

***Theories and Contemporary Challenges of a Global Pasta
Leader: The Case of Barilla SpA***

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ABSTRACT

Barilla Holding SpA (Barilla), a successful multinational foods manufacturing company with headquarters in Parma, Italy began with humble beginnings in 1877 (Barilla, 2014a) as a small bread and pasta shop. Barilla is now a leading global sales player second only to private label brands, jumping from 9-12% of total market from the period 2009-2014 and is the dominant sales leader in both Italy and the US with 2014 sales of 900 and 800 US\$ million respectively (Euromonitor, 2015). This paper looks at the process of internationalization, paralleling both traditional and contemporary academic models, focusing on such issues as marketing to the gay and lesbian market, family succession roadblocks, and navigating social media gaffs. These contemporary academic models highlight challenges, strategies, sales and market share dynamics for the company with suggestions for navigating the road ahead.

KEY WORDS

Internationalization, per capita consumption, iPasta digital marketing, social media, reputation management, value creation, family succession strategies, gay and lesbian marketing.

INTRODUCTION

Barilla Holding Societa per Azioni (Barilla Holding, 2014) is an Italian-based multinational food production and distribution company engaged in the production of pasta, sauces and bakery products. While it is most known by consumers and the foodservice industry for its large variety of dried pastas, it produces and distributes sauces, bakery products and flatbreads with thirty production plants and mills throughout Europe, Russia, North America and Mexico with sales and distribution in most corners of the globe (Barilla, 2014e; Barilla 2014f). The internationalization process of this family business, tracing four generations, is examined.

Throughout its history, the pasta giant has faced many challenges, most recently in 2013 with a public relations disaster caused by its chairman aimed at gay and lesbian consumers, and before that with everything from plant closings, family deaths, company buyouts, and world war disasters, to name a few. The group operates principally in Europe and North America, yet has strong marketing and distribution presence in Latin America with expansion plans for the

Asia/Pacific, Middle East and Africa and Eastern European markets (Euromonitor, 2015). Barilla boasts 30 production sites in nine countries, including nine plants in Italy, two in the United States with other plants and mills in Germany, Sweden, Russia, France, Italy, Greece, Turkey and Mexico. The two in the United States, located in Ames, Iowa and Avon, New York, produce 100% of the durum wheat pasta for all of North America. This marketing and distribution challenge was apparently modeled after the Japanese soy sauce company Kikkoman, which produces all of its premium soy sauce the state of Wisconsin, with both companies successfully positioning themselves as authentic Italian and Japanese brands respectively (Byrne, 2000). Share gains in its North American pasta business (800 US\$ million in 2014) and revenue increases in its Central European pasta sales in 2013 are indications that this conceptual marketing and distribution model paid off (Euromonitor, 2014).

Behind Barilla's range of over 1,000 products there are around 1,200 suppliers scattered across the world, from which the company purchases over 800 different raw materials and 50 types of packaging materials. Over the years, Barilla has developed an integrated supply chain founded on strategic partnerships with all the players operating at different levels of the chain, for each single sector, from the raw materials to production, and from packaging to distribution. The selection of suppliers is based on very strict terms and protocols, from such systems as BRC (British Retail Consortium) and the IFS (International Food Standard) to in-house tools such as the Process of Qualifying and Assessing Suppliers (Barilla, 2014d).

Barilla has also distinguished itself for other noteworthy synergist alliances within the foodservice industry, one such innovation known as the "Pasta Corner" partnership with the German company Tank und. Under this unique branded product/foodservice retail agreement a complete food show concept was supported by a "Pasta Cooking System" whereby the German company Autobahn Tank und Rast, a leading provider of fuel, hotels, shops and foodservice, established live "Pasta Corners" in their successful roadside retail outlets. This concept allowed a non specialized kitchen worker to prepare fresh pasta (Barilla) dishes in several minutes, in front of the guest with high quality meals, with Barilla providing the pasta, sauces, preparation and execution support (Occhiocupo, 2011).

For almost 140 years, the company has been run by a family that now, under the leadership of brothers Guido, Luca and Paolo, has reached its fourth generation. The Barilla Group now employs 8,300 people, 4,500 of which are in Italy, and has a turnover of over €3 billion. The Pedrignano plant on the outskirts of Parma is the largest pasta plant in the world: each day it produces 150,000 km of spaghetti, enough to go around the Earth four times (Barilla, 2014b).

This research paper aims to identify if parallels can be drawn or inferred from traditional, academic models of firm internationalization and those processes of internationalization for the pasta giant Barilla, and if so, are there also meaningful linkages as they relate to more contemporary management challenges such as those connected to family succession issues and reputation management issues.

The following timeline provides an historical overview of the company's impressive international expansion, starting with only a domestic market to reaching practically every corner of the globe.

Barilla Company Timeline, 1877-Present

1877	Barilla is founded in Parma Italy when Pietro Barilla decides to open a small bread and pasta shop.
1910	Riccardo and Gualtiero who take over from their father and company founder Pietro, open their first plant with 100 workers and a production of 8000kg of pasta per day.
1947	After Riccardo passes away, a new strategy laid out by Pietro and his brother Gianni aims to develop Barilla's brand image. Investment in technology, graphic imaging and communication campaigns are initiated and in 1952 the company stops making bread and produces innovative pasta packaging, making it the market leader in Italy.
1950-1960	In 1965 Barilla enters the bakery product market, opening a plant in Rubbiano, Italy making crackers, breadsticks and toasted crispbreads. In 1969 it opens the largest pasta production complex in the world in Pedrignano, with a capacity of 1,000 tons per day.
1971-1979	In an economic climate of uncertainty, Gianni and Pietro Barilla sell the company's majority shareholding in 1971 to the US multinational WR Grace. In 1975 the successful bakery line, Mulino Bianco is created.
1979-1993	In 1979 realizing a dream, Pietro Barilla buys back the company. He turns around the company, increasing business tenfold and Barilla becomes number one in the European pasta market. In 1993, after Pietro passes away, the company is taken over by his sons Guido, Luca and Paolo.
2002-2009	In 2004, Academia Barilla, a project aimed at promoting and protecting Italian cuisine around the world is born and in 2009 it creates a multidisciplinary think tank called Barilla Center for Food and Nutrition aimed at stimulating debate and proposing solutions. Business expansion, synergy and success continue to date.
2013-2015	Over 2013-2014, Barilla has been launching specific lines of pasta in line with consumer preferences produced by local manufacturers with which Barilla has a joint venture. In Brazil, the company's business has almost doubled in a year, and Chinese sales recorded double-digit growth. In 2015 Barilla's executive leaders

	initiate strategic expansion plans to double its revenues for the period 2016-2019.
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Source: Barilla SpA Company Website, Euromonitor (2015)

LITERATURE REVIEW

Traditional Models of Internationalization

The contemporary multinational business enterprise has been studied, analyzed, categorized, dissected, and in the case of academic circles, formally researched all in the name of better understanding of why some business succeed and others fail. While lofty and often highly analytical research goals and methodologies are often out, the modern multinational business after all exists for one simple reason – profitability. With money as its central core, the modern international business model has been studied, particularly after World II, using diverse theoretical models written by a variety of researchers in academic settings. Starting as far back as 1960 with Stephen Hymer’s Ph.D. dissertation at MIT and as recently as 2009 with Jan Johanson’s updated reflections of his work with the Uppsala Model, theorists have provided valuable insights into the successes, failures, trends and evolutions of the contemporary multinational firm. It would, therefore, at least in terms of an introduction be useful look at some of these theories and to see if there may be applicable parallels to the Barilla enterprise.

Barilla: The Studied Company

Like many other multinational firms, Barilla, like a large fish navigating a variety of difficult waters, appears to swim along and parallel nicely with some of these established theories, bobs in and out of others, while barely even touching others. Also like other evolving firms, its successes and failures appear to find no real home in established academic theory while often navigating such issues as reputation management, family succession challenges, and public relations disasters, featured prominently in this paper. This key emerging management issue related to appealing to a diverse workforce, and an even more diverse customer base including those individuals in the gay and lesbian market is described as brother Guido Barilla confronted it in a difficult manner in 2013 at a local Italian radio studio. On that fateful morning, Barilla

told an Italian radio host that, “I would never do a commercial with a homosexual couple, not for lack of respect, but because we don’t agree with them. Ours is a classic family where the woman plays a fundamental role.” Guido Barilla continued, (Somachekhar, 2014) “If gays don’t like it they can go eat another brand.” Many a wise Italian grandmother has advised her sometimes-too-energetic grandson to temper his opinions in public. While bluntly spoken advice, Guido Barilla may have wished he had been given, and listened to such sagely family advice. Walking back, however, it may prove useful to begin to look at the Barilla foundation first in terms of these established academic theories, and then to move on to some of these more difficult issues in which to navigate.

Given this as just one example of the extra dimensional challenges that multinational enterprises face, and often unexpectedly, several contemporary researches have proposed the inclusion of a “nonmarket environment” that is to say the set of forces that are manifested outside of markets but often work in conjunction with them and consists of the social, political, and legal arrangements that structure interactions, among companies and their publics (Doh, 2013), a strategy that may have and should continue to prove useful to Barilla. The researchers go on to note that these nonmarket strategies operate in a global business environment that is not only made up of markets, but of institutions, geographies, cultures (i.e. gay and lesbian) and differing levels of social and economic development (Husted, 2013).

One of the most straightforward linkages to established internationalization tenets appears perhaps, in the writings of Knickerbocker’s 1973 Oligopolistic theory, which he acknowledged were reflected and articulated by the writings of Vernon (Vernon, 1966) which describe market dominance and oligopolistic structures, primarily of as they related to US firms. Examples of these linkages, for example, are paralleled in what Knickerbocker describes as the evolution of his thinking of Vernon’s Product Life Cycle (Knickerbocker, 1973), with three points, each with contemporary examples of Barilla’s established forays into the international market as illustrated in the table below:

Knickerbocker Life Cycle Tenant	Linkage with Barilla
<p>Developing a stream of new products and managing R&D efforts;</p>	<p>While the average consumer associates Barilla with only pasta, the company has a dizzying R&D programing and has been rolling out new products beginning in in 1877. Ongoing new product innovations include: Yemina and Vesta pasta brands in Mexico, Mulino Bianco cookies, Harry’s Bread (France), Wasa Swedish crispbreads, and other institutional innovations such as Barilla Food and Nutrition Center (2009) and Academia Barilla.</p>
<p>Producing these new products for large markets and managing the organization and adaptation in the first stage of the life cycle;</p>	<p>Barilla oversees a staggeringly complex international organizational structure including 9 plants in Italy and 12 abroad, 4 mills in Italy and 1 abroad, and in October 2102 opened a new sauces plant near Parma Italy with a production capacity of 60,000 tons/year. Two of its largest plants include its service as the dominant North American player in Ames, Iowa and Avon, New York, both in USA.</p>
<p>Selling the products by vigorously using sophisticated marketing techniques and organizational skills.</p>	<p>Beginning as a television-advertising pioneer in 1958, Barilla initiated a sophisticated campaign featuring the director Giorgio Albertazzi, again in 1984 with famed Federico Fellini and finally fast forwarding to 2012 with a campaign featuring Antonio Banderas, Paul Newman and Steffi Graf (Barilla, 2014c). A recent innovation called iPasta features a successful recipes application with suggestions to consumers as to the best pasta dishes and ingredients for different occasions for both purchase of pasta and consumption (Feroni, 2014).</p>

A further look at established theories draws another interesting parallel in terms of the words of R.H. Coase in his 1937 paper, *The Nature of the Firm*. Coase's words seem to both reflect upon (Barilla existed in 1937) and foreshadow the successes of Barilla's internationalization moves in terms of the company's focus on "innovation, export orientation and international recognition." (Coase, 1937). In that order, as detailed in the company timeline above, we see packaging/graphic/market leadership innovation as early as 1952, export orientation seeing a huge boom in 1992 with the company's forays into most of Europe, North American and Mexico, and finally achieving leadership status internationally as the number one brand in both Europe and the United States from 1969 to the current day. Coase's words, although brief, seem to have summarized the successes of Barilla throughout its history beginning in 1877. Barilla's timeline is not however met with only success as is evidenced with its need to adapt to certain behaviors (cognitive legitimacy) in order to conform to a norm taken for granted in the society (Forgren, 2008) such as dealing with a World War (1947), economic disaster (1971) and the above mentioned PR flap with Guido Barilla (2014).

Dunning's research, particularly as it applies to "ownership advantages," (Dunning, 1977) seem to intersect well with the successful internationalization patterns attributed to Barilla as being the predominant market leader in pasta beginning in 1969 with its opening in Rubbiano, Italy of the then world's largest production complex, allowing the company to use its competitive advantage against other rivals (Dunning, 1980). Its formidable international presence was further bolstered with an aggressive, as Dunning referred to them, as "investment opportunities" with multiple and aggressive acquisitions of pasta brands in Turkey, Mexico and bakery brands in France, Italy and the United States. Perhaps Barilla's most salient international move was the opening of two enormous pasta plants in the USA in the states of Iowa and New York (Byrne, 2000) sealing its fate in the number one position (Barilla, 2013) in the North American market. These two enormous United States plants further support the theory that "the more distant a foreign subsidiary's home country the costlier access to the local supply base will be," (Mol, 2014, p.21) thus allowing Barilla to avoid costly outsourcing needs, given the plants' relative access to the country's huge supply of domestic (semolina) wheat supplies (Kummer, 1986), and also allowing it to avoid importing said wheat from Italy (Barilla America, 20006).

Finally, a mention of established academic theory and the Barilla success story would not be complete without referencing the prophetic words of Johanson and Vahlne (Johanson & Vahlne, 1977) surmised in their now famous 1977 article on internationalization and the Uppsala model (Johanson & Vahlne, 1975) noting that success came “about slowly, incrementally, and over time,” a success it seems almost exactly describes the evolution of Barilla, with its long trajectory dating back to the 1800’s as slow, incremental with its first foray into the international arena in the 1970’s and over time, with its product category and brand dominance coming to be in the last twenty years. And perhaps it was, as these noted researchers noted (Johanson & Vahlne, 2009) in revised comments in 2009, the requisite combination of what they termed “objective knowledge” gleaned from a vast international pool of highly trained technicians, along with the balance of “experiential knowledge” which only comes from the experience of several generations of Barilla family leaders, whose skill may have been transferred with lots of sweat, family stories, succession strategies and simply reflections on trials and errors.

Contemporary Challenges

Returning to that fateful morning in the Italian radio studio, Guido Barilla likely squirming in his studio seat, wondering how in the heck the conversation went from gnocchi to gay marriage, the company chief further compounded the verbal damage by summarizing his views on gay adoption, stating “I have no respect for adoption by gay families because this concerns a person who is not able to choose.” Following these comments, the world’s largest pasta maker faced a furious backlash, the comments were met with calls for a boycott of the company’s products with the hashtags #boycottbarilla and #boicottabarilla on Twitter. Less than a day after this interview, the company whose slogan is “Where there’s Barilla there’s home,” the company was conducting serious damage control (Nelson, 2013). Soon after Guido Barilla’s comments a lengthy apology on the company’s Facebook page read: *“Regarding my comments on the radio program La Zanzara, I apologize if my words generated misunderstandings or controversy or if they hurt some people’s feelings. In the interview I just wanted to underline the centrality of the woman’s role in the family. To be clear, I just want to specify that I do have great respect for every person, without any kind of distinction. I do respect gay people and everybody’s freedom of expression. I also said I do respect gay marriage. Barilla in its advertising has always chosen to represent the family because this is the symbol of hospitality and affection for*

everyone.” Barilla’s choice to respond immediately to the flap utilizing social media such as Facebook and Twitter was, perhaps, a savvy move and a sign of the times in terms of new approaches toward corporate brand communication. Vernuccio points out that this new environment facilitates interactive brand communication and collaboration, the sharing of content by users, and the formation of internal and external virtual communities (Vernuccio, 2014). While some of the back and forth dialog with Guido Barilla may have been acerbic, it was nonetheless communication, happening in real time, and with real emotions and forceful opinions being played out on both sides. In this case, social media may be considered part of a new social and economic landscape, with constantly shifting boundaries and within which users are able to enhance their own control of every stage of the brand communication process (Vernuccio, 2014).

Alessandro Zan, a gay rights campaigner told an Italian newspaper, “this is another example of Italian homophobia and I’m joining the boycott of Barilla.” In Britain a spokesman for a leading gay rights organization, Stonewall, surmised his feelings this way: “With so many pasta brands out there gay customers can easily show their disgust the next time they go grocery shopping.” (Nelson, 2013). In a matter of just several days Barilla had entered the arena of reputation management and had seemingly little time to delay. It was apparent that the Barilla brand had suffered, and branding is key to the Barilla marketing and value strategy. Consumer research views brand name as one of several possible extrinsic cues or signals of product quality (Abdullah, 2013), and there is a positive relation between brand and firm performance of foodservice products. Brands do differentiate the offerings, and something needed to be done. Barilla’s dilemma could also be described as a reputation management crisis. An organization’s reputation is its most relevant asset. Yet reputation can go unnoticed and untended until something arises and threatens it, as was the case with Barilla. According to Cwiak, a lesson crucial to the issue at hand, an organization’s reputation can be build, enhanced or damaged based upon perceptions of how well its management deals with a crisis. Effective crisis management is a crucial component of reputation management (Cwiak, 2014).

The next year provided for a surprising turnaround, and a footnote to an unexpected yet business-

savvy strategy for a company with an international reputation and a more than 140-year-old brand history.

Fast forward to November 19, 2014 and the Washington Post prints an article titled “Human Rights Campaign says Barilla has turned around its policies on LGBT.” The reported stated that just one year after its public relations fallout with the LGBT market, Barilla had made a dramatic turnaround, expanding health benefits for transgender workers and their families, contributing money to gay rights causes and featuring a lesbian couple on a promotional Web site. And finally, it had received a perfect score from the Human Rights Campaign, a gay and lesbian advocacy group that manages an extensive ranking system for companies in terms of their treatment on LGBT issues (Somaschekhar, 2014). According to Somaschekhar, Barilla had “journeyed from gay rights pariah to poster child.” For his part, Guido Barilla had appeared to come 360 as well, stating, “I am proud to say that as a result of these discussions, we have all learned a great deal about the true definition and meaning of family, and over the past year we have worked hard to reflect that throughout our organization.” He called the recent diversity initiative “the most all-encompassing effort to bounce back from an unfortunate misstatement that I’ve ever been part of.”

While it is not certain, it is possible that Barilla, based on its rapid action and turnaround on the LGBT front, had learned lessons from other recent corporate case history as well as the contemporary research literature. Its most recent and closely linked history lesson may have come from the social media crisis played out earlier with the successful United States based Chick-fil-A, a process that did not turn out so well.

Dan Cathy never realized his comments to a Christian radio station would explode on to the Internet and social media, sparking a firestorm of controversy and mobilizing gay rights advocacy groups. Dan Cathy, President and COO of Chick-fil-A, had participated in many interviews over his lifetime. At first glance, this interview appeared to be no different than the others, perhaps a similar situation in which Guido Barilla found himself in. On July 16, 2012, Dan was being interviewed by a Christian radio station and was asked his opinion about marriage. Cathy upheld his traditional Christian values and stated, “We are very much

supportive of the family—the biblical definition of the family unit. We are a family-owned business, a family-led business, and we are married to our first wives. We give God thanks for that.” Little did Cathy know that his comments would set off a firestorm of controversy, and within a matter of days the company was facing a social media crisis. More than a month later, the controversy was still going (Peters, 2013). It was an eerily similar play out of events, this time the Italian radio station placing Guido Barilla in the hot seat. It would be logical to assume that Barilla’s fast acting and savvy corporate management team took a cue from the Chick-fil-A fiasco, and at the very least crafted a rapid response approach.

In the formalized literature on marketing strategies to the gay and lesbian market, other salient linkages to the Barilla story emerge as well. Barilla’s almost perfect score with the Human Right Campaign Equality Index likely reflect the opening comments of Oakenfull in her research of Factors Influencing Gay Consumers’ Evaluations of “Gay Friendly” Corporate Activities, namely that over the past decade, many corporations have shown an increased willingness to move ahead of the public policy in affording equal rights to lesbian, gay, bisexual and transgender (LGBT) employees. In addition, corporate American spends billions of dollars each year targeting members of the LGBT population in the marketplace (Oakenfull, 2013).

Oakenfull cites three key areas for these positive perception evaluations in the LGBT workplace, namely: Importance of Domestic Partner Benefits; Importance of Activities Providing Social Visibility; and Importance of Gay Oriented Advertising in both the mainstream and gay media.

An early pioneer of LGBT advertising, which as a result may have possibly earlier earned it brand and product loyalty, is that of tobacco advertising. In their research “The Outing of Philip Morris: Advertising Tobacco to Gay Men,” Smith and Malone note that the tobacco industry has a long trajectory in advertising in gay media, sponsoring gay community events and contributing to gay and AIDS organizations (Smith & Malone, 2003). They may share this history with the alcoholic beverage industry. It may be suggested that this industry’s early foray into the LGBT marketplace may have placed it well poised to avert the kinds of social media gaffs described here with Barilla and Chick-fil-A. Additional and more esoteric research on the subject related to brand and brand loyalty, a concept it appears that Barilla now wishes to cultivate based on its very public messages on social media, comes from researcher Steven M. Kates of Griffith

University. Kates asserts that analysis of the data suggests that, “goods and services play important roles in facilitating the creation and maintenance of modern urban gay subculture, consistent with the notion that sets of consumer behaviors appear to be subculture defining once they become strongly associate with groups such as punks, surfers, bikers, skinheads, hippies or gay men (Kates, 2000). Finally, in the work of David Gudelunas of Fairfield University, structured focus groups conducted as part of his research indicated that LGBT consumers do in fact recall company and brand names which endeavor to cultivate their patronage citing, in focus groups, companies such as Verizon, Southwest Airlines, Christiana Vodka, American Airlines and Subaru (Gudelunas, 2011). This positive recall may prove affirming to Barilla as it continues its work the LGBT marketplace.

MEHODOLOGY

The research methodology for this study is qualitative in nature utilizing secondary source material from the public domain. The first stage of this research, as highlighted by both Barilla documents as well as secondary sources, was to establish a clear history, timeline and overview of the international firm Barilla. The second stage of the research was to conduct an exhaustive literature review of relevant academic journals on all generally-accepted academic theories of firm internationalization, and then through detailed analysis of the firm, draw parallels, inferences and meaningful connections to those established theories. The third stage, also focused on rigorous literature review of academic journals and the business press, is to examine contemporary management challenges reflected by authors such as Cwiak, Doh, Giarmarco, Husted, Gudelunas, Kates, Lingren, Mol, Oakenfull, Occhiocupo, Orr, Smith, Vernuccio and White, particularly most relevant to the firm Barilla as they related to its own contemporary management issues, including foodservice branding and positioning, family succession, gay and lesbian consumer marketing, and finally reputation management. The research concludes with possible linkages and insights for both contemporary management issues as well as future potential areas for research. While this research study is limited in its scope, given its reliance on secondary sources and qualitative methodologies, it is hoped that it may further inspire and buttress current hypothesis in the current management research field and to the research avenues of foodservice and hospitality management.

FINDINGS

Family Succession and its Challenges

A likely introduction into family succession likely presents the younger, sometimes formally educated son entering the family business and wishing to implement innovative ideas. This was such the case outlined by Harvard Business School in their study of Barilla's difficult introduction and implementation of what they coined JITD or Just in Time Distribution. The concept, based on the successful model of Japanese automakers, was spearheaded by a young Giorgio Maggali working with the newer generation Barilla brothers. Implementing this system was met with both internal corporate resistance as well as reluctance from the company's distributors. The concept was simple enough: to utilize sales data from distributors to streamline inventorying and delivery processes, thus increasing efficacy and reducing unnecessary inventory backlogs (Hammond, 2008). While seemingly comical in today's manufacturing climate, the statements from stakeholders both internal and external to the organization characterized the level of reluctance to embrace change, a common feature inherent to the challenges associate with succession management. Among the comments included in the case study: "Our sales levels will plummet if we put this program in place," and, "Managing stock is my job, I don't need you to see my sales figures" (Hammond, 2008). Innovation fortunately prevailed within the Barilla organization.

In the family timeline below the succession beginning in 1877 with Pietro Barilla continues to the current day with Guido Barilla to the far right detailed in the paper. The company timeline details the role each of the Barilla patrons played in the ongoing evolution of the organization. Grooming leadership roles for future family members is likely already taking place.



Barilla for almost 140 years is the business experience of a family that today, with the brothers Guido, Luca and Paolo, is now in its fourth generation.

Image Source: <http://www.barillagroup.com/corporate/en/home/chisiamo/history.html>

Concluding this case study with highlights from contemporary business research of family succession issues as they relate to firms similar to Barilla seems appropriate as the firm continues its dynamic leadership beginning in 1877 to its current international leadership role today and likely theorized well into the future.

The 44-year old chairman of Italy's Barilla Group, together with his brothers Paolo and Luca (pictured above) grew up playing on the floor of their family's pasta factory in Northern Italy, home of Parmesan cheese and Parma ham. They watched their father, Pietro, almost lose the 125-year old company then succeed in turning the small, regional business into the most successful pasta maker in Italy, with 41% of the market in 2002 (Orr, 2002) to growing its annual sales to US \$900 million in 2014 (Euromonitor, 2015). It is unlikely as children, they gave much thought to the concept of succession planning, nor the myths and misconceptions that exist about family owned firms being: less efficient than other types of firms, assumed to be burdened by tradition, or have difficulty in attracting the individual competence that is essential in a knowledge based society. But those myths, according to Lindgren, are just that, and collapse when subjected to empirical scrutiny (Lingren, 2002). In fact, in Europe, home to Barilla, family firms dominate the small and medium sized firm sectors. A major study based on Swedish data

concluded that the family firms had a considerably longer life than did non-family firms: over 37, versus barely 22 years (Lingren, 2002).

Carrying on that family tradition, Guido Barilla who had grand ambitions after Boston College in the United States admitted that he “wanted to get away from my overdemanding father” and spent a year in the U.S. selling pasta to specialty stores and Italian restaurant in the 1980’s. “I understood that the real future of our company was with the U.S.” The seed of his ambition germinated a decade later when after a few rough years following their father’s death in 1993, Guido and his brothers focused on making Barilla the most successful food company in Italy (Orr, 2002). This meant conquering the U.S. market. Guido began exporting Barilla spaghetti and fettuccine to America in 1996 and within three years the brand had overtaken Mueller’s to become the number one pasta seller in America. Barilla had a 15% share of the \$1 billion-a-year U.S. retail pasta market, twice that of its closet branded competitor in 2002 (Orr, 2002), and grew that many fold by 2014 (Euromonitor, 2015).

And so as Guido and his two brothers continue to guide their pasta giant of a company into the next decade, one can only wonder what will come of the company when the next generation of Barillas take over, even though that future may still be far away. According to White, Krinke and Geller, prominent financial planners, family succession planning for a family business requires more than basic estate planning tools. It requires an ability to consider the special rules that impact family business succession plans, identify the unique opportunities for structuring ownership to take maximum advantage of the available transfer techniques best suited for the client’s needs (White, Krinke & Geller, 2004). Some of those needs are highly technical and exceed the scope of this paper, but demonstrate the dizzying array of planning needed surrounding such things as: employment agreements, nonqualified deferred-compensation plans, change of control agreements and gifting techniques (Giarmarco, 2012).

Perhaps the largest family dynasty risk which the brothers pulled off successfully, even at great risk, was its US \$135 million investment in a new pasta factory in Ames, Iowa, the center of the U.S. agricultural heartland and the main source of American wheat. This move allowed Barilla to bring its “Italian” pasta to the U.S. consumer’s back door while avoiding U.S. government

imposed imported pasta tariffs (Orr, 2002). The family business had made a correct gamble, and at least for the time being, appear expertly poised to continue in its prominent leadership position.

Sales and Market Share Dynamics

Barilla has ambitious growth plans, with aims to double its revenues by 2020. The company aims to achieve this goal through a focus on its core pasta, sauces and ready meals business specifically in emerging markets, and above all Brazil and China, which Barilla has singled out as top priority markets in its international expansion efforts. In addition to its core business, bread substitutes represent another opportunity for the leading pasta player (Euromonitor, 2015). The company has articulated key consolidation plans as well as forward looking expansion into such markets as Brazil, China and Russia, and new product innovations such as gluten free and low carb alternatives. Other key sales and market expansion goals include the following:

1. Double revenues by 2020

Barilla's goal is to double revenues by 2020. The company aims to achieve this goal through a focus on its core pasta, sauces as well as ready meals categories, with a particular focus on international markets. The company is determined to "aggressively grow in emerging markets, taking Italy's most symbolic dish from Asia to the Americas". A key part of its expansion strategy is to adjust its product offer to meet local tastes.

2. Consolidate the pasta business

Following the divestment of its German bakery business Lieken in 2013, Barilla aims to concentrate on consolidating market leadership in the European and North American pasta markets and embrace new opportunities in emerging markets by focusing on its pasta and meal solutions business.

3. Brazil and Asia key focus markets

Brazil, China and Russia will play a major role in the company's efforts to double its revenues, as Barilla has singled out these markets as "strategic for the company's future". Over 2013-2014,

Barilla has been launching specific lines of pasta in line with consumer preferences produced by local manufacturers with which Barilla has a joint venture. In Brazil, the company's business has almost doubled in a year, and Chinese sales recorded double-digit growth.

4. Promoting gluten-free products

The growing anti-carb and gluten-free trend in Europe and North America is leading Barilla to focus its new product launches in its core market on health and wellness variants. To this end, the company launched its gluten-free range in the US in August 2013 and is planning to expand its production plant in Ames, Iowa, with an investment of US\$26.8 million to add a gluten-free production line by 2015 (Euromonitor, 2015).

CONCLUSION

With a history of more than 140 years, it is hard to find a multinational enterprise such as Barilla, still standing tall as a market leader and innovator. The firm has surely met the test of time with many obstacles along the way including significant family succession issues, brand and reputation management crises, as well as internal and external cultural pushback in the face of facilitating innovative change. It has weathered and survived world wars, unexpected leadership deaths, near economic collapse, and rose above it all, a stronger player. This paper shows that in some cases the firm overlapped interestingly with existing models of internationalization while running a fowl of others. Always managing to stay on top, push forward and come to dominate the international pasta and bakery markets, a leadership niche that it has rightfully assumed, Barilla surely must have unknown challenges yet to face. Perhaps the work of the firm is best summed up by Johanson, reflecting on his description of objective vs. experiential knowledge, stating, "experience itself can never be transmitted. It produces a change, frequently a subtle change in individuals, and it cannot be separated from them," (Johanson, 2009). Perhaps at least intuitively, Pietro Barilla knew and felt something of that "experience" when he forged out on his own and opened his first pasta and bread shop in Parma, Italy in 1877, and perhaps still today his Barilla siblings still have a hunger for that experience.

It is hoped that this case study sheds light on the continued relevancy of established firm internationalization theories particularly those connecting Barilla with such frameworks as Dunning's Eclectic Theory, Knickerbocker's Life Cycle tenants, and Johanson & Vahlne's Uppsala Model. Examples of Barilla's linkages to these theories, respectively, include the pioneering marketing efforts in the 1950's, the firm's slow and incremental international reach and the its aggressive ongoing global acquisition program. The paper also intends to breathe contemporary life into these established frameworks by also examining and expanding onto current management challenges and some of the relevant theory aligned with it. Further examples of these contemporary challenges include Barilla's forays into the LGBT marketplace, its use of social media outlets, reputation and branding management issues and family succession dynamics. Finally this case study hopes to use both these traditional frameworks and more contemporary management challenges to further illuminate the research goals of better understanding why global firms succeed, often struggle, sometimes fail, and in the case of Barilla, SpA endure and prosper as true global leaders.

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