

# Attachments and Business in Italian society

*notes on*

The Cultural and Social Psychology  
of youth and family-based  
entrepreneurialism in recent years

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## 1. *An epistemological premise*

Beginning from the nineteen seventies, research has increasingly turned toward sectors that are new not so much in terms of content but in terms of their approach to considering and analyzing phenomena. The element that unified these emerging approaches and research processes was the fact that the research objects in question were not suited to classical science's traditional reductionism, with its procedure "disassembling" the phenomena into parts for subsequent reassembly. It became clear that it was difficult to properly understand certain phenomena by breaking them down into their elementary components because this process risked erasing the unity of the phenomena itself; at the

same time, in order to understand the phenomena, researchers felt the need to examine the *relationships* between the parts rather than the parts themselves. It is recognized that the objects of study are in fact systems in that they are constituted by interacting parts that can be identified with relative precision. When the parts are isolated from the system to which they belong, we encounter the problem of their particular functioning becoming distorted or ceasing altogether. However, the most important issue relates to the need to identify the relations and connections between the composite parts, which is where the foundation for a potential understanding of the phenomena apparently resides. When faced with systems displaying these characteristics, we began to speak of complex systems whose parts are repeatedly intertwined in a circular and recursive manner and thus cannot be detached. The approach emerging in the study of such systems involves considering the relationship as a unit of analysis. Two main examples mark the epistemological evolution of complexity: F. von Hayek's work on the phenomenon of knowledge and H. Simon's work about the limited rationality phenomenon. Recognizing the complexity of the phenomenology of economic behaviors inevitably involves referencing the limited and incomplete character of human rationality. At the same time, the mechanisms of knowledge formation in the human mind which form the basis of economic choices lead research in different directions than those pursued by traditional economic study. It is expected that the development of an epistemology of complexity approach has the potential to lead to a better and deeper understanding of the self-organizing dynamic of social systems such as family businesses and socio-cultural and economic reference contexts. This potential is realized if we take into account some of the characteristics that socio-economic complex systems tend to display.

These systems:

- i) have diffused relationships among the heterogeneous parts that act locally on each other within a certain space;
- ii) do not depend on any general controller that governs or uses the interactions among their parts to guide the system's evolution toward some pre-established objective;
- iii) are organized more horizontally than hierarchically and display multiple, mutually intertwined forms of interaction;
- iv) continually adapt through the evolution of their individual parts, such as with the case of learning;
- v) display dynamics that are far from a state of balance but which can exhibit multiple balances or no balance at all;
- vi) react by creating new endogenous dynamics that cannot be either foreseen or regulated beforehand, when subjected to unfamiliar external stimuli.

## *2. The family business as a system located in a cultural context.*

Given their particular characteristics and especially their relationship to the new generations and young people's entrepreneurialism, family businesses tend to behave and operate within the systemic dynamics that prevail in the context to which they belong. It would be very difficult to analyze and understand the dynamics of family businesses if they were removed from their relational, cultural,

economic and historical contexts. More so than larger companies, the positioning and dynamics of family businesses are particularly situated and “horizontal.” If we analyze the relational system typical of Italian family businesses, we can identify certain scenarios, interpretive schemes and criteria for evaluating their most common problematics: from interpersonal clashes to conflicts between identities and roles; from discord surrounding the boundaries and interactions between primarily personal or emotional aspects and more strictly organizational or economic aspects to the impact of cultural and anthropological factors that tend to differentiate, sometimes to a large extent, the Italian geographic-cultural situation. In relation to this latter point, it is debatable whether we can talk about a specifically Italian mode of understanding the family business and the relationship with the younger generations; as a matter of fact, significant variations can be seen between different economic and geo-cultural areas. By considering some specific cases and research results we can examine the family business life cycle as it unfolds along pathways linked to the complexity of generational succession, from differentiation to intergenerational ties (familial myths, ties of loyalty and duties passed from one generation to the next). If we investigate the function of the interweave between affective and business bonds, what seems to emerge are significant indicators of pathological manifestations that are difficult to contain; these pathologies are linked to the presence of such a rigid complementarity between family needs and business logics that it deserves a deeper exploration of training and counseling methods and techniques.

### *3. More behaviors than numbers*

Behavior appears to be one of the factors to examine and understand for an analysis of family businesses and the dynamics surrounding the relationship between generations and work. In fact, it is because of the importance of behavior that the continuity of the business and the generational transition become such a significant issue for research and necessitate an interdisciplinary approach. There appear to be some relevant behavioral and psychological implications involved if we consider that only one fourth of family businesses complete the transition from the first to the second generation, while only 10%-15% reach the third generation; additional studies indicate that only 5% of first-generation companies survive the transition phase, only 3 in 10 businesses go beyond the second generation and only 1 in 10 survives to the third generation (Kets de Vries, M.F.R. (1988). *The Dark Side of CEO Succession*. In: *Harvard Business Review*, 80, 56- 80/1988). Additional studies confirm that only 5% reach the fourth generation (McKinsey, 2003). The problem of generational transition represents a further factor of significance in that it directly impacts the majority of companies established following WWII; in Italy, these companies are mainly “micro” and family-based (94.9% [Gazzetta Ufficiale Comunità Europea, 2003] and as high as 80% at the global level). Furthermore, these data indicate that the majority of Italian entrepreneurs (68%) plan to pass the business on to a family member (Crescentini, 2006, in Crescentini A., Franco M., Tripeni V. (2006). “Tra fantasia e realtà” rappresentazioni del passaggio gene-razionale dei senior. In: *Risorsa uomo. Rivista di Psicologia del lavoro e dell'organizzazione*, Vol.13, 1/07, 69-84; p.11). The phenomenon's extent and diffusion require that we consider the complexity of change processes. Before examining resistance and opposition to change on the social and economic level, it makes sense to focus some attention on the behavioral, cognitive

and affective level. This sphere appears to play a significant role in family business dynamics and the generational processes that affect them. Research conducted thus far suggests that opposition and resistance to change are the main factors that impact generational turnover and problems with innovation. Lapassade argues that this resistance and opposition are linked to the Instituted/Institutor dynamic in which the Instituted is the collection of consolidated norms that by their very nature constitute a “given” that resists modification, and the Institutor is a process, an “act”: “To Institute something means to enter it into culture” (Lapassade G. (1973). *Analyse institutionnelle et socioanalyse*, in “*Connexion*”, n.6, 35/37. See also Lapassade G.(1970), *Groupes, Organization, Institutions*, Gauthier- Villars, Paris. Italian translation, *L’analisi istituzionale. Gruppi, organizzazioni, Istituzioni*, ISEDI, Milano 1974). Castoriadis further developed the Institutor/Instituted relationship in his effort to identify this relationship as one of the main spheres in which the processes of imaginary creation of social systems are carried out (C. Castoriadis, (1995), *L’istituzione immaginaria della società*, Bollati Boringhieri, Torino). It is also important to take into account oppositions to basic anxieties (such as persecutory and depressive anxieties) that appear to affect both those who are slated to enter into the organizational processes of the company and those slated for replacement (in relation to this topic, see E. Jaques, *Sistemi sociali come difesa contro le ansie persecutorie e depressive*, in A.A. V.V., *Nuove vie della psicoanalisi*, Il Saggiatore, Milano 1966).

#### 4. *Subjectivity and relations*

One important and pressing task of research is investigating how the experience of relations among families who manage economic companies is constituted and trying to understand their affective and emotional implications, with particular attention to the younger generations and their professional and entrepreneurial incorporation. These relations generate individuation and subjectivity, even more so in a context of highly proximate everydayness in which life and work tend to coincide. Subjectivity is not pre-existent; it is created and emerges through relations with other people, be they cooperative or conflictual. In cases where relations are highly affective, the cooperation/conflict dynamic can be problematic and challenging to comprehend.

Especially with businesses in the first generation, for example, it has been shown that their organization is “permeated” by the spirit of the entrepreneur (Schein, E.H. (1983). *The Role of the Founder in Creating Organizational Culture*. In: *Organizational Dynamics, Summer*, 13-18) who has often invested heavily in his or her business in an emotional sense as well. In relation to psycho-social processes, this kind of investment is often closely correlated with the decision-maker role acquired over the years and, more generally, with power that, once amassed, cannot easily be ceded to one’s own children. There are therefore multiple elements that contribute to establishing resistance to turnover, especially when the company has become the only object of investment. Among these elements, several are clearly noteworthy:

-1) on one side, the challenge of emotionally detaching yourself from something seen as your own creation, together with the perception that you are indispensable for its continued survival;

-2) on the other side, the fear of losing your personal independence and a sense of emptiness in relation to the future (Favretto G., Cubico S., Sartori R. (2006). *Passaggio generazionale e potenziale imprenditoriale: Senior e Junior a confronto*. Studio su un gruppo di piccole imprese. In: *Risorsa uomo*.

### 5. *Emotional ambivalences*

We can also identify the dependence on history and the conformist pressure of the “instituted” in the ambivalences characterizing the relationship between those who should leave the family business leadership and their successors. In their relationship, both the entrepreneur and his or her successor often bring expectations, orientations, values, and specific needs and desires that guide their actions, and all these can be not only ambivalent but actually powerfully conflictual (U. Morelli, *Conflitto. Identità, interessi, culture*, Meltemi, Roma 2006). Similar dynamics can be found not only in the confrontation with a potential successor but also in relation to changes in models of business and human resources management: this works to obscure the potentiality and generative character of change.

Additionally, another problem can emerge around the “transferability” of know-how, in that knowledge forms are often tacitly enacted and incorporated into people, social systems and cultures and particularly complex forms cannot be separated from the people who hold them (Norman F. (2001). *Critical Discourse Analysis*. In A. McHoule M. Rapley (eds), *How to Analyse Talk in Institutional Settings: A Casebook of Methods* (pp.86-99), London: Continuum). Given its connection to the polarity of discontinuity and, therefore, to a new “institutor”, the arrival of a successor is inevitably influenced by the forces pushing for continuity, which can hamper change and provoke ambivalence even regarding the interpretation of the role itself.

One possible risk of ambivalence lies in the potential overlap between familial dynamics and those of business management: in fact, these can exhibit value-based concerns that negatively affect role interpretation and the attainment of company objectives. Moreover, these concerns may relate to organizational culture, relational environment, role representations and employee behavior itself, thus potentially constituting a constant trigger of confrontation for the “heir” and making it difficult for him or her to gain legitimacy and recognition as a subject who is autonomous and distinct from his or her predecessor.

This issue of autonomy constitutes a problematic area in that it represents a chief ambition of young heirs and yet is often thwarted; its pursuit might involve aims that diverge from those of the business itself. As for the heir’s future in the business, the usual pathway is to involve him or her on the assumption that living inside a company and growing up observing its entrepreneurial activity might serve to render the subject more motivated to take part in the business world. This may be the right pathway to fuel the heir’s need for achievement (Babb E.M., Babb S.V. (1992). *Psychological traits of rural entrepreneurs*. *Journal of Socio-economics*, 21 (4), 353-362), a drive which appears essential for an entrepreneur. On the other hand, it is also true that sharing an organizational and value-based environment that is excessively focused on continuity may not be the best strategy for ensuring the company’s success.

In fact, the successor is asked to “identify with the business” (Schillaci, 1990, pp.92 onward) yet without simply reproducing it, knowing that a successful entrepreneur is distinguished by “how he or she creates and faces opportunities in addition to how he or she is able to envisage and achieve the future” (Battistelli A. (ed.) (2001). *I giovani e la scelta imprenditoriale*, Milano, Guerini e Associati., 2001, p.56). From this perspective, an experience in the family business may not prove to be the best way to ensure

the survival of the company. This is especially true in contexts such as Italian small and medium businesses (PMI), characterized by an organizational culture based on the founder's charisma and creativity which, although representing the foundation of past success, might constitute a weakness at the moment of transition (Velli R., *Difficoltà di delega e potenzialità di crescita nelle PMI*. In: *Economia e Management*, 2, 2005, 101-121). In any case, in consideration of young people's need to emancipate themselves from the family, there is an opportunity to carry out "training" periods at other companies. The issue of generational turnover should be framed within the transformational processes that currently affect society; in relation to this, it is clear that the profound socio-cultural transformations affecting today's families also have repercussions on the businesses they own, contributing to the creation of additional problematic elements.

## 6. *Training and Counseling*

Contemporary dynamics of social discontinuity also play out in the psycho-social processes that constitute the life of family businesses. Depending on the successor's future plans and the requirements of innovation, generational continuity thus has a high probability of becoming discontinuity, impacting every facet of the company's future. This includes, for instance, human resources management, the identification of new markets and sectors of development, and modifications that may deeply affect the foundations of the company's very identity and the meaning it held for its founder and those who invested so much of their time and energy, with possible problematic repercussions for its established tradition and history and the potential conflicts this could produce. The case of young business heirs and the issues surrounding the problematic of generational transition are connected to the adequacy of training (basic and, generally, itinerant) and the established practices that characterize it. This involves formulating training and counseling models that are effective in creating planning activities capable of facing constant change in a proactive way. It is necessary to revisit both the theory and practice of training processes in order to foster the acquisition of the ability to think creatively and flexibly, to react proactively to processes of change that involve the dynamics of Identity and ways of being, and to learn to consider other points of view as a potential resource rather than limits; when they are not acquired through personal life experience, these skills can be specifically learned through appropriate training and counseling processes. As particular as it is, the problematic of continuity/discontinuity in companies' generational transition represents an important field of analysis and intervention involving the future of young people and entire business systems.

## 7. *Axes.*

A wide range of issues must be considered in order to more deeply understand the complex phenomenology surrounding the relationships between family business dynamics and the younger generations, and new generations' future planning and professional and social expressions. Here below I identify several axes, delimited by polar dichotomies, which can be considered heuristically relevant in the effort to highlight some of the variables of this potential investigation from the point of view of behaviors, relations, affective implications in the expression of economic activity and the

psychodynamic and cultural processes this phenomenon involves.

These axes are as follows:

Conformism – Innovation

Leadership – Substitutability – Succession

Managerial rationality – Affectivity

Belonging – Differentiation

Continuity – Discontinuity

Consensus – Role conflicts

Family myths – Organizational processes

Imaginary – Material

Future planning – Opposition/Resistance

Persecutory anxieties/Depressive anxieties

Envy/Gratitude

Affective bonds – Business

Male/Female

Balance – Learning

Spontaneity – Training

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