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Italian family capitalism goes out of style

Ferragamo death comes as globalisation, rising populism, millennial demands and the sheer limits of age force change

'Part of me just wants to be in my slippers by the fire'

Self-made tycoon

RACHEL SANDERSON — MILAN

Until a few months before her death, Wanda Ferragamo, matriarch of the Salvatore Ferragamo shoe dynasty who died last week aged 96, came almost daily to the family headquarters at Palazzo Spini Feroni in Florence.

Ms Ferragamo, widow of shoemaker-to-the-stars Salvatore Ferragamo, would arrive with her driver at 10.30am on Via Tornabuoni in the centre of the city. She would climb the steps to the 13th-century crenellated palazzo overlooking the River Arno bought by her husband in 1938.

Petite but with a presence that demanded attention, Ms Ferragamo was a hero of Italian capitalism, which is by and large a story of families, including some of Europe's most glamorous.

When her husband died suddenly in 1960, Ms Ferragamo was left aged 38 with six children from two to 17 years of age and a near-bankrupt artisan business.

Instead of giving up in the face of "a tragedy and a crisis", as her eldest son Ferruccio tells it, Ms Ferragamo held the family together and drove the business to professionalise and expand, spreading internationally as well as into new products such as silk scarves and handbags.

When she died on Friday last week, the woman born into a poor family from a village east of Naples was the head of a dynasty of more than 70 descendants, and a business empire with a market value of nearly €3.5bn.

Mr Ferragamo, 73, chairman of the company, told the Financial Times in an interview last year: "I always joked with Mummy and said, 'Mummy, if you had died before Daddy . . . where would we be?'"

The resilience, determination and entrepreneurial vision shown by "Signora Wanda" is a tale about a slice of Italy — and a slice that is undergoing change.

While the ascent of a populist, anti-establishment government in Rome is capturing most attention, the going-down-of-the-sun on Italian family capitalism is another part of the story.

Against a backdrop of palazzi and villas, frescoed penthouses and lush gardens, a postwar generation of business leaders who made themselves and Italy rich has reached a turning point.

The pressures of globalisation and millennial demands, concern over rising populism at home, and the sheer limits of age are forcing a rewriting of Italy's corporate and cultural landscape and the personalities who have dominated it for more than 50 years.

Poignantly, on the day Ms Ferragamo's funeral was held in Florence this week, Gilberto Benetton, financial mastermind of the €12bn Benetton jumpers- to-roads dynasty, died aged 77 at his home in Treviso.

This flow of bad news will continue. A quarter of first-generation Italian family companies have an owner-boss who is more than 70 years of age, according to data from Milan's Bocconi University. Half of those businesses have an owner-boss who is aged more than 60.

The pace of change has not been restricted to the passing of Italy's ageing tycoons. Closely held family businesses, whose owners swore never to sell have done so.

Michele Norsa, former chief executive of Salvatore Ferragamo who is vice-chairman of family-founded business Missoni, says: "There is a lot of activity in this particular moment when there are many families facing issues of succession. There were many companies in Italy that grew successfully in the 1980s or 1990s, and now those founders need to find a solution."

One such family boss, Donatella Versace, 63, sold the family catwalk brand to Michael Kors of the US last month for $2.1bn. Another was the Recordati family, who sold a majority of their shares in their pharma company to US private equity group CVC in July.

Some analysts think that the Ferragamo dynasty, without the steely grip of its matriarch, will follow suit, despite the family's denials. The company's shares soared on the announcement of Ms Ferragamo's death as investors increasingly bet on the likelihood of a sale.

Citi banker Luigi de Vecchi says European business dynasties are grappling with extremes: valuations for assets have been driven to record highs, helped by quantitative easing, but technological disruption is demanding new skills.

Mr de Vecchi, who advised on Essilor of France's acquisition this year of 83-year-old tycoon Leonardo Del Vecchio's eyewear group Luxottica, said the vital issue behind decisions on whether to hold or sell was succession.

If a family had a successor generation that could grasp the immensity of technological change, they were prepared to go it alone; if not, they weren't.

"In a situation like that of Del Vecchio, where it was not so clear, he felt like the clever thing to do was to merge with a public company and dilute himself down," Mr de Vecchi told an FT event in May.

A few Italian families have bucked the trend. The Agnellis, who own a third of US carmaker Fiat Chrysler and insurer Partner Re, have, under scion John Elkann, 42, shifted most of their business out of Italy. Last week Fiat Chrysler sold one of its last Italy-based businesses — car parts maker Magneti Marelli — for $7.1bn to Japan's Calsonic, a deal Mr Elkann negotiated partly in person, say people who were in the room. Fourth-generation business Ermenegildo Zegna acquired US brand Thom Browne.

"We no longer exist. Just the millennials," says one self-made tycoon of retirement age as he ordered a cappuccino and brioche from his liveried butler one morning in Milan. He had just landed from New York. A day later he was on his way to Shanghai.

"Part of me just wants to be in my slippers by the fire," he says.

The trend of changing ownership is a wrench for Italy where business life and, in some ways, the social fabric of society has for more than half a century been defined by fiercely independent, entrepreneurial families.

Essilor's takeover of Luxottica creates a European champion with €50bn of revenues. It means Italy's stock exchange loses one of its biggest blue-chips as the primary listing of the combined group moves this month to Paris.

"I am happy. I see a better, stronger future for my children," Rosita Missoni, 87, said in July after selling a 41 per cent stake in the family business to Italian private equity firm FSI. Yet as she spoke, tears welled up in her eyes.

The wider economic and political environment, involving an increasingly belligerent stand-off of Italy's Five Star and League coalition government with

Il capitalismo di famiglia italiano passa di moda

Europe, is encouraging the shift.

While Italy's bonds and stocks have been hit by market jitters about Rome's Eurosceptic, anti-big-business rhetoric, the M&A pipeline involving family businesses is getting richer. One upbeat banker in Milan says he has done 17 deals so far this year.

"You cannot deny that having these populists in government is making business owners more willing to talk about ways to ensure they can protect their family investment by selling even a percentage to a US or even Chinese multinational," says a private equity executive fresh from a buyout of an Italian family operation.

"I keep less than 5 per cent of my total patrimony in Italy. I am very careful with this country," Francesco Trapani told the FT in June.

His family sold Roman jeweller Bulgari to LVMH of France in 2011 for $5.2bn,

Bankers admit that they read gossip pages and death announcements in the hunt for the next deal.

"You can check the succession process only when the earlier generation has died," says Guido Corbetta, professor of family capitalism at Bocconi University.

Raffaele Jerusalmi, head of Italy's stock exchange, says some of the oldest family businesses are Italian and "they already have succession in their DNA".

Tuscan wine dynasty Antinori dates from 1385, gunmaker Beretta from 1526.

Sale speculation swirls instead around Italy's top table of mostly first-generation, self-made billionaires: Giorgio Armani, 84; Silvio Berlusconi, 82; Prada owners Miuccia Prada, 69, and Patrizio Bertelli, 72; and Tod's tycoon Diego Della Valle, 64.

Heads of Italy's business dynasties share a heavy responsibility, argues Datalogic's Romano Volta, 81 — not only for the sake of their families, but for Italy, as the economy declines in real terms and populism roils politics.

An engineer who turned a data chip invention into a multimillion-euro revenue business that competes with Honeywell of the US, Mr Volta is sitting in an office outside Bologna with brown leather furniture that dates back to the group's boom years in the 1980s.

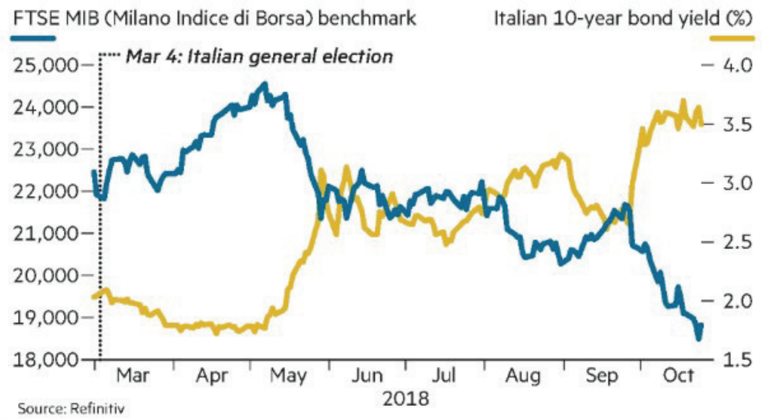
"Many of my colleagues have let the company die with them, because people say 'There is no one as brilliant as he is,'" he says.

On the wall above his boardroom desk is a photograph of him receiving Italy's highest honour for business leaders. But he says he is prouder of his daughter, Valentina, who is doing an executive MBA at Harvard as she prepares to succeed him.

Yet he admits some despondency, fearing that the economic resurgence that produced Italy's burst of entrepreneurial energy and self-made tycoons is history.

"Now there are ever fewer of these lone crazies, who worked night and day to succeed, Italy risks being deindustrialised."

Political uncertainty hits Italian markets



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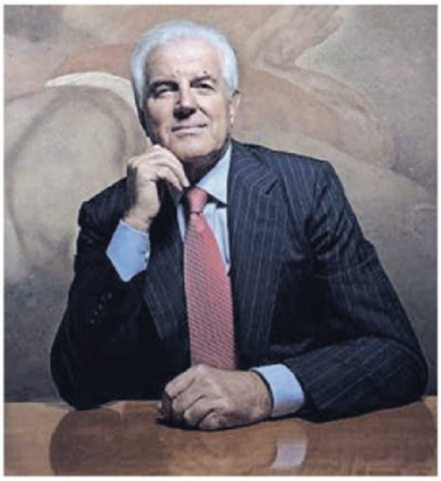

Sole-searching: top, Wanda Ferragamo, second from right, with her six children. Above, from left, Gilberto Benetton, Donatella Versace and Leonardo del Vecchio
Jean-Claude Deutsche/ Paris Match/Getty/Paolo Bona