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Paul I. Karofsky

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by Paul I. Karofsky

Massimo Ferragamo is the youngest of six children of Wanda and the late Salvatore Ferragamo. Massimo, with his siblings and mother, has built Salvatore Ferragamo, SpA, into one of the world's most highly recognized prestige brands of apparel and fashion accessories. On May 14, 1997, Paul Karofsky met with Massimo Ferragamo in New York City. During the interview Karofsky asked Ferragamo to expand on and update several significant issues explored in the 1993 Harvard Business School case study of Salvatore Ferragamo, SpA.

KAROFSKY: According to the HBS case study, in 1990 the company's sales were targeted to double from $200 million to $400 million over the next five years. Did the company meet that goal?

FERRAGAMO: As you know, the figures were disguised in the case, but the company's sales revenues have tripled in the last five years.

KAROFSKY: In the study, marketing was an emerging priority. What role did marketing play in your company's success? How did this growth happen?

FERRAGAMO: Marketing is still something we must attend to. We have handled all of our products in basically the same way. The core has always been shoes, then accessories and handbags. We now work with them together and treat them less as different islands. We've found that it improves cohesiveness. We're now focusing products more to fit one lifestyle, one customer from a look point of view. Yet from a business or profit point of view, each must be successful as its own profit center, with the right product manager for each. This has been important as has the expansion to 35 wholly owned retail stores worldwide, plus addressing the market in the Orient with more attention to management for that segment of the world.

KAROFSKY: Your family has been contrasted to the Gucci and Benetton families noting your "consensus decision making" and a relatively flat, rather than hierarchical, organizational structure as distinguishing factors. Given such remarkable growth, is consensus still possible?

FERRAGAMO: Absolutely. I just came back from Italy where I had meetings with my family. One topic was planning for succession; twenty nieces and nephews are in the third generation. The goal of my mother and my brothers and sisters is still to see "eye-to-eye." Although we do closely agree, there is always a challenge and some disagreement. But the base is very strong.

KAROFSKY: The 1993 case speaks of the family's practice of having a family member behind all products, "from design to sale." How is this handled today?

FERRAGAMO: One family member may be in charge of design and another in charge of production, and so forth. That is evolving as we have grown. We are now considering how to be organized for the future. At the base is product with the supervision. One of my sisters supervises every product for women. Some nonfamily managers are in charge of men's products. But when a man's jacket goes into a store, it has been approved by the Image Committee, which comprises my three sisters, my brother Ferruccio who is the head of the committee, and our marketing manager.

KAROFSKY: Your mother's role was described as "mediator." And back in 1990, when she was sixty-eight, she expressed no desire to retire. What is her role today, and what are her plans for the future?

FERRAGAMO: My mother is now seventy-five and is currently visiting in New York with me. She is very active. If retirement means giving up all involvement with the business, that won't be the case for her. My mother's frustration is the desire to know every detail as she did 20 years ago, but given the size of the company that's no longer possible. She is a born retailer like a Stanley Marcus or an Aldo Gucci. She walks into a store and instantly knows what needs to change. Her involvement is very important to us, though not on a day-to-day basis. My brother Ferruccio is CEO worldwide.

KAROFSKY: How do other family members respond to Ferruccio's position?

FERRAGAMO: There is consensus in the family about that. We get along well, and he is supported by all with no politics. That is particularly important—no inside politics within the family and that we all support each other and our brother's leadership.

KAROFSKY: Conflict among family members is a normal occurrence in family businesses. What about in your company?

FERRAGAMO: We actually have very little conflict. But when there is conflict, it usually takes place behind closed doors and expressed in a civilized way. If it is around a major issue, we typically don't go forward unless we all agree. Each of us has our area of responsibility and makes decisions within it.

KAROFSKY: What are typical topics over which there might be disagreement or conflict?

FERRAGAMO: It is usually about a major strategic change. And then we'd rather lose an opportunity than have a major disagreement.

KAROFSKY: Still, differing opinions and the power of emotion can sometimes complicate the decision-making process. Can you tell us more about that?

FERRAGAMO: We tend not to force an issue that might produce or be accompanied by lots of emotion. Time has a way of curing things, so we sometimes wait a while. There has never been pressure to make drastic decisions.

KAROFSKY: Your family has been noted for the practice of bimonthly family meetings? Who attends these meetings? What are typical agenda items?

FERRAGAMO: We all try to attend, but at least five out of the seven of us must be present. If there are major issues, we want our mother there as well. We trust each other a lot. If I am unable to attend, I will share my opinion with others so they can speak for me. We trust each other blindly and totally. Typical agenda items might include major hires, new store openings, new products, and other issues that might affect the family.

KAROFSKY: And do you have meetings with the entire family, not just those working in the business?

FERRAGAMO: We have started those. We share information about the family business, the philosophy behind it, and our goal to keep the company healthy so as to help keep the family healthy. The business must come first, or the family would have big problems. The business is security for the family. It is more important that the family have the right executives than employ family members just to give them jobs.

KAROFSKY: How is compensation for family members determined?

FERRAGAMO: We use a formula that pays everyone in the family equally.

KAROFSKY: The case study describes Geraldo Mazzalovo's plan and vision for the company. [Mazzalovo is an Italo-French MBA from Columbia University brought in by Ferruccio.] To what extent were family members involved in the creation of the plan? In other words, was this Geraldo's vision, or a vision shared by all family members?

FERRAGAMO: That part of the case study was a bit overstated. He had some great strategic ideas and was key in challenging us, but we all had an integral part in the planning. No one person had a single vision that drove the company. He helped us clarify our concepts and shared vision by helping us realize what had to be done to get where we wanted to go. He helped us define some opportunities as a consultant would. But the decisions about the future direction were made by the family. He brought a lot to the company, and then his task was complete. He may have aspired to lead the company at some point in time, but that wasn't one of the wishes of the family. He has since taken a position with another company.

KAROFSKY: In 1993, your sisters appeared to focus more on product responsibility, whereas you and your brothers appeared to have more general management roles. Is that true today? How have these roles changed?

FERRAGAMO: Our roles have remained unchanged. Although as the company has grown, we are all becoming more like entrepreneurs than managers. This is not without some pain. We have grown with the company and we solved every problem ourselves as they arose. Now we have to rely on others to help us. [Nonfamily] managers will not do things exactly the way we would do them. Hopefully we hire the right people. We have to constantly safeguard the nature of the business even when sometimes that means exercising some violence on ourselves.

KAROFSKY: What do you mean by "violence"?

FERRAGAMO: I mean control makes us feel coFERRAGAMOortable. After I visit a store, for example, I have the strong desire to speak directly with thirty different people to change thirty different things, ranging from window and merchandising displays to whatever. We have to force ourselves to understand that we can't have thirty direct reports. We have to speak to the store manager who will speak to his or her staff. It is very difficult to tell someone who used to speak directly to you, that they now have to speak to someone else. We have to remove ourselves forcefully from our initial desires and train ourselves to think of the priorities, that is the violence I mean. We try to structure ourselves and each other better, even when that means going against our individual vision.

KAROFSKY: Who in the third generation is involved in the business?

FERRAGAMO: There are twenty members of the third generation, ranging in age from thirty-three years to eighteen months. No one is involved yet.

KAROFSKY: How have decisions been made about who will enter?

FERRAGAMO: The process is something we are agreeing on right now, though it was silently agreed on first. The criteria include working outside the business first, a university degree—an MBA if possible—and a definite interest in becoming part of the company. Then they stand a chance. It's also a question of a limit—a maximum of three to five at a given time. Twenty members of the family won't be working in the company tomorrow; that is too many. Finally, the board must approve. Another rule you may remember from the case study is still in place: no spouses as employees of the company.

KAROFSKY: But isn't one in-law a consultant?

FERRAGAMO: A consultant, yes. With a specific area of expertise and hired for a precise project. But consultants are not permanent full-time employees.

KAROFSKY: What about summertime employment for younger generation family members?

FERRAGAMO: Yes, we encourage and offer it. It is a great learning experience.

KAROFSKY: Do you set criteria for summer employment?

FERRAGAMO: No, we have no set criteria for summer employment. We play that by ear but try not to make special exceptions to the rules. They [younger generation family members] are encouraged and given a specific job; then they are monitored and expected to work hard. The last young family member, my niece, was a sales clerk in Beverly Hills. But that was not too much of a hardship!

KAROFSKY: As you look to the future, what will happen in terms of ownership in the business? Will that remain only in the hands of family members who work in the business, or will it pass to all heirs?

FERRAGAMO: At this time, we think it will pass to all heirs, but only a few will be able to work in the business.

KAROFSKY: What about governance? Who is presently on the board of directors? How might that change in the years to come?

FERRAGAMO: There are currently several family members, plus a couple of long-term executives and outside professionals in law and finance on our board. It has not yet been determined how that might change. But with the growth of the company, we hope to bring in some people of an even higher caliber.

KAROFSKY: As a family business, what do you think will be the greatest challenges you and your siblings will face as you look to the next generation?

FERRAGAMO: I think being objective about their talents as they come in. We must be sure there is fairness with management and clarity on roles. We want family members who are able to protect such important segments of the company as finance or marketing. But we don't want to mix their roles with those of important and talented [nonfamily] managers who we need to attract. Not all family members will come in. This is a family business not a family party. Managers must remain challenged and not threatened. Most of all, given the size of this company, you cannot have a family member occupying a specific box on the organizational chart, for example director of marketing. Those places need to be filled by talented outside professionals, with family members involved in an oversight capacity.

Paul Karofsky is a member of the Family Firm Institute's (FFI) case study board, FBR *interview editor, and executive director of Northeastern University's Center for Family Business.*

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