



## CASE STUDY

 **ÜLYSSES**

DIGITAL STUDENT COMPETITION ON FAMILY BUSINESS





## SLOGAN/TAKE AWAY MESSAGE:

Innovation and tradition in craft-based family firms.

## KEYWORDS:

Innovation, tradition, values, human resources.

## ABSTRACT:

CERETO is an Italian family firm that has grown and invested in technology throughout its life-cycle, while maintaining its core values that have characterized the firm for centuries and have allowed the family business to become the World leader in the industry. Nowadays, with the advent of new innovative technological tools, the firm is witnessing a resistance from long-lasting employees to adapt to cutting-edge software and Industry 4.0 technologies. Simultaneously, the firm needs to preserve the unique artisan skills within the business. In this case, the student will identify with CERETO's CEO to try to find the solution to the strategic dilemmas the firm is facing.

## INTRODUCTION TO SITUATION (STORYTELLING)

This case study will focus on the family firm CERETO which is based in the Venetian Area, Northern Italy. In the 16<sup>th</sup> Century, the Master Marco Cereto founded the family business as a gun-barrel maker working for the Republic of Venice. The firm started operating with these particular tubes for firearms by crafting them with unique artisan skills that Master Marco Cereto acquired from his father since young ages. The firm was then passed to his son and grandson, ultimately transferred over multiple generations of the family to date. The firm supplied many legions and armies over the years, expanding its business from gun-barrels to guns and hand-made firearms. CERETO has become renowned in Italy first, then expanding his brand all over the World. The firm and the family have always been attached to the local area of the Venetian Region, becoming embedded in the surrounding community. Due to his unique and reliable products, many Italian and international armies requested to be



supplied by the family firm. Thanks to this expansion, the firm started to create more and more products in their workshop, exploring new markets. The firm passed down to the heirs, and in the '900 the family business was in the hand of Francesco, who further internationalized the firm and introduced innovative production systems. Together with his son and grandson, he decided to create different product lines, without losing the hand-made artisan unique style characteristic of the family business. One line was designated to the mass firearms with production in series, characterized by large amounts of the same standardized (but still hand-made) products. For the second line, the family aimed for something even more unique, which would boost the brand and the family name even higher. CERETO started to create customized firearms for particular clients, such as hunters and items collectors. Over four hundred years of meticulous work in the industry, brought the firm to become a multinational figure, under the guidance of Francesco and his heirs. Today, CERETO's collection is wide involving mass army production used by many national defenses, hand-made weapons used by Olympic athletes, personalized rifles for hunters and collectors, and a multitude of accessories. Moreover, the family firm owns over hundreds of patents.

The family firm's vision is to provide the most reliable weapons in the World, to any customers despite their needs, to offer a unique experience allowing the consumer to become one with the firearm. Moreover, their mission is to create functional products with artisan passion, keeping their long-lasting tradition that has characterized the firm for centuries. while pursuing the goal of being innovative and remain at the top of the market for their clients, respecting the artisan Italian Cereto style. Their vision, mission and long-term objectives have led the firm to become a well-known brand with a considerable number of loyal customers throughout their history. The tradition, the family business values, the Italian style and heritage, the accuracy of their products, the unique experience and the attention to the customer needs to be satisfied are all elements that make CERETO unique still nowadays, and their products requested all over the World. Their customized products are highly recognizable with specific traits, manufactured by hand, attention to detail, unique taste of tradition and the innovation of Italian design which customers cherish immensely. The personalized products take over one year to be made, a time that customers are willing to wait. Customers are taken into the firm for a field visit, getting a full experience and taste of the family



business. The scrupulous attention to their needs is remarkable. These customers decide which material to use for each part of their weapon, and are able to request personalized hand-made features along the firearm. For instance, animal hunters can demand to put on the cast of their hunting dog in pure gold on the handle. Since the beginning, the family firm has continued to create and grow through their products from generation to generation while innovating and satisfying the customers worldwide. CERETO never lost its vision and breakthrough high-quality Italian style, it still has its focus on those long-lasting values from when they first started to create the gun-barrels.

Nowadays, the production facilities are still located in the Venetian area, while other branches are located in targeted places around the World for warehouse and distribution as well as for being closer to all customers and understand their needs. This is due to the family business strong tradition and heritage, rooted and linked to the local community in which the firm is embedded. This are values that the family still relates to today. The current leadership of the firms is under the control of Mr. Luca Cereto. Luca, the current CEO, grew up in the firm and made his first steps as a child on the firm soil. He was always playing around with his cousins and siblings at the firm, and learned day by day from his father and uncles on how to run the business. He learned the peculiar values of the family and of the business, which interface together: innovate staying faithful to the family business tradition. Luca is supported by the help of the brother and his son, who are continuing to lead the firm towards success. Lately, the family focused their interest on the customized products. Their purpose is to innovate and take advantage of current technologies, satisfying the clients' needs and keeping the Italian and reliable traditional style of the family business. In the recent years, they engaged in Industry 4.0 technologies, which includes the latest digitalized tools and software, such as artificial intelligence, cloud computing, interconnectivity, big data, real time data supply and many other advanced technologies. Their goal is to advance their customer experience by introducing new features on their hand-made personalized products.

In the firm, employees play a critical role. Since the firm started to grow, the employees have always been attached to the firm vision and that of the family. The



employees are all very passionate for their handmade products and are satisfied due to their connection with the family. Employees have always been loyal to the family business as the family, reciprocally, always tried to provide the best working environment and to let local employees practice their artisan skills.

Throughout the centuries, this Venetian family business with love for craftsmanship and traditions has grown from a gun-barrel maker to a well-known global brand. Today, the family business is a global figure. It generates more than 600 million euros and has around 3000 employees. The success of CERETO lies in the ability to *combine the past with the vision of the future*, a slogan that belongs to the firm and to the family members, as well as to the employees, since its established and that has been handed down for centuries.

## INFORMATION ABOUT FAMILY BUSINESS

The family business began as a local supplier producing gun-barrels. The business expanded its local and international activities, becoming the global point of reference in the industry. In the first century, CERETO had only a few male employees, artisans originally from the small town in the Venetian area where the business took off. While the firm activities expanded, so did its employees and facilities. Today, the firm has a revenue of over 600 million euros and has around 3000 employees operating in the business, which also witness the increasing involvement of women as human capital in the business. For the firm, the employees play a critical role as they need to have specific skills to produce such requested high-quality products. It is not easy to keep the standards at a high-level. Indeed, this is one of the main features that gives the firm a unique competitive advantage in the global market. The employees require artisan knowledge as well as an understanding of innovative technology, since the customers' needs are moving towards that direction and the firm always aim to satisfy their clients. The products go through a very selective process, where multiple quality tests are made throughout the manufacturing process. This allows the firm to respect the standards and provide unique value to the customers. Over the years, the business expanded, internationalized, and created different product lines. The business, however, kept solid its core values that distinguished the family firm from the



competitors and allowed it to preserve the unique artisan skills needed to create luxury high-quality firearms. The family members successfully expanded the business through internationalization and the creation of multiple warehouses in strategic locations in the Globe. The firm supplies every continent, with Europe and North America being the geographical areas with most interactions with the firm. The products range from standardized handguns, rifles, and carbines to personalized firearms and thoughtfully designed accessories.

The firm has always had an innovation vision, which allowed it to be at the top of the market. The family members who run the business along the years always had an entrepreneurial mindset and attitude toward taking advantage of the latest technological innovations. Recently, the CERETO family implemented Industry 4.0 technology, introducing cutting-edge technologies such as Artificial Intelligence, Internet of Things, cloud computing, big data, and interconnectivity. These groundbreaking technologies allow them to produce more sophisticated and accurate products and to further enhance their services to the customer. The family CEO is aware of the firm's need to innovate in order to stay on top, while keeping close the unique artisan skills within the firm that are needed to produce hand-made high-quality products. The goal of CERETO is to preserve the human capital capabilities that make their product exclusive and combine them with the latest available technologies in the most effective way possible. The focus of the firm is to remain the point of reference in the industry by satisfying the customers in any possible way, especially in the needs that their competitors are not able to properly satisfy. CERETO would invest and their R&D department or other family and non-family members of the firm would find a solution to please the customer.

In the firm facilities, there is also a museum, wherein old products are conserved representative of the identity of the firm. The products in the museum have a priceless value. Clients are taken to visit the museum along the firm visit, to witness the family business heritage and the high-quality yet innovative products preservation.



## DESCRIPTION OF CHARACTERS AND FAMILY BACKGROUND

Marco Cereto is the founder of the family business who started to work as an artisan for the Republic of Venice in Italy. By learning the crafting art from his father, he was able to master unique skills creating the best gun-barrel makers of the region. He was able to leverage on such skills to get himself renowned in the local area, setting off the basis for the World most famous weapons manufacturer firm. He was a hard-working man, an attitude that he passed on to his son and grandson, along with the exceptional artisan skills which constitute one of the main competitive advantages of the firm throughout its multiple generations. Marco, a local man of the Venetian area, was always attached to the local roots and had daily talks with other artisans. The area was the centre of artisans who produced high-quality hand-made products. Therefore, Marco was able to learn even more and to apply various techniques in his work. Often, other artisans came to his workplace and to his house asking for advice or to work for him. Marco was very happy to work with them as he was eager to expand and had the vision to enlarge the business and taking his son on board.

In the XX Century, Francesco Cereto took the lead of the firm, entered the family business at 28 years old and took the position of CEO and President of the firm. Numerous improvements have occurred during the multiple generational transfers, which have significantly improved the family business. All the innovative changes made always had one core aspect in common: to innovate without losing the values and unique artisan skills that have distinguished the firm since the beginning. Under Francesco guidance, the firm have gone through internationalization and mass production, ultimately expanding the brand even further and make it recognized all over the World as leading manufacturer of the industry. Thanks to the inherited skills, the values that were passed down from his ancestors and his entrepreneurial mindset, Francesco could create different lines of products, greatly boosting sales and enhancing the number of customers as well as the global areas that the firm could reach.



Luca Cereto is the current CEO and president of the CERETO family business and joined the firm in 2010. He grew up around the firm, playing in the business buildings and listening to his grand-uncles' and fathers' stories. Thus, without even knowing it, Luca embedded the values of the family and the business since young ages. He has vision for innovating the firm and he understands the current challenges that his family business and other firms have to face nowadays. He has been one of the pioneers in incorporating the most innovative technologies within the family business, to update the software and to digitalize the firm, interconnecting every department, from the production process to the sales and servitization aspects. He is now one of the most powerful business owners and entrepreneurs in the World, leading an international cluster of young CEOs created for youthful entrepreneurs with the vision to modernize the world and create a partnership to exchange knowledge on the latest technologies. Still, while keeping the firm up to date with such innovative technologies and processes, he paid attention not to detach the business from the family business values that have characterized the organization since its establishment with Master Marco Cereto, such as attention to locality, entrepreneurial mindset, and a vision featuring the combination of a culture of change, and a culture of innovation with the artisan skills. However, as Luca says: *“Some employees and old managers are resistant to change the processes, to learn how to use new software and innovative production methods”*.

At the same time, Luca also highlights the risks of introducing digitalization, such as losing the artisan skills and values that are the core of firm. The CEO understands that it is necessary to balance innovation and tradition within the family, non-family managers, employees, and the entire organization. However, an international competitive market and demanding customers who always want new features are challenges that needs to be faced in order to be competitive and stay at the top of the market.

## PROBLEM TO SOLVE

CERETO is an Italian family business that has grown and expanded throughout its generations, being pioneering and at the forefront of innovation while preserving its





values and unique artisan skills of the family rooted in the local region. Now, digitalization, Industry 4.0 and Industry 5.0 have come, and the firm is facing multiple strategic challenges that may undermine its values and activities.

On the one hand, the CEO and the family have witnessed a resistance to change from long lasting employees as well as managers that are in the firm for a long time.

How to overcome this issue?

Simultaneously, the firm has witnessed a trend in their hiring department of a lesser amount of skilled people in terms of artisan skills and hand-made knowledge that characterized the area. How can the firm face this challenge? What activities must be implemented to take advantage of the youngest generations?

Imagine to be the CERETO's CEO and try to provide the solution to the two highlighted problems.

## INSTRUCTIONS FOR STUDENTS

The student must identify him/herself as the CEO of CERETO and try to suggest solutions for the problems highlighted.

Assessment is based on the ability to identify CERETO's distinguishing features and provide innovative solutions to pursue the firm's innovation goals.

### **Suggested references:**

- De Massis, A., Frattini, F., Kotlar, J., Petruzzelli, A. M., & Wright, M. (2016). Innovation through tradition: Lessons from innovative family businesses and directions for future research. *Academy of management Perspectives*, 30(1), 93-116.
- Erdogan, I., Rondi, E., & De Massis, A. (2020). Managing the tradition and innovation paradox in family firms: A family imprinting perspective. *Entrepreneurship Theory and Practice*, 44(1), 20-54.



## EVALUATION

The evaluation parameters will basically be based on two main criteria:

- Knowledge of family business theory to identify the problem.
- Imagination in devising practical and non-trivial solutions to the problems raised.



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