico started since when he was around 18 to make business, selling hydraulic pumps to the farmers of the territory in order to give them a solution to solve the issue of beverage of their caws.

I.C.I.E. was a craftsmanship reality making electrical installations.

What Enrico had fixed in mind since the beginning, was to surround himself and his business with the best collaborators of his territory (Vallesina) in order to be able to make business with the best companies acting in the market. At that time, the Fabriano district was one of the most flourish manufacturing districts of Italy

and thanks to that, in the 70s, Loccioni was capable to collaborate with Vittorio Merloni one of the second-generation owners of Imprese Merloni.

Since then, the Loccioni's company started to growth and evolve itself. The strategy, moving forward, took little by little the direction to focus on the quality of the solutions rather than on the quantity.

Another milestone of the story occurs in 1971 when, due to the diversification of the business of Loccioni was undertaking, Enrico founded the General Impianti (GI).

Right after few years, in 1974, thanks to a commission requested from Merloni regarding a test in a washing machine line located in Russia, Loccioni has, for the first time in his history, dealt with the international market.

The following years had been of rapid growth for the company, expanding its business beyond the home appliances business. In particular, the big progress was the one to start making business in the automotive market testing different components. This allows Loccioni to get a leadership position in the global market up to the need to create a new company: the AEA (Applicazioni Elettroniche Avanzate) that focuses, even today, its business on testing components in the automotive, appliances, manufacturing, and systems integrators sectors.

Again, in this changing and evolving hence complex context, Loccioni stick with the conviction to work only with and for the bests, with a client-centric approach in

order to offer customized solutions solving “onerous” (in terms of efficiency of the process) and “annoying” ( from the legal and fiscal point of view) issues.

What Loccioni likes to say, is that his company is a “technological tailor’s shop”, hence, a laboratory where the R&D is the core, and it allows the collaborators to create customized solutions and integrated automations systems, testing systems, measuring and quality control aimed to optimize the production processes of its clients.

Landing in the 90s, AEA and GI was continuing to grow, structuring themselves and thanks to the learning by interacting logic of the network Loccioni created around them, they started to develop several managerial skills. Those skills were critical to manage the always growing client portfolio and the relations with the suppliers. This flow ended up in the 1992 with the creation of SUMMA, the holding of the group, that even today has these objectives:

- The long-term strategic development (5-10 years).
- Defining the marketing strategy and the business development one, especially internationally.
- Recruiting and forming people.

Proceeding in the business and evolving year after year, Loccioni Group started to abandon the artisan approach leading to a more entrepreneurial and transversal

vision based in the sharing of knowledges and innovation. Indeed, Loccioni himself love to define the company “The knowledge Company”, where collaborators invest their knowhow realizing shared output through taking on responsibilities using a proactive spirit.

In order to make all this possible, Loccioni built lots of relationships with schools, universities and research centers with the final aim to keep an absolute leadership in the scientific and technological development.

Finally turned the 00s, Loccioni Group rapidly establishes itself as an excellence in the global technological world, in the measurement and industrial control sector.

The latest diversifications in terms of markets Loccioni did, was in the medical/pharmaceutical sector, the environment one and the renewable energy.

These expansions and diversifications brought several new lines of business which are called “Business Units”, meanwhile, arose the need to adapt the organizational structure, adopting a matrix one.

Whit this last solution, Loccioni has, from one side, been able to abandon that hierarchical approach that only make the decision-making process slow and rigid; from the other, embraced a methodology as much as possible coherent with its business, transforming it in a competitive advantage itself. Later on, in the discussion we will deepen the structure and understand what distinguish this structure.

## **4.2. VISION, MISSION AND VALUES**

To understand the three identity's components (vision, mission and values) that every day craft the strategy of the company we have first, to understand the cultural approach Loccioni has always had.

In fact, the continuous and huge growth Loccioni Group had, from a small hand-crafted enterprise, to the “knowledge company”, has had the need to relate to a strong culture and values set. Looking inside the company and talking with Enrico, the family and all the collaborators, we can see and feel these values Loccioni is built upon.

The territory, the Valle di San Clemente in Angeli di Rosora (AN) is the core of the culture, a sharecropper culture as they like to say. Enrico himself, inherited the rural methodology, meaning the one to be in a seasonal business, working with change and uncertainty. This is the reflection of the strategical choice of diversify the business and act in various markets so to reduce the overall risk. The logic that we can observe at the basis, is the one to give back to the territory what we take. From here, born the project “LOV – Land Of Values”, with the aim to valorize the Marche region territory. Perseverance, parsimony, sense of measure, waste awareness, the importance of solidarity thus of the network and last but not least the responsibility in the workplace. All these values, are brought by Loccioni directly to the industrial field.

The company though, with these traditional values, doesn't mean to stay anchored to the past and then avoid innovation. The opposite, modernity and tradition merge each other creating the term "tradinnovazione", eventually combining tradition as a value of the rural culture to the one of continuous innovation as a behavior.

Once we have set the approach, we can look up to: first of all the vision: "Being so good at what they do being elected from the best of the world as well as have the pride to choose themselves to work with the bests of the world; learning from them and growing with them."

Following, the mission of Loccioni Group, that is the one "to transform data to value", this is an everyday responsibility they took in for their clients. This, as they say, means "craving for surpassing ourselves, improve, get forward and always take new adventures. With the final purpose to leave something better than what we found at the beginning."

*Values:*

Again, the Loccioni's values have a crucial role in the process being the instruments that transmit to the outside world the company identity. Talking with the collaborators, it is instantaneous the centrality of people and so the respect for them. In parallel there are the importance of trust, mutual trust. From this

assumption have born the six values pointed out in the “Carta dei Valori” (Figure 5).



Figure 5 - Carta dei Valori

This “Carta dei Valori” has been realized in 1992 from some Loccioni’s collaborators helped by some consultants and coaches. Today, as Loccioni said, it is the basic tool in order to help the company to select, train, and evaluate Loccioni’s collaborators.



1. Ascoltare per partecipare (listen to participate): Only listening with curiosity we can try to understand others and this is crucial when comes to propose good solutions. Anticipate means foreseen the future, building opportunities instead of suffer consequences of immobility.
2. Energia e volontà (energy and will): the only way to achieve objectives, with constant dedication and tenaciousness.
3. Trasparenza nella comunicazione ( communication transparency): relationships in Loccioni are built on sincerity and clarity, no way for opportunistic behavior.
4. Innovarsi per innovare (evolve to innovate): here we look at innovation not only on the technological side but from the behavioral side as well. Continuous modernization in order to be up to date with the changes of the market.
5. Flessibilità e adattabilità (flexibility and adaptability): everyone has to be aware of his/her role inside the organization and have to be ready to adapt it to the social needs.
6. Iniziativa e intelligenza (initiative and smartness): Here the focus is on being able to became an “intraprenditore”, meaning a mix between an entrepreneur and a collaborator.

The entrepreneur has, by definition, a huge initiative, momentum, quick responsiveness and a strong willpower. With those characteristics, is definitely mature to assume responsibility and bring his/her real contribute to the company.

The values discussed above have brought the Loccioni Group to build a strong and characteristic organizational culture. To understand it, it can be synthesized into three conceptual macro-areas.

- The first one is the “Open Company”: that refers to concepts such as continuous change, openness to dialogue toward all the stakeholders. This openness is an endless fuel for the desire of new knowledges, innovation and the willingness to sit and discuss with the best in each sector and market.

- The second area is the so called “Knowledge Company”: this, with no choices, has as the most precious component the individuals. For this, extremely important is that Loccioni doesn’t have employees or workers but collaborators, with that entrepreneurial vison discussed above. All this, matched with good teamwork and division of duties and honor convey the company to big achievements.

Moreover, we can admit that in the B-to-B market, knowledges have a very important role in order to reach a competitive advantage, to get to the mission of Loccioni (transform data into values) and finally to make the customers pleased with their solutions. What knowledge has, as basic features is: the possibility to be scalable the more it is utilized and that is duty free to replicate.

- Last but not least, the “Play Factory”: this is a concept born from Loccioni and the Japanese designer Isao Hosoe with the aim to spread the innovative culture of “creative making”. The purpose of this project, the one to create and transmit the values and the knowledges created from the everyday work in Loccioni. Isao suggests to do this towards playing games; since, as he says “it is playing games that the human being is able to externalize the best of his/her intelligence”.

In conclusion, we can say that Loccioni Group is a flat-organizational company, without hierarchical structures, open to change and dialogue, always improving and looking for new knowledges where people grow putting in the game passion and bringing in good results.

### **4.3. ORGANIZATIONAL STRUCTURE AND THE BUSINESS MODEL**

Nowadays this is the structure:

- At the top we have the “Direzione Generale”, formed by the family (Enrico, Claudio and Cristina) and by the “General Manager” Renzo Libenzi. The role here is of supervision, public relations and strategic settlement.

- As staff roles we can find all the divisions that support the different business units. Here we have: planning and control, logistic, marketing and communication, recruiting and facilities and IT.

- Below this, the matrix is developed among two dimensions:

1. The first one is the Business Units. They have the resources and capabilities to be autonomous and self-sufficient. The Business Unit manager oversee clearly all the activities of his/her staff, guiding them with managerial competences.

Moreover, he/she has to be prone to change. Beyond the manager there are the Project Managers and the Project Engineers that deal with each one of the commissioned orders.

In the end, there always is a dedicated team for R&D that is the scouter of new businesses and new solutions.

More in details, these two figures: Business Unit manager, R&D plus the Key-account manager define the three years strategy plan, forecasting a trend and indicating a budget to reach.

Nowadays the Business Units are thirteen, represented in a graphic way in the so called “Polaris” (Figure 4 - Polaris). Loccioni define the latter “The star map of the company, the compass aligning the path of every project and every single person with respect to the vision”.

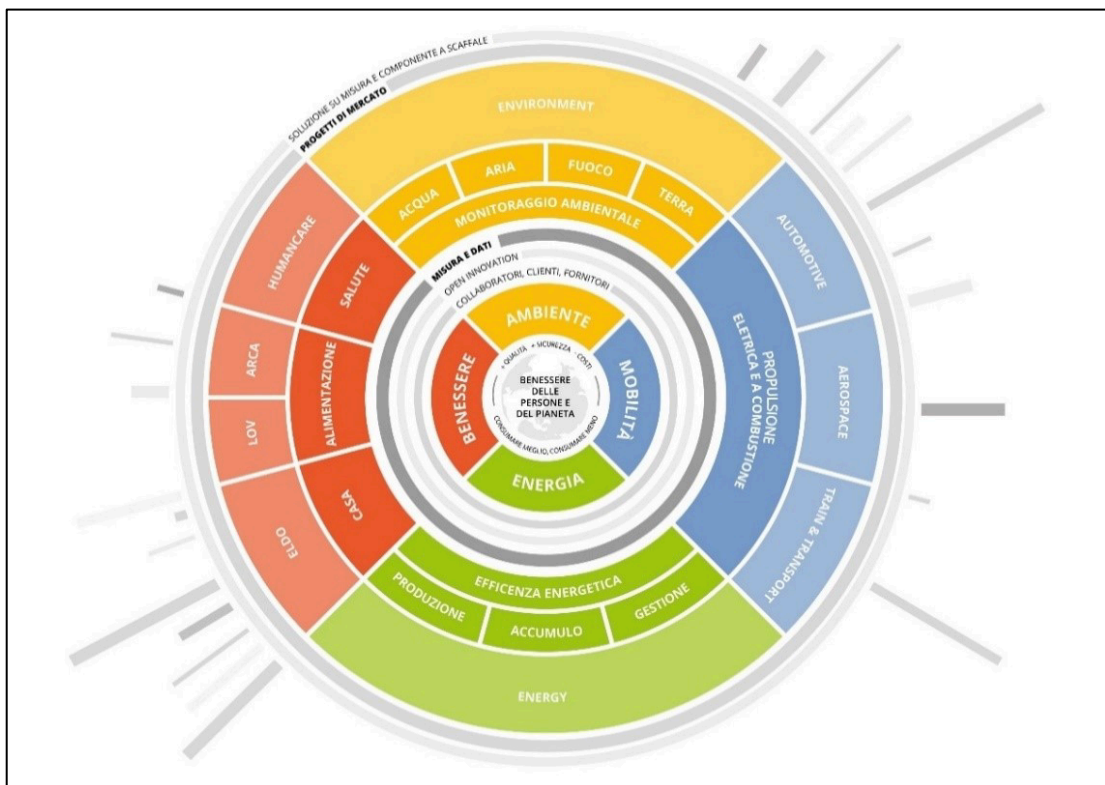


Figure 6 - Polaris

As you can see from the figure above, in the middle of the map we have the basic needs of the company: the wellness (of people and the planet), the mobility, the need to live in a healthy environment and the energy requirement. From this core, Loccioni started to create lines of businesses that eventually led the company to

differentiate its competences guaranteeing a more sustainable model. Of course, as widely said above, this businesses change rapidly and continuously as well as the structure itself.

In order to deepen with the business model, we'll have a look at each units the Polaris has nowadays.

1. Aerospace: Mainly deals with aerospace and aviation robotic. The principal customers here are: Airbus, Rolls Royce, GE Aviation and Leonardo.
2. E-Axle: which deals with electric axles, motors and battery packs. The main customers here are: Daimler, Volkswagens, Audi, BMW, BOSCH, Nidec, Denso, Continental and many others we will have the opportunity to talk about later on.
3. Electric Components: whose main activities are regarding testing of electrics components of home appliances and cars. Some of the main clients here are: BorgWarner, Valeo, Continetal.
4. Electronics: produces test benches for all what concern the electrifications of automobiles with the major customers being like Daimler, Delphi, BOSCH, BorgWarner.
5. Energy: makes solutions for an efficient management of energy and for green solutions. As customers here we have basically three of them: Enel, E-ON and Terna.

6. Environment: deals with monitoring systems of emissions. So, for companies which first business is sustainability. Most important ones are: General Electric, Saipem, Baker Hughes.
7. Home (ex Eldo): the oldest business unit, the one from which all has born. This units provide solutions for the quality of home appliances. The major customers are: Electrolux, Haier, Whirlpool and BSH.
8. Humancare: in the medical and pharmaceutical sector, provides integrated robotized technologies for the human care. This is the newest business unit of all and unlike the others provides more standardized products. Here the main clients are the hospitals and the research centers all around the world.
9. Leaf Community: is the first eco-sustainable community in Italy. Born in 2008 from the energy business thanks to a partnership with companies, entities and institutions like: Enel, Samsung, Nissan and Ospedale Riuniti Torrette di Ancona.
10. Powertrain: which mainly deals with measuring and testing components of GDI motors (diesel and gasoline). Main customers are: Marelli, Bosch, Denso, Delphi, BMW, Ferrari, Daimler.
11. Railway: producing standard solutions for railroad switches. Flagship product is called Felix, that is a robot that analyzing railroad exchanges provides to the customer data mining services and CET (Control Emission Toilet) systems. Major customers here are: RFI (Reti Ferroviarie Italiane), Tesmec Rail, Network Rail, Mecnoservice and SRT.

12. Sensors: the newest business, dealing with sensor testing for automotive and home appliances. Main clients are Bosch and Continental.

13. Transmissions: is a specific unit providing solutions for valves and transmissions. Here as strategic clients we have Valeo, Nidec, Hilite, BorgWarner, Daimler, BMW, Audi, Volkswagen, Ferrari, Lamborghini.

2. The second crucial dimension for the functioning of the organization are the competences. As to say, the skills required in order to perform and produce an output in a determined sector and market. These skills are acquired during the process of maturation of people. Beginning from school and university, continuing in the work life environment, especially in Luccioni, operating in the field: using the learning by doing and the learning by interacting approach.

Most required skills, definable hard skills are mechanics, mechatronics, electronics, electric, automation, informatics, coding and robotic.



#### **4.4. LOCCIONI IN THE INTERNATIONAL MARKET**

The will to work with the best pushes Loccioni to make big investments in international branches of the company; in order to be always close to the most important and crucial customers. The strategy of internationalization is inspired to a net model based on networking and the sharing of information.

This process started in the early 80s, with the first orders from outside the Italian borders. It increases than through the time together with the business itself and the globalization as well. It is out of doubts that the process has encountered a peak in the last 20 years. In fact, Loccioni opened its first branch in 2008 with the Loccioni USA project. Followed-up Loccioni Deutschland and China in 2013, Japan in 2017, in 2019 Loccioni India and in 2021 Loccioni Korea. At the moment, the plan is top

open up in France, Spain, UK, Mexico and Sweden within 2023. Figure 7 shows it in the map.

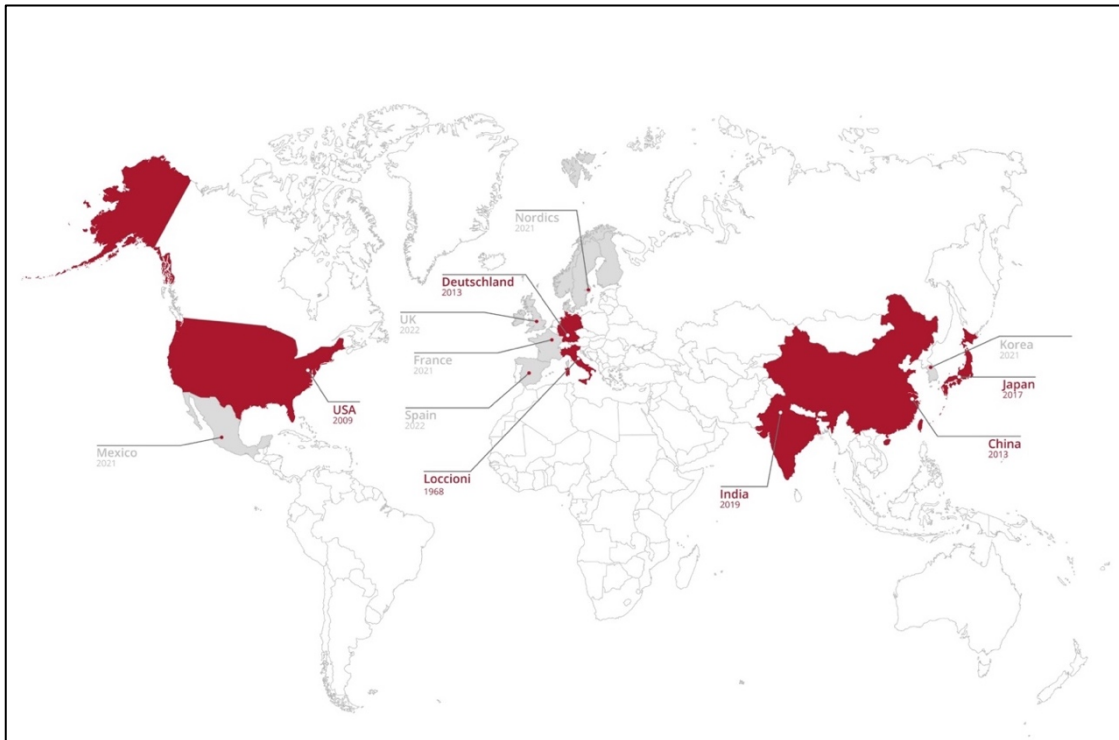


Figure 7 - Loccioni in the international market

The major activities the international branches carry out are the service and support to the client ones, the business development and institutional activities.

This presence in the most strategic markets, allows Loccioni Group to be even more flexible and reactive to changes and requests from the market field. What is important is to specify that, the main role of the foreign branch is to support the homeland Business Unit to achieve the strategic objectives fixed early on. More in details, these support activities can be defined as:

- Pre-sales activities, the ones related reactiveness of the market changes. In other words, all the activities aimed to detect the customer needs, especially the new ones.
- Post-sales activities, the ones implemented onsite to the client that already has installed one of Loccioni's solution.

All what concern the project development, is centralized and managed from the headquarter.

#### **4.5. POSITIONING AND CLIENT PORTFOLIO**

In this paragraph will be displayed an overview on how Loccioni Group put in practice the aim to work with the bests; whether they are clients, supplier, collaborators or partners.

The tool Loccioni uses to rank its clients, is a matrix very similar to the BCG one. This is a two-dimensional matrix, and it presents on the y-axis: client's volume in terms of sales and on the x-axis the strategical view (market leader, hi-tech business, solvent, in rapid growth etc.). The matrix shows then four quarters in where goes different client profiles:

- “Clienti da non Sviluppare”: meaning client that should not be developed further since they have a low strategical value and bring low volumes of sales.
- “Clienti da consolidare”: meaning clients to strengthen since they are of high volume but not really strategical for the future.
- “ Clienti da sviluppare”: In contrast to the first of the list, these are the ones to bet on. They present low volumes of sales (at the moment of the screenshot made to perform the analysis) but they are strategical, since they are in a business where the trends are positive in the medium-long term.
- “Clienti-stelle”: The same of stars in the BCG. Both strategically and for revenues crucial. To these clients goes the majority of the company's effort.

In the bottom, out of the matrix, there are some companies Loccioni still had not the honor to work with but that could be interesting to.

In Figure 8 a graphic representation of what has been just discussed.



Figure 8 - La scelta dei migliori del mondo

In Figure 9 instead, a clear representation of the major clients (or countries, in the case of Humancare) is showed. All these represented in the table weighted a 70-80% of the Loccioni's turnover, this is totally in line with the claims of Fiocca et al. (2009).




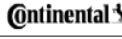










ABC CLIENTI 80% dei volumi		Progetti di mercato coinvolti
		■ ■ ■ ■ ■
		■ ■ ■
■ Aerospace		■ ■ ■ ■ ■
■ E-Axle		■ ■ ■ ■ ■
■ Electronics	OEM AUTO	■ ■ ■ ■ ■
■ Energy		■ ■ ■ ■ ■
■ Humancare		■ ■ ■ ■ ■
■ Powertrain		■ ■ ■ ■ ■
■ T&T	B/S/H/	■ ■ ■ ■ ■
■ Eldo		■ ■ ■ ■ ■
■ Electric Comp.		■ ■ ■ ■ ■
■ Sensors		■ ■ ■ ■ ■
■ Transmissions		■ ■ ■ ■ ■
■ Environment		■ ■ ■ ■ ■
		■ ■ ■ ■ ■
		■ ■ ■ ■ ■

Figure 9 - ABC Clienti

## **5.THE LOCCIONI CASE STUDY**

### **5.2. THE SAMPLE**

For the aim of this study, 25 collaborators have been interviewed. They have been selected at different levels of the organizational structure within the company so to have a more clear and neutral vision of the issue. These can be grouped in:

- Family and General Management
- BU managers
- Sales managers
- Project managers and engineers
- Key account managers
- Sales persons
- HR managers

These both located in Italy and in the foreign offices.

The subjects of the interview are different in terms of roles, market orientation and age so to have, as much as possible , a complete overview of the phenomenon.

### **5.3. THE METHODOLOGY**

The study developed in the followings part of this document will be displayed as a narrative research. According to (Athlas.ti, n.d.): “narrative research is a term that subsumes a group of approaches that in turn rely on the written or spoken words or visual representation of individuals. These approaches typically focus on the lives of individuals as told through their own stories”.

Thankful to the flexible and open approach of all the collaborators and the entrepreneur himself, the student has been able to undertake 25 interviews.

According to Heiner (2006), it will be define in this paper “interview” as “all the planned conversation between an interviewer and a one or more interviewed”. The objective of this activity is to “gather information on biography, way of life, opinions, needs and wants, emotions and conflicts of the interviewed itself”.

In particular, the nature of the interview adopted is the personal semi-structured one; meaning the interviews were all conducted in a one-to-one model, following a protocol with 11 question to answer. The order has not always been followed, but the topics have been covered in all the 25 interviews.

The interviews, moreover, have been conducted both in a presence mode and virtually (using tools such as Microsoft Teams).

Specifically:



- Personal interview: is the traditional face-to-face interview, it has as a strength to deepen as much as possible the topic discussed. So, to have the maximum number of information to the interviewer.

- Virtual interview: it is always conducted asking clear and unambiguous questions, but the outcome might be less trustworthy than the personal one's. In fact, due to the device separation felt from both sides, the subjects will be more "pushed" to be less unbiased and might let the interviewed to avoid harsh topics.

Every interview lasted around 45 minutes and has stuck to the privacy obligations, in order to respect the anonymity of every collaborators.

All the collaborators accepted to collaborate after a clear and specific description of the modalities and the objectives of the study.

Interesting then, for the aim of this paper is to observe the transformation of the structure of this process during the time and the evolution of Loccioni business.

Understand if there are eventually some inefficiencies during this process and if, at all levels there are clear guidelines, roles and objectives.

#### 5.4. THE INTERVIEW

The semi-structured interview, submitted to each collaborator, displayed a fixed sequence of question, which are reported below in Table 2.

*Table 2 - Interview questions*

<b>Nr.</b>	<b>Question</b>
1	Strategy: what does it means for you and how it is defined within Loccioni?
2	Has this process evolved during the time? How?
3	What is for you a strategic order? Who and how defined it?
4	Have those factors changed during the time? How and why? Has the decisional process changed as well?
5	Who are the actors which enter the decisional process?
6	Which is the role of the customer?
7	Silverzone and silver, explain it.
8	Which is the role of the silver within the strategy settlement?
9	Which is the role of the silver in the strategic definition of an order?
10	Are there any criticism in the order definition process?
11	Pros and cons of the silver.

Below on this paragraph there will be displayed the answers given, highlighting commonalities and disagreements and, when occurred, some personal consideration will be made about the different points of view emerged.

## **5.5. THE LOCCIONI'S STRATEGY**

Today, as emerged from the interviewed, Loccioni is pursuing a diversification strategy and the already seen Polaris is the mapping of the business effort of Loccioni Group.

Talking with all the people the student met, what have been clear is that the aim of the strategy is well known, shared and followed by the whole organization at all levels. Obviously, the family with the management have been more able to give the general picture that will be put hereafter.

Interesting thought, was to listening to the “oldest” collaborators from where and why this need for diversification came from.

It seems that, was in the soul of Enrico Loccioni the need to: first, work with the bests. In fact, Enrico since when he was selling hydraulic pumps, he already went out to look for the biggest customer in the market. Nevertheless, he has always been so curious to preside and visit constantly the customer site asking for new problems to solve, hence diversify its solution portfolio. It has ever since pass this way of working to all his collaborators through the mission and the values of the company. So, at the core of this strategy, there is what they use to call the “Competence triangle” (Figure 10).

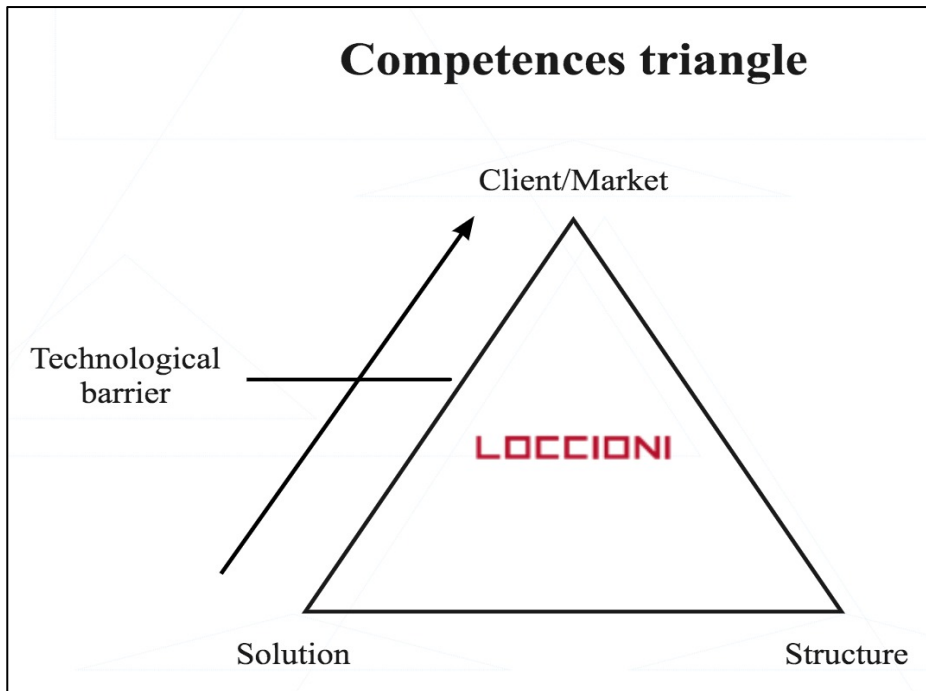


Figure 10 – Loccioni's Competence Triangle

This triangle, with an equilateral shape, presents three main items:

1. The client

Loccioni, as all the working-on-order company, is customer-centric. It is mainly driven by the request of the customer. For this reason, we can find it in the peak of the triangle. One step forward, is to focus on the client-market, this means that Loccioni, willing to work with the best but also with the biggest, they want every customer being a market in terms of turnover and so investments.

2. Solution

In order to be there, with the best in the world, Loccioni have to provide solutions to the customer problems. These problems, have to be “costly and tedious” for the above-mentioned. Only with costly and tedious problems, Loccioni is able to provide hard to replicate solutions, so that a technological barrier is fixed for the new comers and the market niche is created.

### 3. Structure

For Loccioni, being a craftsmanship company, the structure is based on two items:

- People with their competences, high tech and often transversal competences.
- Territory: they want to keep producing 100% of its machineries in the Marche region, but with the will to open several offices around the world. This for different reasons: the first and foremost, to be able to be close to the client. This gives Loccioni credibility and allows the company to be more open to the market needs, multiplying the contact point and then, increasing the info gathered. As a second point, to expand even more the knowledge accumulation, being able to collaborate with the best academies, universities and partner in general of each country. In order to get so, the best from every country they preside.

With this concepts at the core, since always, the strategy has evolved, and is still evolving, up to the Polaris they have right now, and is still evolving.

These theoretical concepts, have been formalized though, in 1992. Loccioni diversification strategy as well, has been codified in 1992, when the Group decide to create the Summa Headquarter which main aim was the one of the exploration: meaning, a long-term vision on what to do and how to do it in order to remain “young” in the business. At that time the only business Loccioni was in, it was the home appliances. It was when the revenues in this sector were doing well and the collaborators were full of work to do, that in Loccioni turn off an alert light.

The owner with the management thought that, if they were focalizing too much in the daily work, they would have lost opportunities and so niches in new markets. Summa then, was born with one must, no need to produce so no need to sell. People within this building had to keep a broad view and had to develop and manage relationships, old and new ones.

Nowadays, the structure of the diversification, that might be considered a “concentric diversification” (Rijamampianina et al., 2003) has its focus on the core competence of measuring.

Strategically Loccioni thought that, this was an high skill competence that would eventually brought some advantages such as, avoid harsh price competition, set high entry barriers in terms of knowhow and eliminate geographical barriers and distances.

In other terms Loccioni is always aiming to make business in a market niche.

From here, Loccioni began to observe which were the markets where the need of measurement was essential, where the measure was critical for the performance of the companies themselves. And the characteristics that came out to be the most important were:

- Cost efficiency for the client: all the Loccionians interviewed said “we have to offer solutions that solve costly and tedious problems”. Meaning: the measurement offered by Loccioni should make the client’s processes more efficient so that it could have saved a significant amount of money. This would definitely let the client put a huge amount of money in measurement machineries procurement budget.
- Safety needs: where the measure would avoid legal problems in terms of safety of the product/services (safety of cars, of home appliances, hospitals etc..). Only like this, Loccioni would have been able to give the right value to its measurement services. This is a particular necessity that links the business to the purpose of Loccioni; “increase wellness of people and of the planet”.

So that in structural terms, the Loccioni diversification expand in three directions:

- i. Market field: that concretize in the various Business Units explained before in this thesis. Those BU are autonomous from a people and a financial point of view, they set a three-year strategy that is then incorporated to the overall strategy definition if the group.
- ii. Competence: around the core competence of the measure, rise several others such as: software engineering, mechanical engineering,



electronics, project management, purchase and sales. These are of course transversal for every market.

- iii. Internationalization: Every foreign office of Loccioni is financially and operationally independent from the Headquarter. It has its own budget to pursue. Since Loccioni doesn't produce any of its solution abroad, the core competence it wants to export is the customer care. Thus, a marketing competence that allows the company to pursue a long-term relation with the client.

Once decided which role they wanted to play in the business field, even before to think in which particular sector, they followed the customer orientation they had, and settled the customer identikit, that is the tool that guides the financial resources allocation.

In Loccioni, the customer orientation is the core of the business sector choice and so of the resources allocation decision. This, make the identification of the customer a strategic decision that eventually fall back in the company performance.

As already discussed, Loccioni decided, mostly in all businesses it eventually got in, to deal just with the major players, in order to have a customer portfolio formed with no more than 10/15 companies. The so defined "customer identikit" is guided by two kinds of drivers:

## 1. Qualitative drivers:

Not numerical and external ones that focus on various aspects of the customer business:

- “Top in the market”: as already said Loccioni objective is to work only with the best, this first of all means that they have to have a majority market share in their sector of reference.
- International player: it has to be a multinational. Present in different countries with various branches and plants.
- Sustainable and with high R&D investments: it has to have financial solidity and an important R&D budget that not only allows Loccioni to deploy its competences, but also develop new ones, perhaps with collaborative projects.
- Hi-tech: it has to deal with high value technology.
- Futurability of the technology: The technology the customer is working with, must be, in Loccioni’s expert eyes (BU managers, engineering advisors and the property itself) a technology that will be used by the final customer in a medium/long-term span. Thus, replicable by Loccioni with others partners.
- Aligned with the culture and values of the Company: Loccioni himself says that the company and its collaborators won’t overtake a business with a partner that has not visit yet its buildings in Angeli di Rosora and that has not invited its collaborators to their headquarter all around the world. This because Loccioni doesn’t want to sell machineries like many other does, but it wants to craft solutions,

in collaboration with partners, that will help the planet and the communities to live better.

- The client must also have a centralized decision-making process in terms of measurement instrumentation purchasing. This is linked to the replicability of the solution and the internationalization of the firms. This makes Loccioni able to understand to which extent the measurement issue is important for the client.

Basically, the higher is the level at which the supplier choice decision is taken, the more is the cruciality of the measurement need of the lead. As well, a centralized decision-making process, increase the possibility to sell series of solutions rather than one bench in one isolated production plant.

All this drivers above, follow the Loccioni will to establish long terms relations, no a one-shot deal and this characteristic is, lately, the binding one. The final objective then, is to make every client a market; in terms of volumes, numbers and profits.

Once set the qualitative scenario, it comes to the quantum.

## 2. Quantitative drivers:

The first claims, from Loccioni collaborators themselves, is that they don't have an algorithm or a structured calculation ensuring that, a client with its commission is worthy to collaborate with.

However, there are what they like to call "guidelines" that permit the company to be sustainable as a whole.

Speaking with the interviewed, this is what has come out:

Loccioni has integrated these quantitative guidelines for 2 years now. The reasons why have risen the need of this are multiple. From this mix we can deduce at least these two macro items:

- Disruptive innovations in almost all the sectors Loccioni is in. Focusing in the automotive one, surely the sudden shift toward electrification whit all the structural adjustments market players had to do. This enhanced, with no doubts, by the second factor we will discuss below: the Covid Pandemia.

- Pandemic events: the collapse of the sales, put the last player of the supply chain (OEM → Tier 1 → Tier 2 etc.) to ask to the former to take over the burden of investments in new project. Due to that, Loccioni begins to feel the need to evaluate more carefully the weight of this investments, meaning what are, in financial terms the consequences of taking a commission.

Due to this, Loccioni has internally started to structure a so called “conceptual algorithm”, meaning a no written one, but still a structured line of reasoning.

So, came out these guidelines below:

- 1) Company target: based on a three-year planning, Loccioni, as a group, wants to pursue a sustainable, then slow growth. This in line with the characteristic of the markets they want to play in: the niches ones. So, these targets are:
  - Volume growth at not more that 10% with respect to the previous period taken into exam.

- Profitability growth at around a +20% with respect to the previous period taken into exam.

First comment we can do, is that, being the market a niches one, being Loccioni target the one to work with and for the bests with particular thus uncomfortable problems: the profits growth must be double than volumes one. Furthermore, this should be achieved avoiding merges and acquisitions and other extraordinary financial transactions.

- 2) Internal benchmark: Loccioni set this middle-term benchmark with reference to the last three-year period closed (2017-2020), since for them, this has been ideal under different points of view such as: volumes, revenues, profitability, quality of deals and clients and so on.
- 3) Once the two criteria discussed above are met, they can then discuss about the investment/consolidated trade off. They set proportions and margin benchmarks within which Loccioni as a group and then all the BU must, in the end of the period fall. These are:
  - Consolidated clients/markets must weight in the overall balance sheet for around a 75%, ensuring a margin of 40% on average.
  - The investments, thus new markets/client and so solutions, cannot exceed the 25% of the revenues and should not get under a 15% margin overall.

It seems that, if we deepen our analysis to every BU, every one of this will have its peculiarities then its conception of investments and its target market with its own

borderline for margins. Basically, from my interviews the common sense is that, a new market, requiring new solutions, for Loccioni will have with more chances lower margins for various reasons such as:

- technical inexperience: mainly from two side; the first could be defined as the R&D one, meaning the little knowledge of the technology object of the commission with which perhaps no one within Loccioni has never work with. For this reason, to make previsions on how much it will take in terms of costs and time to concretize a solution of value would be at least an hard job. On the other side, there is the production point of view. Crafting a brand-new bench or machine, makes very difficult the project management activity with high risks of failure here as well.

- Weak brand image: usually, in a new market with new customers, is at least hard to leverage the Loccioni experience in other field, sometimes this same experience hurts the overall credibility of the company. Without this marketing tool, the possibility for Loccioni to set an higher margin is definitely more difficult.

Once understood what are the main feature of the Loccioni's business strategy and what have been the time milestone in its evolution, this work tried to give a have a clearer picture on how this strategy is set. For this aim, the own elaborated graphic in Figure 10 allows to look at the steps of the process and the subjects involved.

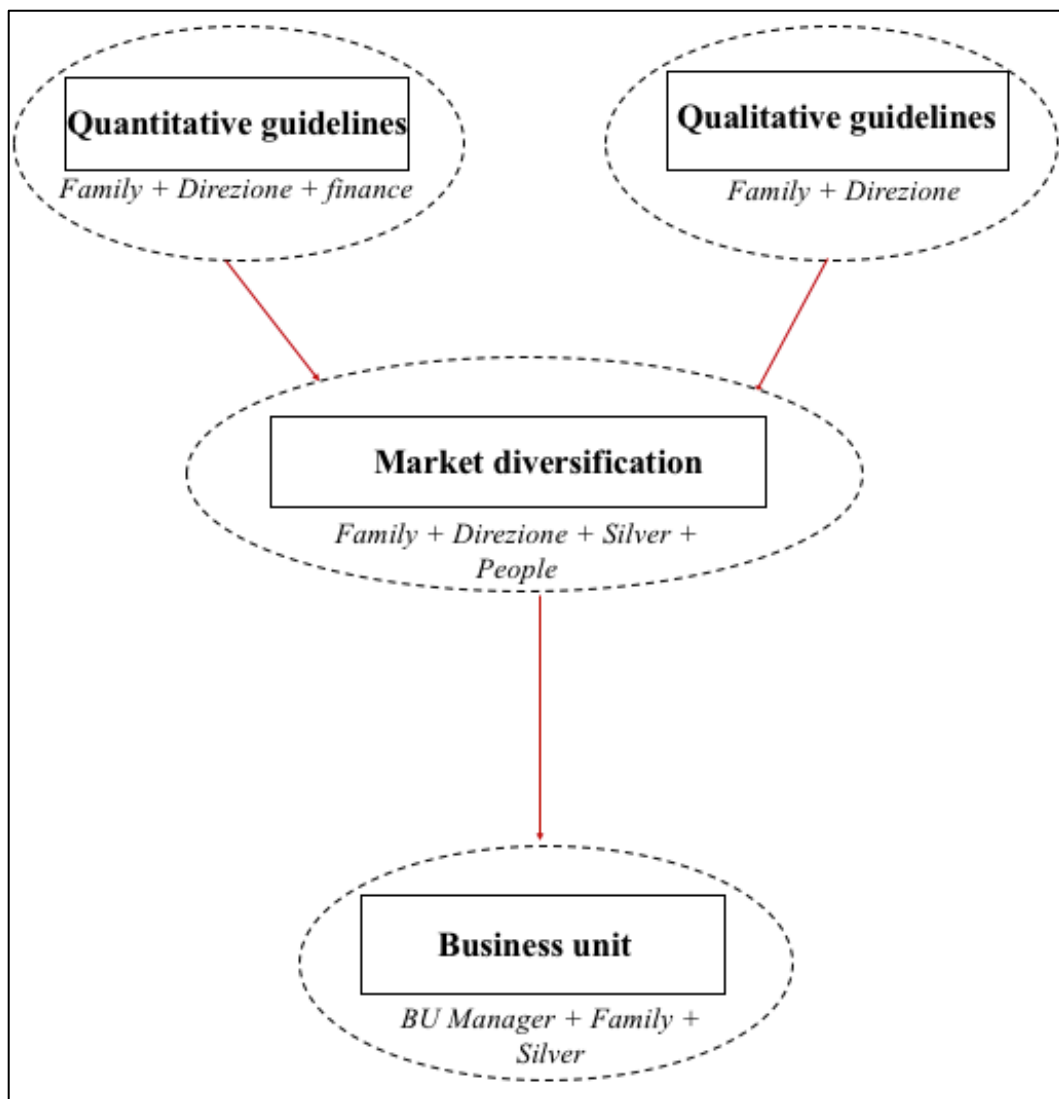


Figure 11 - Strategy definition in Loccioni

Some deductions possible from Figure 11 are:

- the guidelines, qualitative and quantitative, are those settled at the highest level.

From those, born the diversification strategy and the strategy of each business units.

In setting the guidelines, the family is, with no doubts, the most important and decisive player.

- The silver subject, we will broadly discuss later on this paper, appears on this process just after the guidelines setting and remains present at the most “operative” stage that is the BU one.

- The BU strategy, is the closest to the market, hence, to the customers. Theoretically speaking, every BU manager has its own autonomy and then its own responsibilities to set the strategy in line with the guidelines, that is a three-year strategy. In reality, there have been more than one occasion, as the interviewed said, where the family has come down to take part to the decisional process.

To conclude the strategy discussion, the graphic above has born from an evolution and articulation of the decisional process.

Especially the multitude of players and the various level of decision was wanted by the ownership to try to keep the organizational structure flat, thus, open to change and ready for it. As already said, sometimes the family get into the lower level of the decision making, and this, according to this research happens mainly when they notice that the guidelines are not followed. From a temporal point of view, what has been detected from the interviews is that there has been a moment where the



decision-making process has changed, or better has evolved. This can be identified with the birth of Summa. Since then in fact, the family has decided to flatter the organization and involve more people into the decision-making process. Specifically, Loccioni has decided to give to the BU managers high responsibilities with regard to the 3-years strategy setting and this goes partially in the opposite direction of what the managerial literature uses to confirm, meaning that management is often a formal area and that important decisions are taken elsewhere and only by the founding family (Chen & Hsu, 2009; Chrisman et al., 2012; Melin & Nordqvist, 2000; Schulze et al., 2001).

## **5.6. THE STRATEGIC COMMISSION**

Moving forward, once defined what is the strategy of Loccioni, which is the process followed to craft it and who gets into this process, this thesis gets into the more specific game of the commissions.

In the definition of which commission is strategic and which not, have been found more mismatches between the different players. Here below some of the recurring topics detected among the 25 interviews.

For more strategic roles, as the Family and the management, it has been definitely easier to define what a strategic commission is and what is not. Basically, the subjects interviewed put as “first thing first” that commission coming from a client whose clientikit is well defined and leaves no doubt.

Digging a little bit more, three main reason for which Loccioni takes on a project and defines it strategic.

1. For its payback: as major indicators here we can spot the high replicability, high margins and then high ROI.
2. High level of technology and competences development: this is the case where uncertainty and risk are the higher. So, the probability that the investment needed to develop those skills might surpass the economic gains in a one-shot game is very high. But, if we look again at the replicability, the possible competitive advantage gained in a long-term run, those are definitely strategic commissions.

3. Business development: the main objective here, is to start a relationship with a client, that, as we have said many times now, for Loccioni and the B2B market in general, a client is often a market itself. Besides the economical aspect, in Loccioni there is the other common sense that the client makes the catalogue. This means that, having not Loccioni standard product or services, hence having not a standard catalogue, the big client name is a big reference every time the company introduce itself in another sector, client or geographical region.

So, the discussion proceeded asking what of the three is the more relevant and if all the collaborators are all aligned or not.

The first consideration arose in the interviews, is that the preference of one rather than another has changed overtime with the evolution and the growth of the company.

In early times, before Summa was born and before the current diversify business they have, the first criteria, the economical payback, was the favored.

Then there was a time, when Loccioni expanded into the automotive market in which, every commission was taken in and often they just remained one-shot projects that didn't enhanced the long-term growth and sustainability of the company. The biggest lack here was a lack of analysis on the market side, which have been introduced with the birth of Summa.

Nowadays, seems totally shared that the business development criteria is the most critical one; in fact, it will be seen that when the aim of develop new businesses, thus, new clients mismatch the guidelines given by the family and the direction, it becomes a threat for the fluidity of the process, the effectiveness and the efficiency of the whole business of Loccioni.

In terms of who and how get involved in this process, the path is mainly specular to the one of the strategy setting. Figure 11 gives a visual perspective of it.

The process is structured as follow: the more operative figures (Key accountant, business developer, PM or PE) get in touch first with the customer and they are the first evaluator of the commission. Once, they have expressed their opinion, and if this is a positive one (meaning, the one observed could be a strategic commission), the “ball” passes to the BU manager hands. He/she, with the business development manager will have the responsibility to decide, since, the budget target is on the BU manager hands. However, sometimes, especially when the client is a new one or the economic value of the investment for the commission forces the budget previously fixed, the entrepreneur or his family gets into the decisional flow and takes on the responsibility of the last decision.

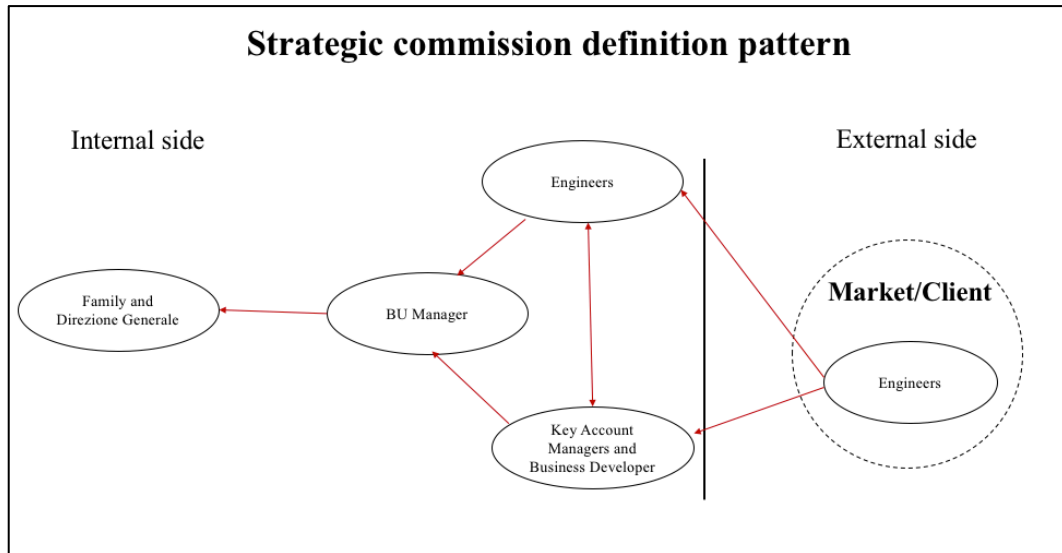


Figure 12 – The strategic commission definition pattern

Interesting, has been for the aim of this thesis, analyze where the information flow showed in Figure 12 presents some criticalities.

Starting from the idea generation, the first critical point is the exchanges made between the engineers from the internal side (Loccioni’s collaborators) and the market side (client’s engineers). From the experiences Loccioni had in his history, there have been cases where: being the customer a well-known, consolidated and high reputational one, the Loccioni’s engineering team has been caught inside the confirmation bias game. In other words, the operating team of the client shared a project, with high investment needed, selling it as a sure future trend in the technological field. Loccioni’s engineers, often haven’t showed a critical approach to the customer request. This means that they have

lacked to think that the project proposed was not in agreement with the guidelines given by the strategy. This mostly happens due to the references of the customer and the “fall in love” with the high technological challenge.

Eventually, this trigger at some point an internal disagreement.

This trigger point could be as soon as the sales side gets in touch with this new potential project, or could be the case where the “false information” will be spotted relatively late in the decision process flow, perhaps when investment have been made and losses have already come.

The two main reasons because this happens are, as already said, the blind faith on the customer potentialities and greatness, but also the lack of strategic view of the engineers that, as first subjects, use to have relationships with the client (often PM and PE).

However, Loccioni as a company, try to detect and neutralize this fact, giving the decisional responsibility to the BU manager and favoring the multichannel flow of information from the several touch-points the company has with the customer. This means that usually, a proposal or a project, in order to be really taken into consideration have to be confirmed at least from more than one subject inside the same entity on the customer side, preferable from more than one market player.

Another friction, could rise from the sales side. This case we can highlight three recurring situation. The first one, comes from the key account management side.

In fact, when a consolidated customer asks for a solution that doesn't stick with the guidelines for the key accountant is not an easy task to say "no". And probably it will take some time to manage the situation, then a lost in terms of resources and quickness of the processes. However, in Loccioni experience there have never been a case when a relationship has been compromised for this reason; basically, because the company has often found a way to satisfy the customer requests, giving up internal efficiency in favor of flexibility and customer centricity.

The second scenario, is when a new potential customer brings into the negotiation a condition; sometimes explicit and other times more implicit. They tell to Loccioni to take on a small commission, thus, not so high replicable, neither economical convenient or strategical, to test how Loccioni work in order to consolidate later on the relationship. Here the friction rises principally among sales people and engineers, and then involves also the more decisional roles. Here again, the customer-centric way of making business leads Loccioni group to try to do the needed to get into that client. The entrepreneur himself use to say that they have to "pay the ticket" to get into the customer.

The third, is perhaps an hybrid scenario between development and relationship management. It is the case when, the consolidated customer proposes a new project, in line with almost all the given principles. Meaning, the technology is good and the solution is replicable, but the friction here rises with concern to

the allocation of resource. This point of view has been shown by the family mostly. Here is basically what happens: the operating figures are all well aligned and enthusiast to undertake the project, this because they see growth, revenues and good challenges. The family instead, being above the operational side and the daily routine, they look with the eyes of Summa the issue. Their conclusion is that, having Loccioni the will to grow slowly and constantly, and having then constraints in terms of resources they necessarily have to make choices and give priorities. When the family spot that, in the market they play, they still have to develop a big steak, they prefer to keep focusing in it, focusing all the resources they have for that purpose. Of course, this is not always true; the decision is, as in the scenarios above, weighted on the customer strength with regard to customer portfolio.

To conclude the part on the strategical commission, it's worthy to say that not always the input for a strategic project comes from the consolidated customer, and/or passes through the engineers/sales interface. Could be the case where the management rather than the direction or the family, get in touch with parallel figures that suggests to invest in a competence or a solution defined strategical for the future sustainability and growth of the company. In particular the silver role case which we will discuss in the next paragraph.



## **5.7. THE SILVERZONE AND THE SILVER CASE**

In order to get into de Silver case, so to explain what the Silverzone is and where does the Silver come from, a review of the internal bibliography produced so far in Loccioni have been conducted.

The theory that lies behind the Silverzone, is the strategical choice of Loccioni to create the so called “Job place for all the ages”, transforming the company in a laboratory-place where “the openness and the pursuit of meaning lead to learn by doing” (Loccioni, 2015).

Whit this project Loccioni has three purposes.

The first is to create a place where school and company meet each other and knowledge is applied into concrete projects (Loccioni, 2015).

Loccioni loves to say that while in general for “young people” is meant a 25-year-old person, in Loccioni for young, professionally speaking, they mean a 15 years old or even younger person. This because of the purpose cited above, to make children already connect with the professional entities.

The second aim is to create and built a path where collaborators (as they call the employees) discover the meaning of work and the joy of undertaking a project (Loccioni, 2015).

The third one, the one related to the purpose of this study, is to “get going again to build generational bridges and encourage young people to imagine the future” (Loccioni, 2015).

Within this purposes, Loccioni has defined three age clusters, that are:

- Bluzone: that comprehend students from 6 to 28 years old, which get involved by Loccioni in order to let them dream and build their future already in an early age.
- Redzone: formed by people between 19 and 65 years old. This cluster comprehend collaborators of the company that have to be enterprising people who see a new job as an opportunity to grow.
- Silverzone: Here, lies people between 65 and 99 years. The presence within the company of these figures, Loccioni believe, that allows to create a place to innovate, guide and design.

The definition given by Loccioni (2017) is the following:

“ A virtual area gathering experienced people and knowledge together who passionately aim at supporting innovation, offering their contribution to the success of the Group, through esteem and trustful relations. It involves researches, consultants, professors and managers of important industrial sectors who have achieved great results during their professional life”.

Even if, all the current literature on the Silver figure date back to 2010 at the earliest, from the gatherings of the interviews done, the Silver figure has existed since the early stages of the Loccioni's company. And some of this documents confirmed the interviewed words.

This have come from two side: first, the always present belief of Enrico Loccioni to follow mentors, second, the desire to give mentoring to his children and younger collaborators.

In addition to this, the fortuitous case of life that let Enrico meet, in the early stage of his business, in the small village in the countryside where he lived a top manager with international experience in various markets such as aerospace, automotive and others. This “older” figure, took to heart the dream of the young entrepreneur and guided him for a long period of time. Of course, the random case has been turned in such a best practice that today still live inside the organization and has to such extent a coded path to follow to manage it.

First of all, a definition will be given according to the common belief of the interviewed. They were all quite aligned on this step.

A silver can be defined as “a generally old person, that has retired from the professional life. This subject occupied a prominent role in some of the big customer, competitor or partner Loccioni has”.

Furthermore, this subject differs from a consultant or an advisor because the first and most important reason that links him/her to Loccioni is not the salary. In fact, peculiar is the fact that if we look at the professional roles occupied by these subjects, the capital owned and the last salaries, their managerial consultancy would be out of market for an enterprise like Loccioni. As the interviewed people states, the most relevant reason for a Silver to become one,

is the fall in love with the Loccioni's reality. The fall in love, in reality has to match with at least two criteria: one is that the silver must really appreciate the vision mission and values of Loccioni, the craftsmanship spirit and all the unique characteristic of the company. The second, he/she should really like the country side, with all his peculiarities where Loccioni headquarter lies in.

Last but not least, as a matter of fact, the most important point is that this figure must be a natural teacher; he/she must have the passion to share knowledge to others, especially to the young collaborators of Loccioni. As Enrico Loccioni usually says, "the relationship between a silver and a collaborator should be like a grandfather and grandson". This means, the grandfather willing to "tell the story" and the grandson willing as well to listen and to learn from it.

All this characteristics, are clearly not so easy to detect, this requires then a particular "recruiting process" we will discuss later on in this chapter.

According to the analysis of this study, two main different kind of silver have been identified:

1. The technical silver: this is a figure who has done a vertical career into an high skilled field. For this reason, he/she has gathered a huge amount of competences which becomes of tremendous values its sharing.

This silver gets usually into the operating work, backing up the development of new technologies inside Loccioni. As an example, can be brought the Mexus. Mexus is an instrument, used in the traditional powertrain testing

solutions which has been developed with a strict collaboration between one of Loccioni R&D guy (now a well-known manager) and a silver. The nickname of the instrument was “Mexus 28/82”; 28 the ages of Loccioni’s collaborator at that time and 82 the ages of the silver counter side.

One of the competitive advantages the silver seems to give to the company is the following: being Loccioni a “young” company, where the average age is around 34 years-old, sometimes a senior figure lacks. The silver helps in this being a guide for the young innovator letting them avoid errors from inexperience. This is really of high value, in terms of technical knowhow of the single collaborators but also in economic terms, it allows in fact to avoid huge costs and reputational damages.

Basically, whenever Loccioni takes a commission never done before where, by definition the failure risk is high, the silver help decreases this risk incrementing the expertise rate.

2. The market silver: This is a silver that, on average, has covered top management roles within the companies he/she has worked with. This is a silver that never, or quite never, gets into the technical part of the commission but it shares market insights, future trends and/or good contacts for the business development of Loccioni. This is also the type of silver that is listened to when it comes to set the strategy.

Among the two “pure” kind of silver, there are of course some hybrid versions. Such as, the one who has got into a top management position, covering as well various high technical positions. The other that even if it has never got to managerial positions, knows very well the market and the players and can give Loccioni useful strategical insight.

#### 5.7.1. The Silvers mapping

Going into the details, according to Recchi (2015) and Loccioni (2017), we had at that time a total of 111 Silver, split as: 26 ex silvers, that for various reasons, were not operating in 2015. 65 Silvers in the present and 20 in the so called “nursery”, meaning the ones already identified and approached, for which Loccioni is in attendance for them to get retired in order to make their offer.

Today, according to the information gathered with the interviews, the numbers have changed to: 30 ex Silvers, 68 Silvers, and 25 future Silvers, as shown in Table 3.

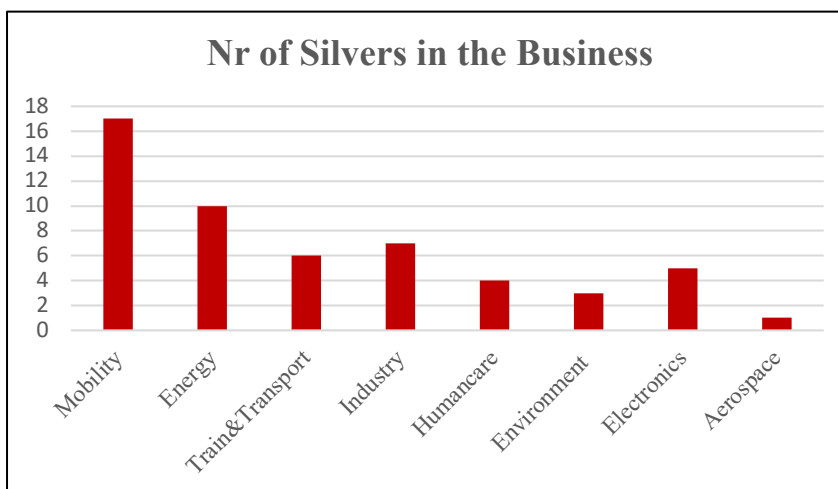
Table 3 - Number of Silver in the time

<b>Nr of Silver</b>		
	<b>2015</b>	<b>2021</b>
Past	26	30
Present	65	68
Future	20	25
<b>Tot</b>	<b>111</b>	<b>123</b>

In Loccioni moreover, the Slivers are clustered in:

- Silver in the business: 53 in total, divided among the different BUs as we can see from the Table 4.

Table 4 – Number of Silver in the Business



Looking at this graph, there is not a clear trend or data from which we can deduct direct related facts. However, according to the interviews made and some consideration of the interviewer, here are some aspects that might influence the quantity of the Silver in the BUs.

- The age of the BU, the oldest the BU, the higher the number of Silvers.
- The second criteria could be the weight of the BU in the overall turnover of Loccioni.
- Furthermore, another consideration could be the technical skills needed linked to the internal capabilities owned and the standardization of the solutions.

For example, it seems that in the Energy sector, even if the turnover is not so huge, might be that the technology changes so rapidly that Loccioni is not able to internalize the skills so that a technical Silver is the first way to cut this gap. Again, in the mobility sector where the technology changes with high frequency as well, a Silver allows Loccioni collaborators to run up with it. In Humancare instead, the solution is one of the most standard of Loccioni and, once gathered the knowhow and the market insight once, it has allowed Loccioni to keep gaining market share without any other help.

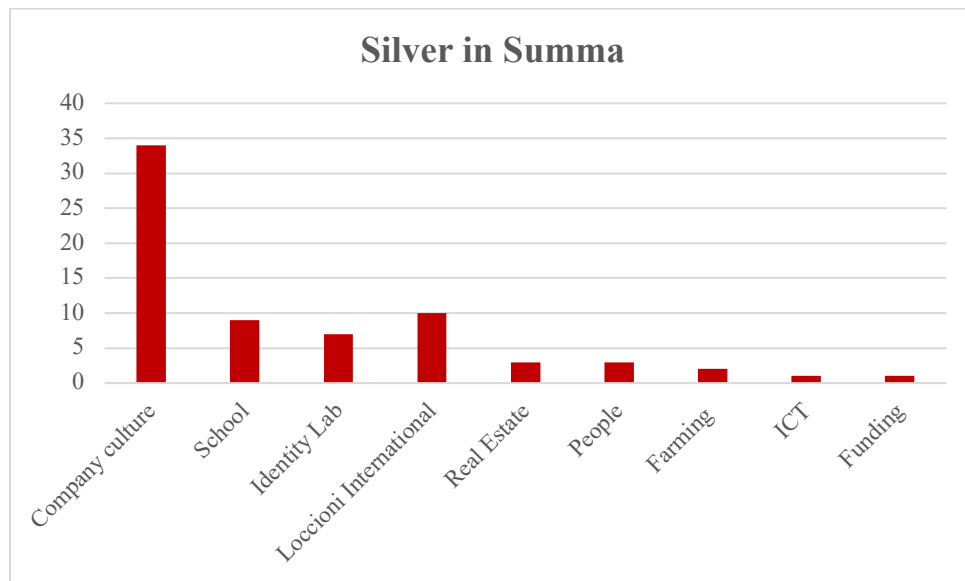
- The second category of the clustering of the silvers is silvers in Summa, they have been 70 and they are split into: company culture, school, identity lab (marketing



area), Loccioni international, real estate, people (HR), farming, ICT and funding.

Table 5 shows it graphically.

Table 5 – Number of Silver in Summa



Here, the main fact is that the overall number is higher than the ones in the business. This confirms the focus Loccioni has on the strategy and the long-term vision, especially in the company culture as the weight of the silvers in this area shows.

### 5.7.2 The Silverzone management

An interesting point of the research conducted has been the analysis on whether there is a codified pattern to follow in the Silver figure management and how it potentially works. As a frame of reference, has been taken the business relationship management literature presented early on in this thesis. To see if, some of the

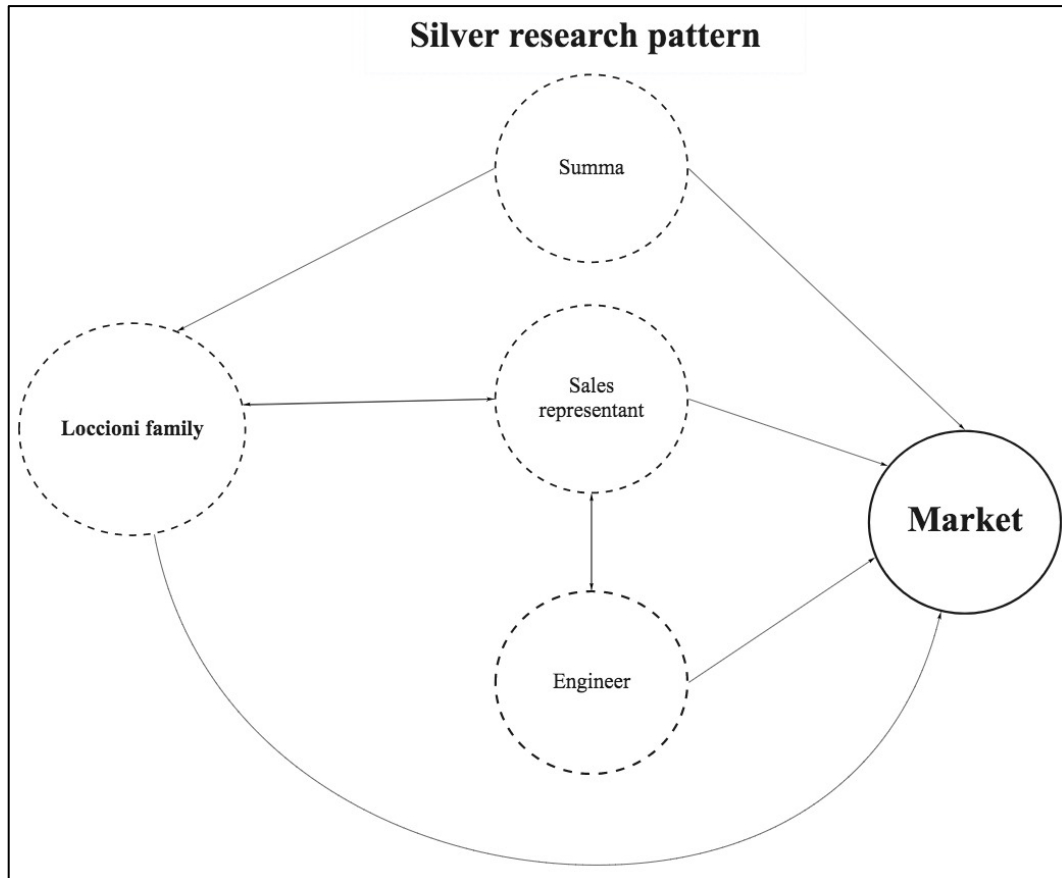
practices carried out by Loccioni resemble the ones observed by the academic research.

What has been found is that there is nothing documented or well described as a best practices; there are though, like in the strategic guidelines description and in the process of definition of strategic order, some few common insights that lie directly within the company values. These are: the will to learn and to work proactively as well as the hospitality and humility. This because the majority of the silver figures, go to Loccioni for intangibles and “emotional” reasons, they have no monetary interests neither professional ones, so that when the hospitality or the curiosity of the Loccioni’s collaborators fails, they stop to come to visit the company and of course to contribute to the improvement of it.

Loccioni states that, being the group a “knowledge company” there is no training on how to manage a Silver, one should be pushed by its own character, by the learning by doing and by seeing. The difference between who is able to do it and who isn’t is reflected on the professional career within the company. Managerial roles have by definition this skill or they developed it through their career development.

Making a step back, interesting is to understand how the “hiring” phase, thus the research of the Silvers works.

In Figure 13 can be find an illustrative expression of the process evolution.



*Figure 13 - Silver research pattern*

The figure, at a first sight shows that all the areas, from the more operational (engineers and sales representant) to the most strategical (family and summa) get in touch with the market, thus with potential silvers.

Nowadays though, it is more and more rare that Enrico Loccioni or his sons, get directly in touch with a silver or a potential one because they have, in line with the company growth, slowly left the operating roles in the business.

Because of this, the first interfaces by definition are the sales people and engineers, on the business side and the Summa teams (identity, people) for the cultural and other matters.

The engineers usually, if they get in touch with a potential silver share this info first with the sales collaborators, the ones in charge for the relationships in general. This phase is really important and long-term oriented, basically for two reasons. The first is that, being the partners of Loccioni big organizations in general, it takes time and resources to get the right information at the right moment with regard to a possible silver figure. The second is that, as described before, the “nursery” of the Silvers is essential to have a good turnover of them, and allows Loccioni to have all the time to get to know the person, start relations with him/her and take confidence with each other. This, enhance the probability that the subject identified sticks with the Loccioni values. To do so, the only way is to know him/her years before his/her retirement, make business with him/her, let him/her know the company and the territory inviting him/her to Angeli di Rosora more than once.

Lately, to be able to manage the process mentioned above, the company needs to have a strong understanding and management of business relationships as intended by the managerial literature.

As already mentioned, there is no a standard formula to take on a Silver. Usually, as mentioned by Loccioni management, after a tour of the company and the

territory, the potential Silver and the Loccioni part sit at the table talking first about benefits. Among the benefits, as intended by Loccioni, there are a good stay, good landscapes and good wine of the territory; usually the Silver is hired with those agreements. If there is a monetary part, this is secondary with respect to the average wages of the Silvers.

It may seem that, the Silverzone management is not important neither interesting since there is not a relevant monetary investment. Instead, taken for granted the value of the knowledges and the experience a silver brings into Loccioni the management becomes crucial. Unlike big assets though, the most important part is the relational one. As the top management of Loccioni says, “if you don’t know that a silver is coming and he/she wants to stay at that particular place, eating that particular food and drinking that particular wine for example, you have high chances you are going to lose that relation with that person”.

Moreover, the flow of information shared must be continuous. So, a good Silver manager, keeps them always updated on what are the state-of-the-art of the projects in the company, as well talk about general matters on market and current events. This in order to let the Silver feel involved and then inclined to help. The worst mistake a collaborator managing the relations with Silvers can make, is to think that he/she can use a silver just when he/she comes on site to Loccioni.

As other phases of the management, there is not a fixed timeframe in which a Silver visits Loccioni. As well, there is not a contractual formula.

The analysis made in this work shows that there are silver (the Italian ones perhaps) that visit the company once a week, there are others (the foreigners or those who live far from the company) that for obvious reasons goes less frequently.

In Figure 14 is shown an own elaboration of the student highlighting the most important steps of the Silver journey and who and how take care of them.

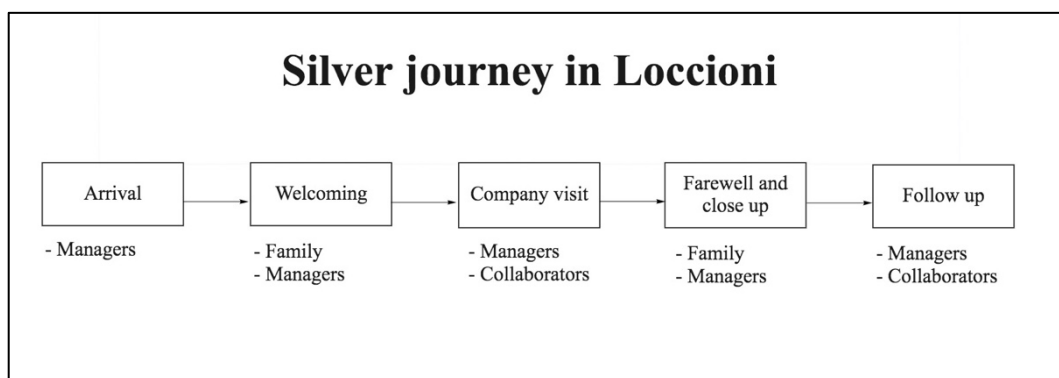


Figure 14 - Silver journey in Loccioni

For what concern the journey, the custom is the following: the BU manager or the manager involved in the Silver expertise (technical, market, cultural etc..) will take care of all the hospitality. So, he/she is in charge to get him/her at the arrival place, taking him/her to the overnight stay and so on. As well, the manager takes care about the agenda of the professional stay.

What the manager basically will do is to arrange for the silver all the meetings with all the people he/she thinks would be relevant for the matter of the visit. He/she

creates a calendar and shares it with the participants. In this way, the silver will interact with all the roles of the company at any levels.

Another important part of the stay is the meeting with Enrico and the family. This occurs normally in two stages.

The first at the arrival perhaps to welcome the host taking him/her to dinner in the Loccioni leaf farm. This is surely the most relevant from a relationship point of view. The second one, closer to the professional one, is the close-up meeting. This meeting allows the family to get to know all what the silver has spotted within the organization and with regard to the matter he/she is working for. Talking about projects, presents and future, organization and people, Loccioni is able to see strength and weaknesses of its organization and threats and opportunities for the future.

Coming back to the manager, this subject, besides the scheduling of all the meetings, he/she should be able to communicate to every person the matter of the appointment. This in order to avoid that the collaborator such as an engineer or a PM/PE, being absorbed and concentrated on the daily work, is not able to see what's the scope of the meeting and risk to just waste time talking about nothing. This particular part here, according to this research could be the most critical one that needs to be structured and then improved.

According to what mentioned before as the continuous communication with the Silver, there is the follow-up part of the journey. This step is implemented by the

manager itself as well from every collaborator whose interacted with the Silver. In this phase, mainly by technological tools (emails, phone call or web calls) the two subjects cited above keep update the Silver on the themes developed during his/her stay. This practice, besides being an internal indicator of to which extent the Silver suggestions are implemented, let the silver itself keep high desire to continue to give advices and help the company and its collaborator grow.

### 5.7.3. The Silverzone and the strategic order

As anticipated in Figure 11 the silver appears in different scenarios of the Loccioni's strategy setting. The first thing to note, is that the contribution of the Silver depends directly to his/her nature. The technical Silvers, dealing with specific R&D project, usually have none strategic voice inside the organization. The market ones instead (on the business side but also on the cultural and managerial one), in particular the most historical ones might also seat with the family in addressing the future of Loccioni, and the settlement of the three-year plan. This have happened when entering the automotive sector, a silver of that time suggests Loccioni to focus in the measurement field with well recognizable benefits in terms of profits.

Later on, there are silvers, especially the hybrid ones, that interact in strict contact with the BU manager writing down with four hands the three-year strategy of the unit, if not a strategy for a single customer which he/she knows well.



It is this kind of silver that gets also into decisions regarding the commissions.

There are different scenarios highlighted from this research work:

- If a specific department of a big company ask Loccioni to bet, hence invest in a particular technology, the silver who directly knows that company so who decides and how much, can give a very valuable information to Loccioni whether to invest or not in that request.

- If a new customer gets in touch with Loccioni's collaborator, and they are not very convinced since they struggle to have all the info needed, a silver from perhaps a competitor of it, could know thanks to his past career much more things and so, knowing as well the Loccioni's guidelines can help to take the final decision.

The two mentioned above, are cases where a friction between collaborators, meaning business developer, engineer and BU managers on one side and silver could happen. The role of the family depends on each specific case.

With regards to this issue, has been asked to collaborators and managers, whether for them, the entrepreneur would give more value to a silver opinion or to the collaborators one. At a first look, might seem that the Silver opinion weight more and the reason is its expertise on the topic discussed. The answers gathered, though, from managers and family is that, in order to avoid to get into some kind of bias concerning just the status of a person, the solution is the multitude of information channels. This practice though, requires high skills in business relationship

management side, meaning a notable usage of resources in terms of people, money and time.

Then there are other two intervention of the silver in the strategic commission.

- In an early stage of the process, when the client has been identified as strategic but still any strategic order has entered, the silver, specifically the market one can make Loccioni in contact with the right person inside the organization and the decisional structure. This would be, hopefully the person who will give the company the first strategic order.

- And in a more advanced stage, once Loccioni has taken in the commission, the silver can help the Loccioni's engineer to develop the solution. This is perhaps the case of the Mexus cited early in this thesis. Here the subject in discussion is a technical Sliver with specific engineer role inside some of the Loccioni's customer or a subject coming from academic background.

#### 5.7.4 Main features and peculiarities of the silver figure

As final part of this study, it will be brought a gathering of the opinion of the interviewed regarding the silver figure. Some features more shared by all the roles within the organization some others just by specific subjects.

As positive feedback from the audience there are:

- The high professional experience and competence whether dealing with a market or a technical Silver. Regarding the experience as already said, they could give really valuable insight on the future of the market and its trend, in order for the company to save time and money in decision-making. With respect to the competences, a really important feature of the collaboration with a silver, especially for young entities as Loccioni (34 years on average), is the lowering of the risk of failure especially in R&D field. In fact, as mentioned on an early stage in this paper, the inexperience gap in Loccioni is often filled by the silver mentoring and advices in specific projects.

- Stimulus to confrontation: in fact, every time a silver goes on visit at Loccioni's sites, every collaborator involved by the manager has to bring updates often to an audience starting an open brainstorming. This then, allows the collaborator to have a moment of detachment from the daily routine that could be helpful to spot errors or criticalities.

- An external point of view, that is not self-referral. This is crucial in every organizations in order to keep on changing and retaining competitive advantages.

- Besides being an external and neutral point of view, the silver one, especially the market silver or an hybrid one is the one from a big company perspective. This becomes crucial when, in order to make business with a big customer, Loccioni's collaborator need to understand how to interact and with whom inside these

organizations. Because everyone has its peculiarities, code of conduct and habits are often hard to understand. This is, as well a huge saving of resources.

- Connected to the one above, knowing the silvers those big customers, they are a source of an extremely valuable network of contacts. In fact, to get to the right decision-maker inside an organization counting tens of thousands of people could take years to a smaller player like Loccioni. And then, many more years to build trust with those people. The silver, with his/her network and reference could cut drastically the time of this process. As well, in Loccioni seems to happen that each silver gets other silvers in. There is a peculiar customer relation case showing this, we will call for the aim of this thesis “Customer X”. Ones one of the Board of Director representative of Customer X becomes Silver of Loccioni, he had eventually got in many of his team. This, among other advantages, helps Loccioni to open some of the international offices it owns.

Moreover, some recurrent complaints or warning regarding these silver figures have been noticed. Among these there are:

- A loss of time, mainly for the more operational roles. A recurrent complaint registered among PM, PE and sales representative, has been that they have to take half a day or a day “off” when the silver comes to Loccioni. This is of course a point to take in consideration in order to enhance the silverzone management. In fact, if the interested party doesn't see the value of interact with such figures, this value

won't be transmitted. In addition, there is the high possibility that the silver itself will lose the will to pass time with Loccioni's people.

- Another warning, highlighted more from the market-oriented subjects (family, managers and business developer), is the obsolescence of the silver. Basically, being a silver by definition a person who has retired, it will come a time where his/her information will become obsolete with respect to market insights, technical advices and contact networking.

On average, in Loccioni seems to be a five-year period. Of course, there are exceptions of individuals that keep networking proactively or studying the latest news in technology. There is no doubt though, that Loccioni has to prevent to trust blindly a silver just for his/her authority. So to say, there have to be some kind of safety code to disengage to "obsolete" silvers. To date, there are not written rules, the common thought inside the organization is that Loccioni Enrico first and then every collaborator will notice it when it comes to stop listening to some kind of advices because they became obsolete. Again, it is surely not easy to try to code this behavior since it concerns feelings of people and interpersonal relations. The only conduct, as already mention is to have as many touchpoints with the market as possible.

Another deduction that could be made out of this assumption is that, being the validity of the silver's information of five years on average, and being the silver

research and recruitment process highly time spending, there must be a continuous active research on the market, investing actively in business relationships.

- Related to the point above, and to the fact that the silvers tend to have a big company viewpoint, everyone that interact with them has to filter the info and especially the advices adjusting it for the Loccioni reality. This because, not always what works in a company suites every company; instead, is often the contrary. Again, here is important to understand the culture and the dynamics of Loccioni as a company as well be aware of the silver background. This happens with a constant sharing of info within the organization.

Connected with the sharing of information, there are two other critical points.

- The underestimation of the Silverzone. This happens at the same level where the silver is often seen as a waste of time. Thinking about it, the interaction with this figures is something really valuable. If thinking in fact, to how long it will take to a junior employee in an organization like one from which the Silver comes from, to get in touch with the top management there, and we compare it with the Loccioni time frame, it is possible to state that, on average, in the first scenario it will take at least some years whereas in Loccioni potentially can be done in few months.

However, the burden of this underestimation, it is not upon the new entries of the organization. Rather, an incrementation in info and documentation sharing within the organization will help in this regard.

- As last but not least point, there is the nurturing of the Silver. As discussed in the paragraph regarding the management process, a continuous and periodic exchange of feedback is crucial to keep the Silver willing to contribute to the company and its people growth. As well, it is extremely important that everyone who interacts with the silver, bears in mind that the silver has no personal neither economical interest in improve the performance of the organization. It is required a proactive behavior of the Loccioni's collaborators in order to catch the right info and the most valuable one, basically asking the right questions. This criticality, leads to a couple of deductions. The first, is the remarking of the constant flow of info, the second is that it is fundamental a "pre-step" on the Silver journey discussed earlier with Figure 13 . The step is a strategy planning one, in order to make the point and set a path to follow in the meetings with the Silver. Here, there must be the moment to identify the questions to asks and the objectives to be pursued.

## 5.8 DISCUSSION AND COMMENTS

This work main aim was to understand how Loccioni strategic decision-making process is structured nowadays and who and with which roles get captured into this process. In order to do so, the master's student set these two questions:

- *How the strategic decision-making process is developed and managed in Loccioni?*
- *How and at which level the customer appears in this process and what is its influence?*

These questions have been answered following a qualitative analysis of a single case study, the one of Loccioni.

The research questions have been answered by referring to the managerial literature proposed in the first two chapters.

The findings show that in a family owned SME working by order in the B-to-B market, strategic managerial decisions are critical in order to allocate constrains resources toward the right businesses; since, the strategic gap is definitely a “negative strategic gap”, skewed in favor of the external environment. This means that the environment requirements are higher that the organization possibilities, thus the organization itself, has to focus on just few opportunities and actions.

The decision-making process of Loccioni has shown to be in line with the one theorized by (Harrison, 1996). In particular, the “search for alternatives” step in Loccioni is critical in order to reduce the risk for investments. For what concern the



setting of the managerial objectives, meaning the strategy setting, Loccioni has evolved over time. Nowadays, with a business differentiation on thirteen businesses the family owners have decided, successfully, to involve actively more subjects to the three-years strategy definition. This choice divert to what the literature claims to be the norm: i.e. the founder and the owners centralize the strategic decisions overtaking the management (Chen & Hsu, 2009; Chrisman et al., 2012; Melin & Nordqvist, 2000; Schulze et al., 2001). The process instead, seems to stick with the one presented by Penney et al. (2019).

The compatibility test in Loccioni is strongly present and valued by the ownership. New projects/clients must to stick with the values and objectives of the company. This evaluation is carried out observing the coherence of the former with the qualitative guidelines given. The profitability test, that comes only once the qualitative guidelines are followed, wants the new project investments to stay in line with the quantitative guidelines pursuing a constant yet slow growth.

To conclude, having a look to who are the subjects involved in all this process, from the more operational to the most strategic decisions, we see how Loccioni has been able to expand its boundaries from the direct relationships up to the whole network within which it works.

Here in fact, appears the peculiar figure of the silver. As discussed, the silver is a particular form of consultant which Loccioni, through an accurate management of relationship with customer and more in general partners, is able to involve. The

most characteristic feature of the silver is the motivations that push him/her to help Loccioni. The research in fact, has shown that in most of the cases (if not all of them), the silver gets involved in the organization for intangible reasons such as, the love for the organizational structure and its people, the territory and the motivational boost to share and transmit knowledges to young yet ambitious collaborators. This has two interesting effects to highlight:

- The economic efficiency Loccioni is able to reach is huge. In fact, if those silver figures were in just for the salary, the company wouldn't have been able to afford the investments needed.
- On the other side, the investments needed to nurture business relationship, customer one in particular, is relevant and constant.

To conclude, both the decision-making process and the customer relationships are aspect in constant change and evolution. For this reason Loccioni, in order to keep up in the market will always have to nourish and innovate them.

Surely, further analysis will be useful to understand, with internal changes in the company structure what will happen to those two practices.

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