The design of corporate governance in diversified family business groups: the Angelini case[1]

"The company does not belong to just me or the children but the people who work there. And to all those who depend on the health of our business" Francesco Angelini (Marroni, 2020).

The Angelini Group is a large privately-owned Italian group operating in various sectors. Over the past few years, Francesco Angelini has redesigned – together with the fourth generation – the Group's corporate governance in order to align it with international best practices.

The design of the new corporate governance

The new corporate governance of the Angelini Group is the result of a process that began in 2017 when Thea Paola Angelini and her husband Sergio Marullo di Condojannijoined the firmto work alongside the entrepreneur Francesco Angelini.

The resulting ownership, corporate and governance structure represents an important change from the past. However, the family shareholders are also conscious that this model will be periodically assessed – and possibly revised – to preserve its consistency with the evolutionof the Group.

The process involved many actors:

- the Angelini family represented both by the head of the third generation (Francesco Angelini) and by representatives of the fourth generation (the third eldest daughter Thea Paola Angelini and her husband Sergio Marullo di Condojanni);
- Group executives: both those who supported Francesco's management for several decades and those who have recently agreed to hold positions of responsibility at the Group parentcompany or majorsubholdings;
- the directors of the holding companies who analysed and discussed the proposals made by shareholders and top management;
- the consultants of the Italian branch of an important international head-hunter (Egon Zehnder) who supported the process to decide:the type of involvement of the family, the organisational structure, the profile of managers, the selection of the most suitable candidates for those roles and the allocationof powers and responsibilities.

The process started withdecidingthe role that the family intended to play within the continuum of models that includes, on the one hand, businesses managed directly by the entrepreneurs and theirfamily members and, on the other, businesses in which the family members are shareholders and board members, but the management is entrusted to non-familymanagers. In order to support the family in choosing which model to

[1]This case waswritten by Alessandro Zattoni for Istituto per i Valori d'Impresa (ISVI, www.isvi.org).

adopt, the consultant organised a workshop with family members involved in the company and interviewed a number of relevant stakeholders (e.g., various Group executives). The family expressed the desire to play a relevant strategic role within the holding company soto actively influence the Group's main choices.At the same time, they the size and the diversification of the Group have necessarily imposed the selection and involvement of competent and motivated non-family top managers who could manage both somecentralised functions at the holding company, and the main business units. Consequently, the family decided to opt for a hybrid model in which family members play a managerial role in the Group parentcompany but at the same time delegate important managerial responsibilities (in the Group parentcompany and in the sub-holdings) to non-familymanagers.

The second decisionconcerned which management model to adopt for managing the relationship between the holding company and the main business units. The existing model was characterized bya strong centralisation of staff and line functions at the holding company level, in order to assure close coordination among the business units. This decision mainly involved the shareholders and the top managers of the Group parent company, but also the candidates for the position of CEO of the business units played an important role. With reference to the two extremes, i.e.,an intrusive industrial holding company that centralises strategic decisions within itself or a light-touchinvestmentholding company that affords substantial decision-making autonomy to the business units, theyoptedfora half-way model. In particular, they streamlined the structure of the Group parentcompany and gave it the task of strategically coordinating the businesses (e.g., approval of the strategic plan, making decisions on M&A and large investments, search for synergies between the businesses, etc.), appointing the business unit heads and monitoring results. At the same time, the business units received greater decision-making autonomy on both line and staff functions and, consequently, enjoyed greater freedom to shape their results.

The greater decision-making powersgranted to business units requiredreflections on the managerial profile of those who lead them. Previously, the centralisation of decision-making with the entrepreneur and the top management team, together with a managerialphilosophy oriented towards prudence, had limited the strategic autonomy of the business units. As a result, those who headed the business units were more general managers implementing the decisions of the holding company than actual CEOs with full decision-making autonomy. The intention to take a more dynamicentrepreneurial approach and the granting of greater management autonomyto the business units gave rise to the need to evaluate the profile of the Grouptop managers and, in the case of their inadequacy, to search the market for suitable candidates for the new role. These changes have fuelled a high turnover in the top positions of the holding company and the business units: new business unit CEOs are selected with a profile that corresponds to the shareholders’ desire to give greater impetus to growth and business development; new functional managers of the holding company are appointed with a profile in line with their new role. In parallel with the appointment of new managers, new managerial processes have been introduced (e.g., executive evaluation, succession plans, talent management, coaching and training) tosupport the development of their potential within the Group.

Finally, after having analysed the potential alternatives, the industrial holding company hasdecided its governance model. On the one hand, many industrial holding companies of family groups appoint a lean board of directors composed of the entrepreneur and group executives,in which case the board tends to overlap with the senior management team. On the other hand, some family industrial holding companies appoint an enlarged board of directors that also includes external and independent directors. The Angelini Groupdecidedfor the second model and, coherently, expanded the size of the board, appointed a majority of non-executive and independent directors, increased the variety of skills and experiences on the board, and introduced transparent processes to select and evaluate the contribution of directors. With this decision, the Groupintendedto create a transparent and collegial governance model that combines the merits of the family business model (e.g., streamlined decision-making and medium-long term vision) with those (e.g., checks& balances mechanisms) typical of listed companies.

The corporate structure

In recent years, the Angelini Group has radically changed its ownership and corporate structure. These changes have concerned not only the redistribution of ownership stakes within the family but also the reconfigurationof the Group's chain of control.

First of all, the entrepreneur managed the generational changeover at the top of the Group, through a reallocation of equityamong the members of the fourth generation. This operation took place through the transfer– asbare ownership with voting rights at ordinary shareholders' meetings – of 68% of the familyholding company (Angelini Finanziaria) to the third eldest daughter Thea Paola. Francesco Angelini retained a usufruct interest in the donated shareholding (Bracco, 2018).

After several intermediate steps, in December 2018 the Angelini Group decided to shorten the chain of control. Initially, the Angelini Foundation sold the 1.5% of Angelini Finanziaria Holding S.r.l. in its possession to Angelini Finanziaria, which was thereby able to reach 100% of the company's capital. That was followed by a reverse merger of Angelini Finanziaria Holding S.r.l. into the subsidiary Finaf which, as of 1 January 2019, changed its name to Angelini Holding S.p.A. (Bracco, 2018).

The shortening of the corporate chain has simplified the upper part of the Groupstructure, increasing transparency to the outside world and clearly defining the roles of the holding companies. In the wake of that transaction the Angelini family directly controls Angelini Finanziaria, which is the investment holding company that manages the family assets. This company in turn controls Angelini Holding, which is the industrial holding company that directs and coordinates activities and monitors the results of the main business units.

Finally, the industrial holding company has delegated greater decision-making power to the operating companies. Thanks to this change, the companies that head up the various divisions have become true sub-holdings controlled by Angelini Holding. The new structure increases the management autonomy of the businesses and makes the managers at the head of the business units fully responsible for the results they achieve. The main transactions concerned:

- the contribution in kind of the Pharma area shareholdings directly controlled by the Groupparentcompany to ACRAF S.p.A. (now Angelini Pharma S.p.A.), in order to give greater managerial autonomy to the CEO of the pharmaceutical division – guaranteeing him direct control of all the shareholdings (Italian and foreign) within his business area – and to improve management efficiency through the rationalisation of the corporate and organisational structure;

- the merger by incorporationof Bertani Domains S.r.l. into Finaf S.p.A. (now Angelini Holding S.p.A.) as a result of which the latter acquired direct control of Bertani Domains Soc. Agricola a r.l., the company that encompasses the wine business sector;
- the spin-off of part of thebusiness unit of the Spanish real estate business of Finaf S.p.A. into the Spanish subsidiary Angelini Immobiliare S.p.A. in order to improve the efficiency of the management of the Group's real estate assets, which are not considered instrumental and functional to the operating business.

The relationship between the Groupparentcompany and the business units

The role of the holding company

During Francesco Angelini's leadership, the Groupwas characterised by a pronounced centralisation of decision-making power in the hands of the holding company, which managed the main corporate functions and provided services to all Groupcompanies. The Groupparentcompany not only oversaw numerous staff functions (e.g. legal, finance, human resources, auditing, tax, compliance and IT), but also some line functions (such as purchasing). This choice has someadvantages (i.e., the exploitation of economies of scale and high functional specialisation) but alsoimplies some critical issues. For example, some central functions did not guarantee a level (time and quality) of service in line with the expectations of the various divisions. Moreover, the centralization of functions did not allow to those companies to adequatelymanage the functional interdependence concerningthe controlled businesses.

The new Groupstructure decentralised numerous business functions by transferring the relevant competences to the business units. The level of functional decentralisation at the subsidiary companies is influenced by their size: i.e., it is higher in the larger companies (Angelini Pharma) and lower in the smaller ones (Bertani Domains). For example, Angelini Pharma directly oversees almost all functions for the pharmaceutical sector,with the exception of tax, auditing and IT and some others due to the fiduciary nature of the supplier.Given its size, Angelini Pharmaalso controls thepurchases for the entire Group. Whereas Bertani Domains receives a higher level of services from the industrial holding company.

The industrial holding company oversees the strategic direction and coordinates numerous functions such as audit, compliance, tax, budget, treasury, legal, IT and institutional communication. Some functions can be found both in the Groupparentcompany and in the subsidiaries, but with different activities and objectives. For example, the finance function of the Groupparentcompany deals with cash pooling, the GroupHR manages special Groupprojects (such as thoseon identifying company values and purpose or the AngeliniAcademy), and the Grouplegal department oversees business development.In addition, the holding company engages in a number of activities aimed at strengthening the link between Groupcompanies. For example, the holding company manages the talent management and coordinates the communication initiatives for the entire Angelini Group.

The holding company also coordinates and controls corporate and business strategy through an organisational unit led by the chief of strategyreporting directly to the GroupCEO.In particular, the*chief of strategy*: (i) checks if M&A operations are coherent with the strategic plan, contributes to the success of these operations, and guarantees the allocation of the capital; (ii) analyses and assessesbusiness units' strategies and results; (iii) analysesanddevelopsGroup corporate strategy.

The new configuration of the activities between the Groupparentcompany and the subholding companiesat the head of the various divisions is a half-way house between what were before Angelini Finanziaria and Finaf. Angelini Finanziaria was mainly an investment holding company,whileFinaf was an industrial holding company that controlled and coordinated the various business units. The new configuration gives the Groupparent company control over Groupstrategy, M&A operations and activities that cut across all the business units (e.g., talent management, executive compensation), but leaves also a substantial decision-making autonomy to the business units.

The selection, integration and evaluation of executives

The Angelini Group has devoted a great deal of attention to the selection, integrationand evaluation of executivesto head up the business units. The process was supported by the contribution of a leading headhunter, Egon Zehnder.

The consultant first interviewed the family shareholders and the directors of the holding company to identify the profile of the executives. It emerged a consensus on searching for managers having a high level of business experience, an excellent track record, an international profile and primary references. Once the professional requirements were set, the headhunter researched and identified several candidates to fill the open positions. Finally, the top managers and directors of the holding company selected those whose profiles were most consistent with the company's expectations.

After hiring, the headhunterhandled the integration of executiveswithin the Groupand carried out coaching when useful. Finally, it created a systematic and periodic evaluation process for managers to support the effectiveness of their actions and encourage their professional development. Anyone – internal or external – who takes on a managerial position within the Groupmust undergo an independent external evaluation to certify that they possess the personal and professional characteristics needed to best cover the position. This process applies to everyone, including members of the owners' family.

These processes have led to the hiring of new executivesto head up the main business units: Pierluigi Antonelli, CEO of Angelini Pharma; Piero Tansella, CEO of the newly established Angelini Consumer; Antonio Fazzari, General Manager of Fater; Alessandro Bulfon, General Manager of Fameccanica; LluísPlà,CEO of Angelini Beauty; Ettore NicolettoCEO of Bertani Domains. The integrationof managers,hired from outside the Groupand accustomed to managing companies with broad responsibility, has given a strong boost to organizational change. From their point of view, the high degree of centralisation that characterised the previous structure limited their accountability and the possibility of influencing company results. One of the conditions they required to accept the position was to have full powers as CEO, effectively extending the power of the division head at the expense of the industrial holding company.

As a result, the Groupparent's HR department has redesignedthe remuneration system for seniorexecutivesat the head of the various divisions. In the past, the system revolved around ROCE (Return On Capital Employed) which incentivised managers to use efficiently the capital invested in the business. The new system – when it will be implemented – aims to incentivise both the growth and profitability of the business in the short term, and the sustainability of the value created in the long term (e.g., by linking the incentive to the R&D pipeline).

Coordination mechanisms

Decentralisation ensures that theexecutiveswho head up the various businesses have direct access to the main functions, and therefore control over the quality and timing of services. On the other hand, it may imply some risks.On the one hand, the business units maydiverge from the expectations of the Groupparent company, and on the other hand the holding company may continue to make requests so distracting the business units from their management priorities. In summary, it is a question of finding a balance between a *pull* logic (in which the subsidiary asks the Groupparentcompany for support in carrying out certain activities) and a *push* logic (in which the Groupparentcompany asks the subsidiary to carry out certain activities).

Identifying the optimal balance between centralisation and decentralisation of functions between the holding company and its subsidiaries is very complex. In order to keep the holding company and the individual business units aligned, the Angelini Group has identified some coordination mechanisms:

- it has developed and promoted the values of the Angelini Group, which must inform and guide the behaviour of all employees and managers;
- it has established a process of formal approval of each business unit’sbudget by the holding company and a reporting system that provides for the diffusion of monthly results of each business unit and the discussion of quarterly results at the meetings of the Groupparent company’s board of directors;
- it has nominated a *chief of strategy* who supports the GroupCEO to manage M&As, assess business strategiesof subsidiaries anddevelopGroup corporate strategy;
- it has institutionalized a periodical meeting (every quarter) of a broad leadership team, which includes the first line of the holding company and the heads of the business units;
- it organises regular meetings (about every week and at any time it is necessary) between the GroupCEO and the CEOs of the business units.The purpose of the meeting is to discuss the main strategic issues, such as business development or digitisation. These meetings, direct and transparent, allow the managers who head up the various divisions to presentbusiness resultsand to discuss if and how develop the main strategic alternatives. In the case of Fater and Fameccanica joint ventures, these periodic meetings involve representatives from both partners.

Talent management and training: the Academy

One of the main projects of the Groupparentcompany (the Academy) aims to identify, train and guide the career path of talents within the Group. This project is highly relevant for Angelini Group as the large size and diversity of businesses allowthe

GroupHR department to rely ona large and varied pool of talents. For example, if Fater boasts numerous talents with sophisticated marketing skills, Fameccanica has talents with strong technological skills.

The Talent management project started by identifying an assessment model for all nonexecutives, based on both their potential and performance. The Angelini Group used SHL model which has been recently revised both to incorporate the new Angelini values and to be coherent with itsunderlying behaviours and competencies. The new model emphasizesemployees' values and behaviours: managers who reach the targets, but have behaviours that are not aligned with Angelini values and expected behaviours do not receive the bonus.

The establishment of the *Talents and education*committee for thepharmaceutical business facilitated the transparent assessment of talents and promoted their job rotation within the Group. The creation of a job posting service has further increased the internal mobility of employees within the Group. After this experience, it has been created a Talents committee for the entire Group consisting of the talents' development managers of each business unit. Depending on the positions to be discussed, may participate to the committee meetings: the HR managers of the business units, the functional managers of the holding companyand the Group CEO.

More recently, the Group created three projects for talents focused on: (i) recognition, i.e., their visibility within the Group, for example by involving them in cross-functional projects or in someimportant company initiatives (e.g., career day, launch of a new product); (ii) learning, i.e., Angelini Academy designs custom programs for talents and sponsorstheir attendance of open programs offered by top business schools[2]; (iii) reward, i.e., the Group promotes salary increases for those who havehigh potential andhigh performance.

A particularly successful and recent project developed by the Academy has beenthe *Future leaders programme*. The Academyfirst identified10 talentswith about 5 years of experience within or outside the Group, then designed an executive program lasting 18 monthsthat alternates class experience and job assignments within the Group. The programme received positive feedbacksand Group companies competed to hire the talents at the end of the programme.

Top management's succession plans

Angelini holding started to design the succession plan for top managers, i.e., those managers who are either general managers or CEO of sub holdings, or report directlyto the head of holding company's functions (e.g., HR, legal, IT). The HR team of the holding company manages the process that involves necessarily both the CEOs and the HR managers of the sub holdings, and the head ofthe holding company corresponding functional areas.

First, the HR team identified an ideal profile to cover adequately each role. Then, they shared this profile with all sub holdings so to create an internal pipeline of potential successors. The HR team managed the assessment of managers, identifiedtheir gapswith the ideal profileanddevelopeda career and training path to fillthe gaps.

[2] Angelini Academy designs programs that overlap and complement the programsdesigned by the business units. While the latter aims at developing technical skills or competences that are specific of the business unit, Academy aims at facilitating the professional development of group talents on cross-cutting themes like strategic management, change management, and digital.

For what concern line positionscommon to various business units (e.g., marketing consumer, operations, supply chain), the succession plan is coordinated by the sub holdings, but the holding company facilitate their collaboration. The sub holdingare instead responsibleto develop the succession plan for specific business positions (e.g., market access pharma).

With this project, Angelini holding aims at identifying emergency candidates (immediately ready to cover the role), the probable successor, the potential candidatesready in 2-3 yearsor 4-5 years, and the prospect candidates who may aspire to cover the role in 15 years. The succession plan is shared withthe managers covering the role, their bosses, the HR team and the possible successors.

Within this project, all Group top managers have been assessed using Egon Zhender methodology, that considers three dimensions: their performance, their ability to cover the roleandtheir growth potential. With this project, the holding aims at guiding the career and strengtheningthe competencies of all Group managers. While in the past it couldhappen that managerscould do all their career within the holding company, now all managers are encouraged to do part of their career within the Group subholdings.

The role and governance of the Group parent company

The holding company's board of directors

In 2019 the board of directors of Angelini Holding was radically changed. First, the family shareholders and the top managers identified the skills and experiences that the board membersshould have in order to perform theirrole. Subsequently, a headhunter identified several potential candidates for the position of independent director. Then, seniormanagement met andselected the new directors that should be nominated by the shareholders' assembly meeting.

The new board of directors of Angelini Holding consists of seven directors, the majority of whom are independent. The two executive directors are Thea Paola Angelini, executive vice-president (with powers – exercised together with the CEO – in three areas: the pharmaceutical business, CSR and institutional relations) and Sergio Marullo di Condojanni, vice-president and CEO. The five non-executive and independent directors are: Franco Masera (former CEO of KPMG advisory), non-executive chairman of the board of directors; Giovanni Ciserani (former Group President, Global Fabric & Home Care and Baby & Feminine Care P&G); Stefano Proverbio (former head of the industry division of McKinsey Italia); Lorenzo Tallarigo (former President of International operations of Eli Lilly); and Attilio Zimatore (private law professor at Luiss).

The board typically meets once a month and whenever important strategic decisions (e.g., acquisitions or large investments) need to be made. Each meeting lasts about 3-4 hours, enough time to properly discuss the various issues on the agenda. The informationand the agenda are sent well in advance to enable the board members to read them and prepare for the meeting.

The effectiveness of the board of directors is ensured by the strong involvement of all board members. On the one hand, the top management, coordinated by the CEO, transparently shares its analyses and submits its proposals to the board for approval. On the other hand, the variety of experiences and skills of non-executive directors enrich the management's proposals and improve the board's decision-making process. In this situation, it can well happen that the board modifies the proposals made by business unit CEOsand supported by the family.

The board of directors has created advisory committees within the board itself. The objective of the committees is to support the activity of the business unit CEOsor general managers through meetings where the main projects and strategic decisions are discussed in an embryonicphase. The committee is made up of the head of the business unit, the director of the holding company with experience in the business (e.g.,Tallarigo in pharmaceuticals, Ciserani in consumer products, Proverbio in wine and machines), a second director of the holding company with more transversal skills and the CEO of the Angelini Group. The committees meet frequently, some almost every month and others every two or three months. The committee should help the head of the business unit to evaluate decisions and projects at an early stage, in order to decide whether and how to take them forward. The committee should not deliberate on investments or approve strategic decisions, as this is the task of the board of directors.

Finally, in order to facilitate the effectiveness of the board of directors, some public companies'best practices have been introduced. For example, in order to facilitate the integration of new directors, the board organised an intense induction activity on the main businesses overseen by the Group. Moreover, the board hired a leading headhunterto facilitate the self-assessment activity of the board itself, which only few Italian listed companies perform.

The Angelini Group's values, vision and purpose

In 2019 the Angelini Group launched a project on Group values, managed by Angelini Holding's HR department. First, the HR team collected datathrough a questionnaire – based on a methodology developed by Spencer Stuart – aimed at identifying the existencein the company of eight cultural styles. Subsequently, the results of the questionnaire were analysed and discussed together with the family and nonfamily top managers of the holding. This work led to the identification of fournew Group values, which are:

- *Ethics and Responsibility*. Means caring for employees, patients and consumers. It also entails behaving according to the highest ethical principles and making decisions with a long-term perspective. Finally, it also implies a commitment to ensure the sustainable economic development of the company and to safeguard the environment and the communities in which the Groupoperates.
- *Performance*. Means being responsible for achieving individual and team objectives, being determined to carry projects forward with speed, rigour and transparency, pursuing excellence and the search for ambitious goals, facing difficulties with determination and resilience.
- *Innovation*. Means encouraging the development and experimentation of new effective and concrete solutions, challenging the status quo, managing the complexity and demands of a changing world, taking responsibility for making courageous choices for the growth and development of the company, learning from one's mistakes while pursuing continuous improvement.

- *Engagement.* Means being positive, motivated and open to new ideas, styles and perspectives, promoting collaboration within the Group, enhancing skills and rewarding merit, sharing and celebrating the successes of the company and the people who work in it.

The Group's values have been communicated to all employees. The HR team has also designed a set of initiatives to give form and substance to the values. Expected behaviourshavebeen deduced from Group values, partly tailored to the specific needs of Groupcompanies. After being communicated to all employees, the expected behaviourshavebeen included in the performance assessment systems for managers in all businesses. Finally, the company values and the resulting behaviours guide the objectives and content of the Academy programmes.
After completingthis project, Angelini holding and the business units started to workon theGrouppurpose and vision. Purpose defines "why to do business" and the legacy and impact on people and the planet. Consistently with Group and family values, Angelini's purpose emphasizes "unwavering care for people and families"[3]. Angelini vision underlines, instead, the objective of"building a better future"[4]in order to pursue environmental and economic sustainability. Group purpose and vision have been presentedto all employees of Angelini Group during a Town Hall heldthe 18 of November 2020.

The role and governance of the main business units

Angelini Pharma

The pharmaceutical business unit is the largest in the Group. It has been headed since March 2019 by Pierluigi Antonelli, a manager who has twenty years' experience in the pharmaceutical sector, first as Chairman and CEO of Bristol-Myers Squibb Italia, then as Head of Western Europe at Sandoz (Novartis), and finallyas Head of Europe in the cancer division of Novartis.

The company's board of directors includes, in addition to the CEO, Marco Morbidelli (Group HR) and Emanuele Campagnoli (Group CFO). The CEO meets periodically with the Pharmaceutical Committee of Angelini Holding to discuss strategic issues (such as business development or specific investment operations). These meetings are attended by somedirectors of the holding company: Thea Paola Angelini, Sergio Marullo di Condojanni, Attilio Zimatore and Lorenzo Tallarigo.

The management team and the organisation of the business unit were partially changed after the new CEO joined the Group: some managers were replaced by other executives inside or outside the Group, some activities were moved or allocated to other managers. The objective of the new CEO is to quickly have a well-organised talent team with a global vision of the business.

[3] "Our group looks out at the world with Italian entrepreneurship. Our unwavering care for people and families in their daily lives is our guiding principle and inspiration to producing high-quality, carefully designed products. We strive to do our best by listening to the needs and desires of those we serve in pursuit of creative solutions and sustainable opportunities that benefit the communities, our employees and shareholders".
[4] "We aim to secure sustainable growth for everyone to create value and opportunities for new generations".

The new structure, which has not yet been completed, should enable the business unit to achieve ambitious growth targets, broken down both by therapeutic area – i.e., in the area of prescription health to focus on drugs for the central nervous system and rare diseases, in consumer health to strengthen the portfolio of brands (e.g., *Moment*, *Tantum Verde* and*Tachifludec*) – and by geographic market (especially in the main European countries). The four strategic pillars defined by the top management are to attract talent (employer of choice), work with successful companies (partner of choice), oversee digital transformation (go digital) and pursue operational efficiency (achieve operational excellence).

In the wake of the appointment of the new CEO, Angelini Pharma has exhibited a certain dynamism. In particular, in March 2020 the company bought – for about €190 million – the *Thermacare* brand (outside the United States) together with a manufacturing facility and the related R&D activities (in Albany, USA). This operation reinforces its presence in pain therapy by adding approximately €70 million in sales of analgesic patches for muscle pain (Polizzi, 2020a). More recently, in July 2020, Angelini Pharma strengthened its presence in the pain and nervous system therapeutic area by buying the marketing rights for the drug (OV101,*gaboxadol*) for Europe and some countries (UK, Turkey and Russia). The partnership with biotech company Ovid Therapeutics Inc (listed on the Nasdaq) allows Angelini Pharma to enter the market segment of rare diseases (i.e., the treatment of Angelman syndrome in the neurological field), which exhibits significant growth prospects. In addition, it strengthens the Group's presence in the segment of ethical drugs complementary to the over-the-counter drugs segment (Polizzi, 2020b). Under the agreements signed, Ovid Therapeutics will receive an advance of $20 million and additional payments (up to a total of an additional $212.5 million) upon achievement of specific development, production and sales targets for the treatment of Angelman syndrome, as well as double-digit royalties on net sales if the drug achieves its sales targets. These two transactions signal a discontinuityin the strategic management of the pharmaceutical business unit and underline the Group's ambition to play a significant role in certain market segments of global pharmaceutical industry.

Angelini Consumer

Angelini holding established the Consumer and New business team in July 2020. The new organizational unit aims at identifying business opportunities in the consumer and home care businesswhich–together with pharma, machinery, and wine – isoneof four pillarsof the Group future growth.

Since the 1st of July 2020, Piero Tansellais the*Chief Consumer and New Business Officer*at Angelini Holding. Tansella has 25 years of Group experience and has been general manager of Faterbetween 2014 and June 2020. With the new role, he takes on the task of developingnew business opportunities in the consumer goods industry.

The Consumer and New Business team works within Angelini consumer, a subholding includingFater, Fater Smart, Amuchinasrl, and Madre Natura[5]. The team consists of about 4 peopleplussome collaborators. The main activity is the*brand building lab* (bblab) aimed at developing projectsand new businessesthat will be later managed bythe

[5]Madre Natura is a joint venture between Angelini Holding and Hero (Madre natura Ag) established in 2019. The firm produces and sells organic food (e.g., purees, pasta, cereals, fruit smoothies, snacks) for babies with the brand Hero Solo.

operating companies, that are often joint venture withindustrial partners. The Consumer and New Business team’s main goal is both to promotethe growth of current businessesand, above all, to launchnew businesseswithinthe consumer industry that do not overlapwith productsandmarketscoveredbyFater. The two most promising development areas arethe home care and, more recently, the baby care.
The development of business projects in the home and personal care industry started in 2000 when the Group boughtAmuchina. The Angelini Group transformedAmuchina - bornas disinfectant fortuberculosisand laterfor clinical machineriesandfood (water, fruit and vegetables) –in a consumer product, that satisfieshome care family needs. Later, in 2011, Angelini Group bought from Procter & Gamble (P&G) theInfasil brand, leader in deodorantsandintimate hygiene in Italy. The two brandsAmuchinaandInfasilhave been moved intothe pharmaceutical business unit so to createa small group of consumer products that can grow further by expanding the product range (brand stretching) and the geographical markets covered.
In the following years, Faterboughtsome other brandsfrom P&G: distribution of ACE bleach in West Europe in 2013; the distribution of ACEin CEEMEA in 2014; the distribution of the detergent Comet in 10 countries in 2015. Theacquisition of these brands allowed Faterto both reducethe weight of the baby care andintimate hygiene, and develop a new business area – that includes assets (brand, plants) andspecific competencies–characterized by a mid-size scale (about €200 million revenues) andgood profitability. The further geographic expansion is disciplinedbysales agreements, that limit the use of these brands in countries covered by P&G.
These operations indicate that Angelini consumer’s strategy in the home and personal care industry centers on the acquisition of local brands (*local jewels*) that large multinational companies sellas not considered strategic. With regard to ACE, the market of sodium hypochlorite is difficult to expand because of high transport costs and the presence of high reputed local brands (e.g., Clorox in the USA, Henkel in Spain). It is a two-phases strategy. In the first phase, Angelini consumer buyshighly reputed local brandsto create a European platform of products in the hygiene and disinfection areas. In the second phase, the business unit expands the range of products and markets coveredso to reach a critical mass andexploitscale economies, with important benefits in term of cost reduction and higher profitability.
Recently, Angelini consumer started to develop some projects in the baby care industry,byleveraging some of its strengths (e.g., the knowledge of families, the customers database, the direct-to-consumer). After having launched Madre Natura, the Consumer team is exploring new business opportunitiestargeting families that want to have a baby or that have already a baby younger than 3 years.
Among various projects under consideration, theConsumer team is exploring the opportunity to create a digital hubthat offers products and services to target families. This project can be developed by buying an app (iMamma) andsigning partnership agreements with suppliers of products and services (e.g., baby list, medical advices, buying and sellingof second-hand products for babies). This projectbuilds on the Angelini Groups’ reputation and competencies andmay lead to the development of a portal offering safe and reliable services to target families.
A second project concerns the design and sale of educational toys for babies, i.e., toys that facilitate children’ learning process. In some countries, like the United States, there are already several competitors, some of which (e.g., Lovevery) have about $100 million revenues. The productconsists of boxes including kits of toys designed to

stimulate the abilities of kids belonging to a specific age range. For example, educational toys for kids between 0-2 years of ageemphasize touchingand visual contrasts, as in that age range the childrendo not distinguish colors. To develop this business model, Angelini Group aims at creating a partnership with a company, the GermanHape, leader in wooden toys.

Fater

Fater is a joint venture between Angelini Holdingand P&G. The division is headed by Antonio Fazzari, replacing Piero Tansella.

The executive committee, which coordinates strategic decisions, is composed of Piero Tansella*(Chief Consumer and New Business Officer*at Angelini Holding) and Roberto Talamo(Europe CFO of P&G). The executive committee meets frequently informally and organizes formal meetings every three months to approve the budget, verify businessperformance and take strategic decisions. Further formal meetings are organised when important decisions need to be taken, such as major investments. The executive committee supports and monitors the general manager's work, without overriding the latter'sdecision-making autonomy regarding the business. The alignment between the general manager and the executive committee is one of the conditions for the success of a joint venture. When it fails, the decision-making process stops and friction and disputes between shareholders can be created. Another important control role is played by the director of accounting, finance and auditing (appointed by Angelini) and the F&A analyst (appointed by P&G).

Although joint ventures are separate and independent companies, they often have service agreements with their shareholders. In the case of Fater: P&G carries out R&D on products; Angelini manages payroll and salaries of personnel; the legal function is carried out by P&G in relation to brand protection and by Angelini in relation to competition and the local market.

Fater is the leader in the Italian market fornappies, female sanitary pads and incontinence products,produced and distributed under the *Pampers*, *Lines*, *Lines Specialist* and*Tampax* brands. The bylaws and the agreements between Fater's shareholders define its market area which coincides with Italy except for some brands (*Ace Neoblanc* and *Comet*) which it distributes in 39 countries in Western and Eastern Europe, the Middle East and Africa. Fater can grow in the future both by acquiring additional brands from other companies(including P&G) in the fast-moving consumer goods sector, and by expanding the productsandthe markets coveredwithin the limits of the agreementswith the seller.

The skills and knowledge (in R&D, production, marketing and distribution) accumulated by Fater represent a go to market platform for the Angelini Group. Thus, in 2019, Angelini Holding set up a 50-50 joint venture with Hero (Madre Natura AG) to enter the baby food sector. Fater contributes to the project Madre Natura by managing the marketing and distribution of baby food through various channels (e.g., supermarkets, specialist shops for children and pharmacies). In the future, the Angelini Group could leverageFater's expertise to pursue further business development opportunities at national or European level.

Fameccanica

Fameccanica is a Group company that, although formally controlled by Fater, operates independently.Fater handles, in fact just auditing. The business unit has been headed, since October 2019, by Alessandro Bulfon, a manager with previous professional experience in numerous companies (e.g., Ingersoll Rand, the Korber Group and Coesia) that design and produce plants. The business unit must not only meet the production needs of both partners, but also – and increasingly in the future – successfully enter and compete in new market niches.

The chairman of the board of directors is Marco Morbidelli. The executive committee is composed of Piero Tansella, representing Angelini, and Luc Reynaert, senior vice-president product supplyat P&G. The committee meets formally at the end of each quarter to evaluate the results achieved, plan future actions and make projections on the outlook for the year.

The company is a market leader in the design and manufacture of plants and machinery for the production of disposable hygienic products (e.g., nappies and tampons). Fameccanica has offices in China and the United States and its main customer worldwide is the P&G Group. Due to the recent reduction of P&G's investments, the primary market is stable all over the world except in Asia. In order not to disperse the wealth of resources and skills (e.g., in mechanics, automation and robotics) accumulated during the previousperiod,characterized bystrong expansion, the company has decided to exploitthese resources and skills to design new product lines. In this way, it has launched a diversification strategy.

For example, to make up for the shortage of masks during the first phase of the COVID-19 pandemic, Fameccanica designed and built a plant capable of producing about 800 pieces per minute (compared to 60-80 pieces per minute ofprevious machines). To achieve this goal, Fameccanica designed and patented a new model of mask, which uses nappy microelastics. This innovation has enabled the Group to respond to the Italian Civil ProtectionAgency's demand for the supply of machines for the production of masks. The Angelini Group will donate to charities the profit coming from this operation.

The company is currently investing to design sustainable production facilities for various consumer products. Senior management has recently identified three strategic pillars: process optimisation, enhancement and strengthening of skills, and internal and external growth. The objective for the future is to gain independence from shareholders in order to be able develop an autonomous growth strategy.

Angelini Beauty

The beauty business unit is the result of the acquisition and subsequent merger of Idesa Parfums and ITF. The business unit boasts subsidiaries in six strategic European markets (Italy, Germany, Spain, Portugal, Austria and Switzerland), employs around 200 people – mostly divided between Barcelona and Lodi – and distributes its products in around 80 countries. In March 2020 Angelini Holding appointed LluísPlàas chairman and CEO of Angelini Beauty. The executive has been within the Angelini Group for 25 years: since 2016 as deputy general manager and since October 2017 as general manager of Angelini Beauty.

Angelini Beauty creates fragrances and products for the care and protection of the skin. The division markets perfumes and dermocosmetics (suncare and skincare) of numerous brands, some of which are owned by the Group (*Mandarina Duck* and *Anne Möller*) whereas others are licensed from companies in the fashion industry (i.e. *Ferrè*, *Trussardi*, *Laura Biagiotti*, *Blumarine*, *Angel Schlesser* and*Armand Basi*).

The cosmetics sector is very dynamic and competitive: every year companies launch thousands of new products on the market, plan the acquisition of companies and brands, and manage the renewal of expiring licenses. The strengths of the division lie in the two proprietary brands and the direct presence in three important markets (Germany, Spain and Italy). On the other hand, Angelini Beauty owns or licenses relatively small brands and suffers from some duplication of functions between Spain and Italy. In order to solve this latter problem, Angelini Grouphas already promoted a process of integration aimed at creating a sub holding company (in Milan), which will develop the strategy and coordinate Angelini's activities in the cosmetics business.

Currently, the division is considering either the acquisition of new licenses or brands, or the entry into new product categories. In light of these opportunities, the Angelini Group must understand whether the current size – much smaller than that of the market leaders – allows the division to remain competitive in the face of increased distribution concentration, the possible shiftof demand on large brands and the growth of the mass market.

Bertani Domains

The wine business unit coincides with the company Bertani Domains, which is responsible for the production and marketing of fine wines. The company controls 6 wineries in Italy, for a total of 1,700 hectares of land (of which 460 are vineyards), and boasts a total production of about 4 million bottles per year. On 3 February 2020 Angelini Holding appointed Ettore Nicoletto – previously at the helm of the Santa Margherita wine group – as CEO of Bertani Domains.

Bertani Domains was founded on 1 January 2014, when all the agricultural and wine-producing businesses of Tenimenti Angelini(the Tuscan wineries Val di Suga in Montalcino, Trerose in Montepulciano and San LeoninoCastellino in Chianti)as well asthe Friuli Puiatti winery were brought together and merged into Cav. G.B. Bertani, a historic Valpolicella wineryacquired a year earlier. The companywas named Bertani Domains because the Bertani brand washighly recognisable and appreciated on international markets. Since15 March 2015 the Fazi Battaglia winery, which produces *Verdicchio* sold in the famous amphora bottle, has joined the other wineries.

Each winery is characterised by its own production based on local vines. In the three historical Tuscan wineries, Bertani Domains produces wines in the three denominations of origin:*Brunello di Montalcino* (Val di Suga in Montalcino), *Vino Nobile di Montepulciano* (Trerose in Montepulciano) and *Chianti Classico* (San Leonino in Castellina in Chianti). In Marche region, the Fazi Battaglia winery, a historical brand of Italian wine, produces the *Verdicchio dei Castelli di Jesi Classico*. The Puiatti winery in Romans d'Isonzo (Gorizia) produces the great white wines of Friuli, while Bertani is the historical Veneto winery known for the production of *Amarone della Valpolicella*.

In recent years, the wine division has been headed by Emilio Pedron, former CEO of Gruppo ItalianoVini. Under his leadership, the company has been completely reorganised in order to create a uniform and homogeneous management of the six wineries belonging to Tenimenti Angelini. The recent appointment of Ettore Nicoletto reveals the great ambitions of Bertani Domains. In the 16 years he led the Santa Margherita Group, Nicoletto increased the Veneto-based company's turnover from €67 million in 2003 to almost €190 million in 2019 thanks to numerous acquisitions in Italy and strong growth in international markets culminating in the creation of Santa Margherita USA (the subsidiary that managed distribution and ensured a widespread presence in the US market).

A look to the future

The first three years since the fourth generation joined the company have just ended. In recent years, the Angelini Group has radically changed its corporate structure, organisational structure, corporate governance and the profile of the top management of Angelini Holding and the business units.

In particular: (i) the corporate structure has been simplified to increase transparency and align the Group structure with the business structure; (ii) the organisation has been modified by decentralising functions and responsibilities tothe business units; (iii) corporate governance has been strengthened both by including highly experienced independent directors and by carefully overseeing decision-making processes; (iv) the top management of the business units has been strengthened by hiringexecutives with significant experience in important multinational companies, while the top management of the holding company has been strengthenedby adding valuable managers who have mainly grown within the Group.

These changes have already produced important results. In recent years, the Angelini Group has carried out several business development operations (especially in the pharmaceutical sector) that have increased its size and competitiveness. In the coming years, however, the top management will have to face and solve some open issues concerning:

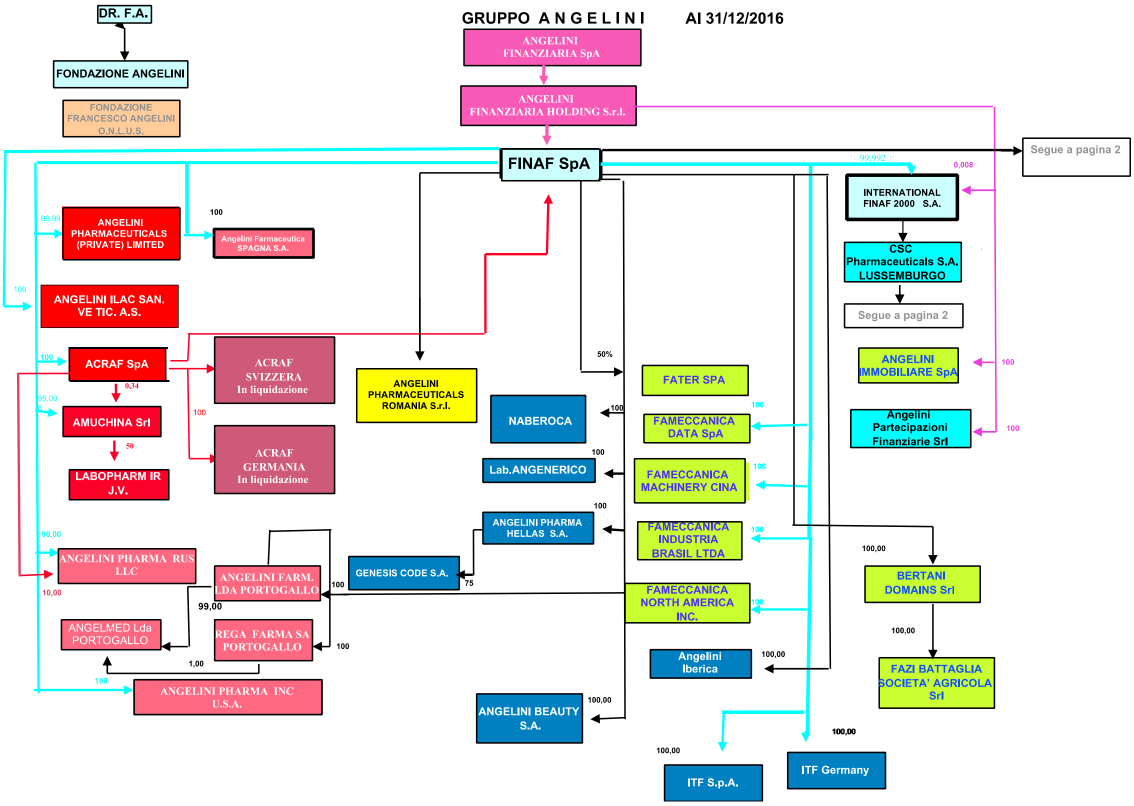
- How to integrate the strengths of the previous business model into the new Groupmanagement philosophy, that is more oriented towards growth and risk taking?
- How to balance the vision of the Group parentcompany and that of the business units on the allocation (centralised or decentralised) of functional responsibilities?
- How to encourage full integration between managers who have grown up internally and managers hired from outside so to create a new and homogeneous Angelini culture?
- Once the integration of the top management team is completed, how to align themiddle management with the strategic objectives in order to ensure that it is able to successfully implement top management strategic decisions?

With regard to corporate governance, there are a number of outstanding issues in connection with thecurrent structure. For example, the current business committees created by the board of directors of the holding company are a hybrid tool, an innovation from the point of view of corporate governance, whose results will have to be evaluated and discussed in the future. Since the heads of the various business units do not sit on the board of directors of the holding company, it will be necessary to promote a constant dialogue between them and the board. Moreover, holding company directors with sophisticated expertise regarding the businesses may have the ambition to positively influence the strategy of the business units,while theyshould play apurely advisory role and avoid becoming de facto executive directors.

Also in the coming years, the Group will have to face major strategic choices. In fact, the board of directors of the holding company will have to decide whether the current portfolio of businesses is too limited or too large, what size and competitive position it intends to have in the various sectors, what external growth operations it wishes to carry out, what financial resources are needed to achieve the ambitious Group objectives, and so on. These decisions will have a major impact on the Group corporate strategy and financial structure. The implementation of various external growth operations could significantly reduce the Group's liquidity and, subsequently, encourage an increase in financial debt (traditionally very low). Moreover, in the long run, these operations could also lead to opening up theshare capitalto outsiders (like private equity funds or other industrial groups) or to listing the Group parent or a subholding company, with significant effects on the ownership and governance structure.

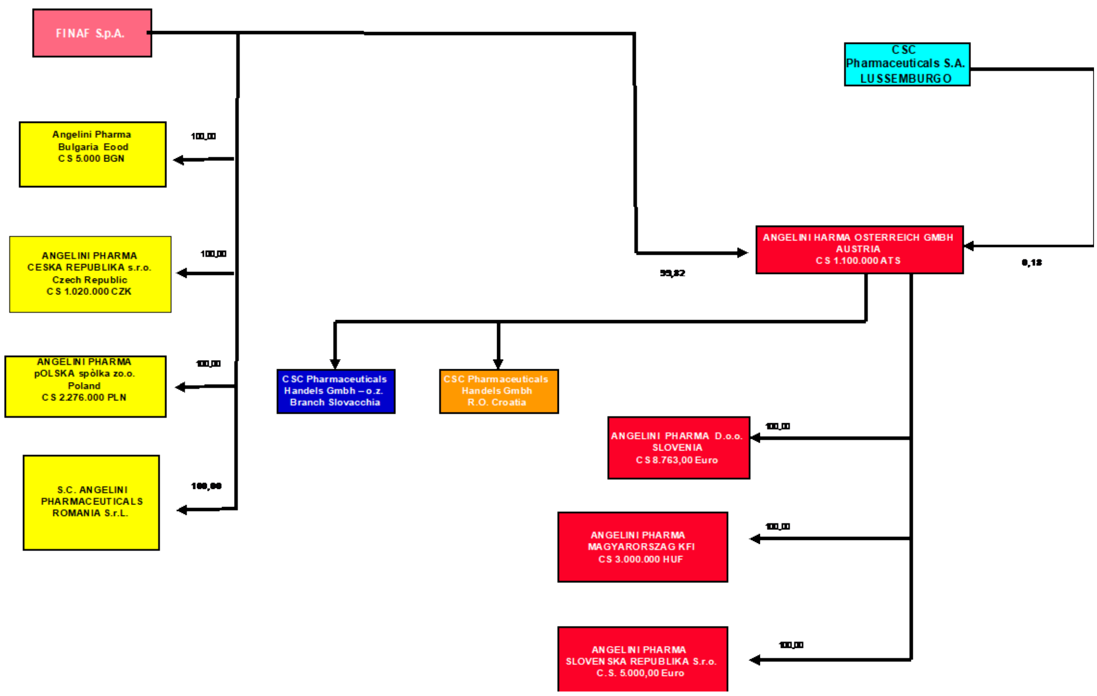
The Angelini Group seems to be ready to develop further business opportunities. The new business unit CEOs are strongly oriented towards seizing new market opportunities to strengthen the Group's competitive position in their sector. Board members and external advisors are strongly involved to support and guide their action. The next few years are destined to determinea new corporate strategy and competitive positioning for the Angelini Group, and so to challenge the managerial and governance model just redesigned.

Figure 1: Angelini Group in 2016



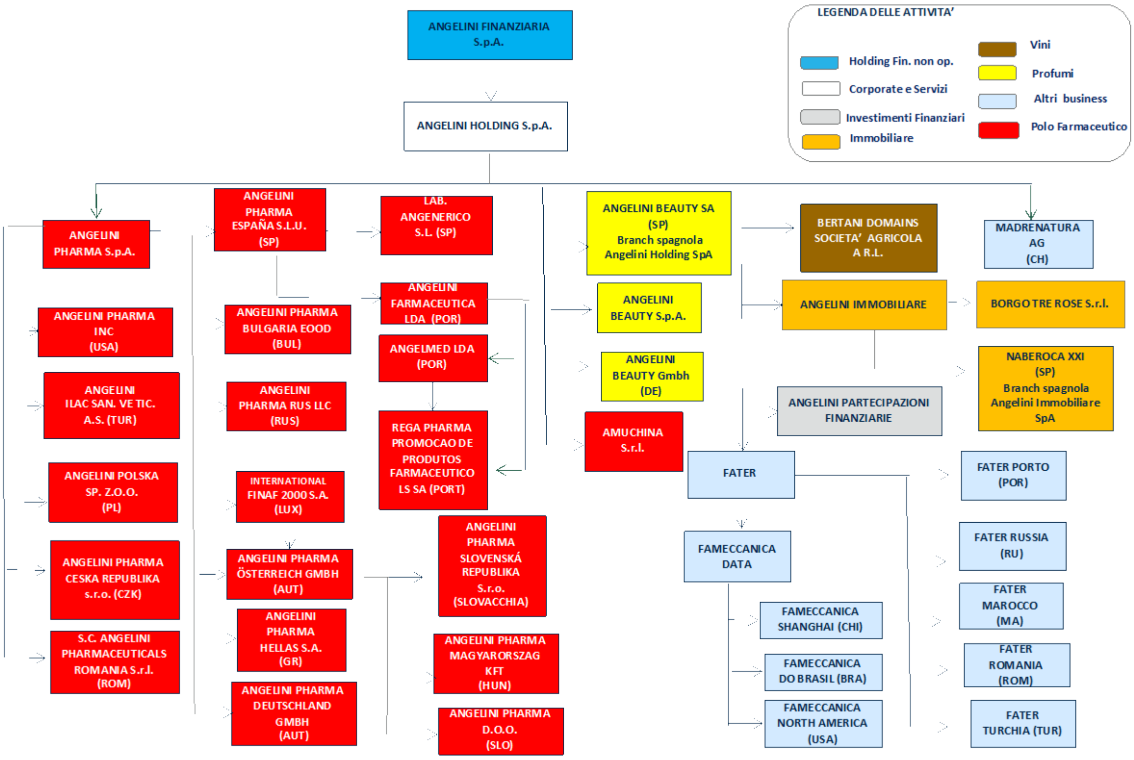
Source: Angelini Group

Figure 1: Angelini Group in 2016 (follow)



Source: Angelini Group

Figure 2: Angelini Group in 2020



Source: Angelini Group

Table 1: Main business unit of Angelini Group in 2020 (forecast data in .000 di euro)

Business unit	*Revenues*	*Net income*	*Total assets*	*Employees*
Angelini Pharma	1.024.479	78.364	1.440.736	2.944
Consumer	32.532	-6.652	16.146	6
FATER (100%)	997.302	91.495	744.421	1.570
Macchine (100%)	214.216	4.382	199.905	650
Angelini Beauty	74.144	-6.844	97.415	181
Bertani Domains	19.157	-3.637	139.003	112

Source: Angelini Group

Table 2: Board of directorsof Angelini holding 2020

Name	*Role*	*Year of birth*	*Education*	*Entrance in the Group*	*Previous experiences*
Franco Masera	Chairperson	1951	Degree in statistics, MBA	2018	Partner, CEO, Chair of KPMG advisory; Chair IBL banca, Credit factor.
Thea Paola Angelini	Vice Chair	1986	Degree in molecular biology	-	Director Angelini finanziaria, vice ChairFondazione Angelini,
Sergio Marullo di Condojanni	Vice Chair and CEO	1978	Degree in law, PhD in law	-	Associate professor, lawyer, director Angelini finanziaria, Fondazione Angelini, Banca Aletti,
Giovanni Ciserani	Director	1962	Degree in economics and business	2018	CEO UK and Ireland of P&G, Chair Western Europe P&G, Group President global fabric & home care and Baby and feminine care, directorSafiloandChair Hero
Stefano Proverbio	Director	1956	Degree in nuclear engineering	2017	Emeritus directorof McKinsey, consultant and advisor ofseveral companies
Lorenzo Tallarigo	Director	1951	Degree as medical doctor	2018	President of International operations Eli Lilly, Chairof Intercept Pharmaceuticals and of Oxford Biomedica, CEO ofGenextra
Attilio Zimatore	Director	1955	Degree in law	2016	Full professor of private law, lawyer, ChairPrelios Credit Servicing and Nuova Compagnia di Partecipazioni, director LUISS

Source: Angelini Group

Table 3: Top management of Angelini Holding in 2020

Name	*Role*	*Year of birth*	*Education*	*Entrance in the Group since*	*Previous experiences*
Emanuele Campagnoli	Group Chief Financial Officer	55-60	Degree in economics and business	30-40 years	Internal growth within F&A of Angelini Holding
Marco Morbidelli	Group Chief HR & Organization Officer	55-60	Degree in law	30-40 years	TELCO company, HR business AngeliniGroup, HR Director Pharma, HR Director Angelini Holding
Enrica Dogali	General Counsel & Corporate Affairs	45-50	Degree in law	0-5 years	Law firm, legal directorconsumer goods, General counsel
Alessandra Favilli	Institutional & External Relations Director	60-65	Degree STEM	0-5 years	Communication consultant, CEOof consulting firms.
Marco Lanza	Chief Information & Digitalization Officer	55-60	Degree STEM	10-20 years	IT industrial and pharmaceutical companies

Source: Angelini Group

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