



CASE STUDY

 **ÜLYSSES**

DIGITAL STUDENT COMPETITION ON FAMILY BUSINESS





SLOGAN/TAKE AWAY MESSAGE:

Control without ownership. How long will it last?

KEYWORDS:

Multifamily business; Leadership; Rebranding; Succession.

ABSTRACT:

ULTRASCAN is a high-tech company founded in Italy in early 80's and rapidly become a global leader in sawmill and wood scanning industry. In order to access financial resources that would allow global growth, the founding family in 1996 decided to enter into a partnership with Schwarz family, who bought 70% of the company's shares but remained a passive majority shareholder, while the founder maintained the rest of shareholding and his position as CEO. In 2020 a non-family member CEO was appointed by the founder, while the founder as a prominent figure in the industry continued to be the driving force of the company in a position of a President. The next generation of the founding Bianchi family is showing interest in participating in this global family business, while the Schwarz family continues to express mostly expectations of positive results and is not actively involved in running the company.

INTRODUCTION TO SITUATION (STORYTELLING)

The story of ULTRASCAN starts when its founder, during his engineering studies, develops a microprocessor and, together with other two friends, he came up with an idea to apply this new technology in the consumer world.

However, while in the US at that time Steve Jobs has already received a financial support for this start-up and was assembling his first Apple computer in the garage, the group of engineers in the North of Italy was still searching for much needed financial support. The search for the closest potential clients ended up with local wood and fruit industries. Initially, the company entered the fruit industry with an innovative



technology for topographers for apples. Later, the company entered in the wood industry, and the idea to use this technology for the wood scanners allowed ULTRASCAN to become a world leader in electronics systems in this industry.

The early years were characterized by organic growth and intake of new customers. In particular, the Schwarz family firm became a new loyal client, that saw big potential in this technology in wood industry. In fact, the Schwarz family firm (second generation) had already expanded into the Scandinavian, German and Russian wood markets. As ULTRASCAN became strategic partners with the Schwarz firm, it started to change the landscape of the wood market, having created a modern sawmill in Central Europe, which was more efficient than that of the rivals in Scandinavia and the US. The Schwarz family helped in the internationalization process by adding Scandinavian, South American and Australian markets to the Schwarz and South German markets.

When in 1996 ULTRASCAN exhausted the possibilities of organic growth and required new investments, the company found a solution by selling the majority of shares to the Schwarz family firm. ULTRASCAN is thus currently owned by two families: the founding family - the Bianchi family - with 30% of shares and their partner and investor - the Schwarz family - that owns 70% of the company

“ULTRASCAN without the Schwarz family would not be what it is today. It is better to have part of a big thing than all of a small thing”.

ULTRASCAN is thus a multifamily firm, where the founder and his family are the minority shareholders, but retain the leadership and decision-making power, while the Schwarz family is the majority shareholder.

ULTRASCAN is based on 4 key values. First, centrality of the customer: the mantra is to do everything to satisfy the customer. Second, innovation: ULTRASCAN continues to invest part of its turnover in research and development, and being the innovation leader is very important for the company. Third, teamwork and collaboration at all levels. Fourth, sustainability, which plays a fundamental role in optimizing the processes in both wood (cutting wood with as little waste as possible) and food industries (lowering waste).

These key values are at the basis of the strategy of ULTRASCAN and its international growth. Export sales of ULTRASCAN amount to 99% of the company's total



revenues. In the early 1990s internationalisation process continued in Sweden, and in 2000s ULTRASCAN started to discover the North American market. In 2012 the company entered more profoundly into food industry with modern industrial topographers by a ULTRASCAN spin-off, Scientiz. In 2014 a joint venture gave limited results on the North American market. In the last 5-6 years the company has taken a big step towards internationalisation with 3 major acquisitions.

Such a fast international growth was made possible through a synergy with a new partner, the Schwarz family firm, that decided to participate with shares in ULTRASCAN in 1996 (*“Certainly one of the big boosters for the internationalization of ULTRASCAN was to have the partnership with the Schwarz family firm that was our customer at the beginning”* – daughter of the founder and current manager). For ULTRASCAN it has not only provided the necessary investments for growth but also added the mechanical component to its electronic software, therefore, gaining competitiveness through turn-key offers.

Initially the acquisitions aimed at cutting costs of research and development within the vast structure of ULTRASCAN and keeping the prices at required levels to avoid price wars. However, in order to use the full potential of acquisitions the main goal transformed into strengthening and expanding the business into these markets, where the company does not have presence or its presence is lacking.

Another reason for these acquisitions was that ULTRASCAN was gaining more and more shares of the market and some competitors were becoming so weak, that either ULTRASCAN acquired them, or other competitors would have done it. The company continued to strengthen the portfolio through further acquisitions that have enabled ULTRASCAN to build businesses in new markets.

The continued evolution of ULTRASCAN’s portfolio into higher growth spaces was key to accelerating the company’s long-term growth profile and in delivering enhanced value to shareholders. To that end, the rebranding strategy, is an important milestone. This “one brand” strategy aims at integrating a broad portfolio of newly acquired companies and allows the company to consider a wider range of strategic options, including the ability to present multiple offers from the same group of partners under ULTRASCAN umbrella. (*“We decided to do this rebranding strategy, which means acquiring companies and integrating those companies into the group...This is*



a long and complicated process that has to be done carefully and now is the time to do it.” - AG).

The internal consequences of rebranding strategy were the strengthening of the Bianchi and Schwarz families due to ownership of an international brand. Employees started to perceive themselves as employees not of a Bianchi company but of a global brand with global corporate culture. New corporate services like internal sales and customer support were introduced, while internal synergies were provided for tailor-made marketing. Competence centres are now responsible for centralisation of know-how for all ULTRASCAN products together. For clients these acquisitions meant that “a company that was before represented only by one type of machines, now has the whole range of ULTRASCAN available” and a 24/7 customer support.

However, internationalization also has brought new internal challenges: the issues could not be solved anymore by a way of favors like in small companies, but were to be tackled by creating new approaches, delegating activities, and standardizing the processes. The external challenges include frictions caused by different working cultures and approaches. The newly acquired companies also have history, and they could have a hard time abandoning the ways they are used to.

INFORMATION ABOUT FAMILY BUSINESS

Since 1996 and creating of a multifamily firm, ULTRASCAN and the Schwarz family firm created a relationship of trust. Initially Enrico, member of the Bianchi family, worked with Hans, member of the Schwarz family, with whom he had not only business but also a friendship relationship. Then Enrico started to cooperate with the next generation, Hans-Jörg, who has a very high level of trust towards Enrico and was not involved operationally (*he “never came to a board meeting” – Enrico*). The next generation of Schwarz family consists of two sons, Gero and Timo, and a daughter, Lisa. Lisa Schwarz works in a consulting company and shows no interest in being actively involved in ULTRASCAN but has an understanding of the situation. The two brothers are instead more involved, had showed trust but also signs of control: for the first time they agreed to have the board meeting all together four times a year. Earlier, Enrico was held responsible for the management and at the end of the year he just sent the budget documentation.



Differently from other multi-family businesses, in ULTRASCAN ownership and corporate governance structure are unique. The Schwarz family pays attention to the company but gives Enrico carte blanche for management decisions and only expresses its profit expectations. The partners set up their expectations regarding the final results, i.e., growth and profit levels, without indicating concrete ways of achieving them or being involved in operational management.

“I have to say honestly we have a lot of freedom to create structure needed for growth.”

– Frank

DESCRIPTION OF CHARACTERS AND FAMILY BACKGROUND

Enrico has been the driving force behind the groundbreaking new developments in electronic measurement and control systems for the woodworking industry. He can be seen as is the key figure of ULTRASCAN, the one who has a foresight and vision not only the product per se, but also for current and new markets. His personality and values coupled with technical vision for a product of international importance brought the company to the leadership positions it holds now.

“I would say the presence of the family and of Enrico is a very important thing...he is a person who is very well known, especially for the old, let’s say, the first customers.

ULTRASCAN is Enrico and for that he has not only his role as an entrepreneur in ULTRASCAN but also in other areas he has a media representation where he reaches other people. They don’t even know what ULTRASCAN does, but they know who he is... he is a really well-known person, and he is really a very charismatic person.” –

Marketing manager

In 2007 Enrico was central to all company processes, he had the sales vision, the business strategy vision, the product development vision, and the market vision.

“At that time and for that size of our company [before rebranding], Enrico’s insight was enough for everyone.... For so many years his intuition was enough for us. A man with strong intuition makes the right choices.”

When the company has grown to a certain extent, Enrico realized that he needed to find replacements. At first hiring of an outside CEO created duality and confusion (“I personally was experiencing this duality between Enrico and Frank...They were not



always aligned, they struggled to figure out who is right and who is wrong.”). The transitional phase has come to an end when Enrico gave Frank more power in the company not only on paper (*“It’s much more noticeable now that Frank is the managing director and that Enrico leaves Frank much more room for manoeuvre.”*

This happened after Frank successfully launched the career of Eleonora – the daughter of Enrico - in the company. While Enrico was struggling to find the courage to do it, Frank insisted, and his success with her created trust and demonstrated that he’s the right man for the job.

Enrico has always adhered to an open-door policy for all the employees and clients (*“We still have today the open-door policy where everyone who needs can come over.”* - Frank).

Having operated at the beginning under a flat corporate structure, ULTRASCAN later modernised its organisation with the introduction of a new structure that assumes that issues at lower levels are handled through communication with the relevant departments, rather than directly with the CEO or the President. Therefore, one of his key responsibilities is maintaining and “creating relationships with important clients” as these clients have been keeping him as “personal reference for all the activities” for more than 40 years (*“...today we have customers in all countries and on all continents who first directly call the CEO or manager if something is wrong.”* - Frank). He deals more with activities such as scouting and outside representation of the company.

It is important for Enrico to know his company and share values with employees in person. For this reason, the HR department organizes “aperitifs with the boss” that give him an opportunity to let people know the history and vision of the company, but at the same time allows him to meet new employees. “Enrico, or even the management in general, always tries to meet individual employees, even if we are now at 230 people, we are not just numbers” (MP).

Enrico has a very important role because he is very respected by all the employees. (*“We have respect because of his vision, because of his passion for the firm... he is thinking well of employees.”* – employees). After the expansion the company grew rapidly and unlike in usual cases the employees did not feel left behind but felt to be “part of something big” that gives them even more benefits.



Eleonora is daughter of Enrico and currently holds a strategic position of Chief Sales Officer and is responsible for worldwide sales.

Eleonora has a background in bioengineering. She studied a year abroad, and towards the end of her studies showed an intention to become a university researcher, but that wasn't realized for financial reasons. While initially she had no plans to join the family business, she joined it in January 2012. First, she was an intern in database programming because she had skills in this area. Having made herself familiar with the company, in 2015 she realised that customer relations and sales would be a perfect match for her because she *"liked offering technologically advanced solutions to customers and solving their problems"* Moreover, she enjoys doing R&D and analysing the market for Scientiz.

Frank considered Eleonora to have a strong identification in the company as she also showed an interest as an owner and not only as an employee. Therefore, he facilitated the advancement of her career until she reached a level of a first sales leader for both wood and fruit industry. Her father at this point was not sure if she was experienced enough for the role of Chief Sales Officer, but Frank saw in Eleonora the right approach and vision. Eventually, in four years under her leadership the company doubled its sales (*"If in the end on paper we don't have the structure, we don't have the partners, we don't have the numbers...we still have a family approach. At least on Eleonora's development and performance in the department."* - Frank).

There are several important aspects of Eleonora's relationship with the company founded by her father. Firstly, *"the surname was representative of the company, so it had its own value on the market."* Secondly, as a family member Eleonora *"has the interest of growth of the company and success at heart, and she...knew well all the processes and the products of the company"*. Since May 2021 she has been actively involved in realizing the rebranding strategy and has an influence on all global strategies.

Regarding her future plans she shows desire to continue working in the company: *"I see myself in the future of this company, I definitely see myself in a strategic position where I can contribute to the company strategy ... to give some continuity..."* Moreover, she believes that ULTRASCAN has great growth potential and can become a 100% entity in its own right. She currently holds a strategic position of Chief Sales Officer and is responsible for worldwide sales. (*"I expect that when Enrico retires, she*



will take his part and be part of the management.” – Frank about Eleonora’s future role in the company).

Frank has been working for ULTRASCAN since February 2000 till present. His career started as a manager for the automation and engineering. Within 5 years in this position, he actively contributed to creation of a new governing structure where information started to flow between different employee departments rather than between Enrico and his employees (“All the questions were addressed directly to him [Enrico] and he gave all his answers to everyone.” - Frank). In the past, he was working as CEO in another partner company. In 2016 he has been appointed a co-managing director, and in 2020 the CEO of ULTRASCAN. When Frank has received more powers in the company, he offered to the partners to unite multiple branded entities (three acquired brands) under one brand of ULTRASCAN. (“*Another interesting issue is the fact that as long as Enrico was holding the reins there was the strategy on multiple brands. But when the lead was passed a little bit more to Frank there is this push on rebranding and the ULTRASCAN world-wide name.*”).

PROBLEM TO SOLVE

Leadership

The ULTRASCAN case is a unique case of multifamily business in which the Bianchi family is the minority shareholder but has strategic control. This equilibrium has been working excellently for the last decades. However, this equilibrium that has led ULTRASCAN to become a world leader in its field is not necessarily going to last now that new generations - from both families - are increasingly involved. ULTRASCAN’s greatness is associated with the greatness of the figure of its founder (Enrico). His image and reputation are therefore not easily transferable.

In your opinion, what strategies should ULTRASCAN implement to preserve and consolidate the leadership it has gained over time? As a consultant, what suggestions would you give the family to ensure that the handover between Enrico and Eleonora goes as smoothly as possible? How do you prevent meddling in the strategic dynamics by the Schwarz family’s successors? What strategies would you consider to further finance ULTRASCAN’s global growth?



Rebranding

In order to dominate the market, ULTRASCAN has increasingly made acquisitions of international competitors and partners. With Frank taking over as CEO, however, the strategy became a rebranding aimed at encompassing all acquired companies under the ULTRASCAN umbrella name. Discuss what are the critical issues and benefits of the rebranding strategy for ULTRASCAN and what advice you would give Frank to lead the company to greater success.

INSTRUCTIONS FOR STUDENTS

The student must identify him/herself as Frank's consultant and try to suggest solutions for the problems highlighted.

Assessment is based on the ability to identify ULTRASCAN's distinguishing features and provide innovative solutions to safeguard the company's overall growth.

Suggested references:

- Brigham, K. H., & Payne, G. T. (2015). The transitional nature of the multifamily business. *Entrepreneurship Theory and Practice*, 39(6), 1339-1347.
- Duran, P., & Ortiz, M. (2020). When more is better: Multifamily firms and firm performance. *Entrepreneurship Theory and Practice*, 44(4), 761-783.
- Kelly, L. M., Athanassiou, N., & Crittenden, W. F. (2000). Founder centrality and strategic behavior in the family-owned firm. *Entrepreneurship Theory and Practice*, 25(2), 27-42.

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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