



This case was written by Alessandro Zattoni for ISVI - Istituto per i Valori d'Impresa.

This case was developed as part of a scientific research project for educational purposes. The case is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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ISVI - Istituto per i Valori d'Impresa

Viale Bianca Maria 24 - 20100 Milano Italy



## GEICO<sup>1</sup>

Geico specializes in Engineering, Construction, Installation, and Commissioning of automated turnkey vehicle body painting systems. Part of an Italian-Japanese alliance since 2011, where Geico has the global leadership with the exception of Japan and Korea. The Geico-Taikisha alliance operates more than 50 offices in 28 countries with 6 production units. It has an average annual turnover of \$1.8 billion and over 5,000 employees. Its customers are major international car manufacturers including Audi, BMW, Chery, FAW, FCA, Ford, GM, Honda, Hyundai, MAN, Mazda, Mercedes, Mitsubishi, Nissan, PSA, Qoros and Renault.

The company has set itself a very specific challenge. The entrepreneur states, "For us the future has a date, a name and a goal: 16 June 2020, Energy Independence Day, to produce zero environmental impact painting systems". In other words, to offer the market a paint shop that will be fully self-sufficient from an energy standpoint by this date.

### Geico Origins

Geico was born from the entrepreneurial initiative of its founder Giuseppe (Pippo) Neri. Together with Giancarlo Mandelli, Giuseppe founded Neri & Mandelli in 1963. In 1965, 70% of the company was acquired by the Carrier-Drysys group specialized in the production of painting systems. The company was renamed Drysys Equipment Italiana. In the early 70s, Drysys went through a severe financial crisis that was resolved when Haden, a British publicly traded company, acquired it. The cultural differences on a management and industrial level, together with the crisis in the automotive industry, led Haden to start shutting down some units, Drysys Equipment Italiana amongst them. To circumvent this, Pippo Neri decided to acquire the company with a management buyout. In 1976, he founded a NewCo called Gecofin SpA and acquired 70% of Drysys Equipment Italiana, renaming it Geico.

In its early years, Geico was a typical small and medium Italian entrepreneurial venture. The family was personally involved in managing the business. The founder, Pippo Neri, was a very energetic man who treasured direct contact with his employees. He was a visionary entrepreneur and deeply passionate about his work. He had a clear vision of the business and although the company was small

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<sup>1</sup> This case was drafted by Alessandro Zattoni, Full Professor at Libera Università Internazionale degli Studi Sociali (LUISS) Guido Carli.

at the time, he decided to base its growth on entering new markets abroad (e.g., Nigeria, China, Russia and Serbia).

### **Ali Reza Arabnia**

Ali Reza Arabnia was born in Tehran (Iran) in 1955 to a family of property developers with a strong entrepreneurial culture and tradition.

His personality and particularly his strong sense of responsibility were highly influenced by his education and his parent's affection. His mother was a strong believer in anti-classism. In addition to personally dedicating herself to many philanthropic activities, she brought up her children to care for the underprivileged and take concrete actions on their behalf.

His father played a very important role in Reza's (as everyone calls him) education. He was a successful entrepreneur who ran several companies operating in different sectors and was very attentive to his children's education. For instance, when Reza received unsatisfactory grades at school, his father decided to arrange a surprise lunch for his first-born.

"I was 16 and my father called my mother to tell her that I had to dress well because he was taking me out to lunch. A driver arrived who took me to a beautiful villa, a very serious and somewhat baroque private club. My father asked me to look around and tell him what I saw. I replied that I saw elderly people talking to each other and eat. He told me that those people were members of the Iranian 'aristocracy'. He added that many of them had not done anything with their lives and lived exclusively on annuities. According to him, they were nobodies, and I had to decide whether I wanted to become productive as he was, or do nothing like those idlers. Finally, he stressed that he would leave enough money and assets to feed ourselves, our children and even our grandchildren. However, I had to remember that life is not just about eating, and that all that is material can disappear at any moment. Lastly, he concluded by saying that the only thing they could never take away was knowledge. For this reason, I had to start studying seriously."

After finishing his studies at the most prestigious Iranian school and completing his military service in April 1977, Reza went to England to attend college. There he met Laura, the daughter of Giuseppe Neri. In 1980, Laura and Reza decided to get married and, soon after the wedding, found themselves facing unexpected financial problems. Following the outbreak of the Iranian revolution, the country had heavy sanctions imposed by the international community, simultaneously blocking financial flows to and from it. Reza was thus unable to gain access to the family assets in Iran.

Unable to find work and not wanting to ask his father for help, Reza decided to pursue a degree in Business Administration at the American John Cabot University in Rome. While at university, he held various and even humble jobs (such as a bellhop). Then a curious incident changed his life.

"One day, during a visit to my in-laws, I met their housekeeper's husband and while making small talk he told me that he had found a well-paid job on a cargo ship working in the kitchen and earning about \$1,000 a month. The only problem was that he could not take his family and the journey could last a couple of months before returning home. Despite suffering from seasickness and not liking being away from my family, it seemed like a good opportunity and I decided to join him on his next trip. My father-in-law, on hearing of my intention, took me aside and said, "If you're willing to leave your wife to go on a ship for two months washing dishes, why don't you agree to replace our accountant in Nigeria for two months?"

At that time (1982), Gecofin had a minority stake in a company located in Nigeria. The situation was complicated due to numerous problems: the coup d'état, the violence between the tribes, delinquency, the high tension in big cities, and so forth. Moreover, Reza spoke only English and although the Nigerian employees spoke it well enough, the Italian employees did not. Reza had studied management but had never worked in an accounts department. However, he quickly discovered that the work was not difficult and simply entailed checking the accounting records. After few days, he tried to understand how to use his time profitably to make the most of the experience in Africa. He asked if he could do more and the head of the subsidiary gave him *carte blanche*. He began to study the business processes to improve efficiency.

In Reza's words, "It was a fantastic experience, I didn't sleep for more than four hours a day but my studies became more profitable every day. After having deeply analysed the company's activities and its operational needs, I redesigned the organizational flows and then left it to the head of the subsidiary to choose the right people for key roles. Meanwhile, I reviewed and set up the entire industrial and managerial accounting system. In addition, I created what is now called the "Quality Manual" with flow charts for each division along with interactive flows between the divisions. All contained in two binders. Meanwhile, I also learned Italian, and when I came back to Milan, I spoke to my wife for the first time in her own language".

After some time, Pippo Neri visited the Nigerian subsidiary. The manager spoke very highly of Reza and showed him the project he had undertaken. Recognizing the quality and intensity of the work, on his return to Italy, Pippo Neri asks him to redesign the group management control system. Reza designed the entire group's Managerial accounting and Controlling systems. His father-in-law was

very satisfied with his work and insisted that Reza work for him as a personal adviser, involving him in various activities without defining a particular job.

After more than a year, the accounting officer of the Nigerian subsidiary resigned and Pippo Neri asked Reza to return to Nigeria to handle the emergency.

His stay in Nigeria lasted longer than expected because in the meantime the subsidiary director had also resigned. Pippo Neri proposed his son-in-law's promotion to CEO to the board of directors. The representatives of the Nigerian shareholders approved the appointment because they had seen him at work and liked his determined approach and affable way of treating people. Reza thus became CEO in 1984 at the tender age of 29.

The Nigerian subsidiary implemented painting systems based on Geico technologies. However, a drastic change on the political level and the almost total prohibition on imports prevented access to the technology thus far supplied by Geico. Nor could they import essential components to implement the systems. Under such conditions, the Nigerian subsidiary could no longer continue to perform the same activities as before.

Reza had to rethink and reshape the company by focusing on activities in line with the country's new business environment. This practically implied redesigning the company, as they were no longer able to count on Geico's professional and financial help. However, in a short time, the new corporate structure started producing tangible results, up to reaching a higher level of turnover than the parent company.

As an advocate of the importance of the well-being of employees, Reza began to address their needs in a structural way with care and passion. Beyond his strong relationship with the Italian employees, he was committed to improving the working and personal conditions of local workers. He personally met them all to understand their potential. In addition, he promoted study and learning to further their professional development, career advancement and related salary increases.

Reza changed the company also from an aesthetic and pleasantness point of view. The offices became more attractive, the workshop became more like a laboratory in terms of hygiene, order, functionality and safety of working conditions. He asked for plants and flowers to be planted both inside and outside the factory. The company was so beautiful that it attracted considerable curiosity and numerous visitors.

After about two and a half years, Pippo Neri returned to visit the subsidiary and did not recognize it as it had changed so much. The company was well-organised and produced excellent results, which contributed to sustaining Geico itself. Pippo deemed that Reza's time at the Nigerian subsidiary had come to an end and wanted him back in Italy.

After about six months of managing his replacement, Reza returned to the headquarters convinced of becoming the number two at Geico working alongside the entrepreneur. Instead, just after his return, he was sent to work at a small company called Fast, which produced paint tinting and mixing machines. The company was failing with a turnover of £4 billion lire and losses of £2 billion (about 2 million euro and 1 million euro respectively).

Despite being small and in crisis, Fast had important shareholders with a board of directors that included the highest professionals who had imposed a very ambitious growth strategy based on a new and "revolutionary" product for the auto paint repair market.

Unfortunately, after only six months, Reza realized that the product on which the company's strategy was based would not work technically.

Fast sold machinery to major paint manufacturers, who delivered them to stores that sold paint. The business model was centred on the needs of paint manufacturers, while the end user was almost ignored. Reza analysed the sector to identify a successful business model, but clashed with the corporate culture, as expressed by the motto "Tighten belts, roll up sleeves and go". A very different model from that based on studying the market and developing a business plan.

Cultural differences and the diversity of interests generated tension between the partners. Reza decided to buy all the shares on behalf of Gecofin.

At weekends, Reza studied new strategies through the analysis of both the internal organization and the market opportunities. He realized that the most attractive market, the production and marketing of paint tinting machines for the construction industry, was being overlooked.

"The big paint manufacturers were primarily interested in meeting the needs of automotive manufacturers. Only secondarily did their interest turn to body shops to sell Refinishing paint. It was the same in our group: Geico was focused on auto painting systems and Fast on machinery for the Refinishing market. However, outside of these two worlds was by far the most important market, but it was being ignored because it was not tied to the auto industry."

In industrial groups, including Geico, those operating in the first market segment had power and prestige, those who worked in the second were considered sons of a lesser God.

Reza decided to perform an analysis to understand the real business opportunities for the company. During the interviews with paint factories and body shops, he realized that Fast's offer was considered trivial and did not deliver great value to customers. Before Reza's arrival, the shareholders had tried to create a very innovative product, which could have created significant value for the body shops, but for various reasons had not been successful.

The more information he gathered, the more he understood that the real potential for the company's growth was in another market: the construction or "decorative" market as it was called. Customers of Decorative Paint Shops were generally happy people because they wanted to buy paint for their old or newly purchased homes. The Decorative Paint Shop owners were proud because they felt like small entrepreneurs and were loyal to their craft. They owned manual machines to produce various colours by mixing paints according to the instructions provided by the paint manufacturer. Reza sensed that he could transform them from small entrepreneurs into proud industrialists, supplying them with an automatic machine that could give the feeling of running a small paint factory. In his words:

"Before, paint Producers used to give manual machines to Decorative Paint Shops as far as they would buy paint from them. The machine I had in mind was too expensive to be gifted and, consequently, not interesting for paint manufacturers. They reasoned with the rational part of the brain. But I was convinced that the emotional part would have much more influence on the decisions of these small entrepreneurs. This would give them industrial status with their own factory within the store."

Moving from the idea to the deed implied overcoming various obstacles. First, traditional customers were wary. Furthermore, Fast did not have the necessary knowledge, for example, in the electronic field. Finally, money was scarce, and the risk was high. However, Reza decided to proceed with the project involving some companies specializing in electronics and precision mechanics.

Due to a fortuitous event, Reza met some managers from Akzo Nobel, the leading producer of paint worldwide, precisely when they were looking for alternative machinery suppliers. After creating a functional prototype according to their needs and having received confirmation, Reza entered into an exclusive agreement for the supply of one thousand machines in seven years.



Unfortunately, at that time Pippo Neri discovered he had a serious illness. It was a very difficult time because Reza's father also passed away. On the death of Giuseppe Neri, on 4 February 1994, Reza and his wife Laura decided to buy the shares held by Pippo Neri's heirs who were no longer interested in being involved in the company. Through a management buy-out, the Arabnias acquired control (56%) of Gecofin.

Geico was going through a negative period and required a partner. Reza went to Japan to try to build a partnership with Toyota. An acquaintance who worked for the Fiat group advised him to contact Comau, a Fiat Group company active in the production systems sector. Reza met them and signed a working agreement. Subsequently, in 1997, Comau strengthened the agreement through acquiring 51% of Geico.

In 1998, the Neri family members, except Laura, wanted to liquidate their shares in the company. Reza, already financially exposed due to acquiring control of Gecofin, asked them to wait a while, but gave them his word that if they received an important offer, he would not leverage his 56% voting rights and would give each member a vote irrespective of the shares held. After about six months, an American group made a very advantageous proposal to acquire Fast. Fast, as it had become unlike Geico, which was the result of Pippo Neri's labours, had been Reza's creation and it was therefore terribly difficult for him to accept its sale. At the same time, the sale would give Pippo Neri's heirs a realistic chance of achieving their dreams. Having given his word, and failing to find alternative funding to meet the request of his acquired family, he decided to put the American offer to the vote. Unfortunately for Reza, the majority of the family decided to sell.

The American company asked Reza to stay for at least two years to ensure management continuity. Despite his disappointment at the sale of the company, Reza continued to work with the same enthusiasm and determination. Fast grew and obtained excellent results: in the three and a half years after the acquisition, the company grew from \$30 to \$170 million in revenues with an operating profit of \$40 million.

Meanwhile, Geico had to address both economic and financial problems. Entry in the Comau group had initially brought benefits, since belonging to a large group and financial soundness were elements that automakers particularly appreciated. Thanks to the Comau group's contacts and visibility, Geico acquired its first large contracts. Subsequently, with the Fiat Group's crisis in the early 2000s, the parent company changed its priorities and Geico was no longer considered part of the core business. The crisis had led to a high turnover in the firm's top management: from 1997-2000 Geico had only had one CEO, but from 2001 to 2004, three succeeded one another.

Geico's situation was very critical: three consecutive years at a loss, financial exposure close to turnover, low morale of the old guard leaders, the absence of clear leadership and continuous organizational changes.

Reza was one of the candidates to become CEO of the American company that had acquired Fast. He was highly esteemed by the outgoing leader and respected by his colleagues and collaborators. While agreeing to retain the Fast chairmanship, Reza decided to exit from the operational roles to deal with Geico. Reza says today, barely controlling his emotions:

"I could not accept that the company that my father-in-law had created with a great deal of personal and financial sacrifices was going into insolvency. Also, I could not stand by as a spectator to the sad and undignified end - from a professional standpoint - of all those who had helped me years before to integrate me in Geico. This was a morally unacceptable option for me."

Reza's desire to reacquire Geico from Comau corresponded with the Fiat Group's strategy to sell companies in difficulty. The transaction was completed on 15 July 2005 with the acquisition of 100% of Geico SpA shares, which in turn - after the Fast operation - had become 100% Reza and Laura's property through Gecofin Spa.

"I came out of the closing meeting with the consultants who had assisted in the Fast operation. They told me affectionately that I was a bit weird. When I sold Fast, I was incredibly sad despite receiving a lot of money. Now that I had bought Geico in crisis with a great deal of personal debt, I was as happy as a child."

At this point, Reza became President and CEO of Geico and, having agreed that all Comau leaders would return to Turin, had to reorganize the company in the shortest possible time.

### **The First Turnaround**

In 2005, Geico had seen a loss for three consecutive years and morale was very low. The banks were ready to withdraw the credit lines and the resources were lacking in the company to finance large future investments.

Reza initiated a review of the internal processes to improve business efficiency, designing lean and linear organizational flows, reducing the hierarchical levels, simplifying the document approval processes (passing in some cases from 12 to 2 signatures).

To avert the fears of suppliers and banks worried about the disappearance of the Fiat Group's economic and financial support, Reza decided to organize the first *Innovation Day*. This was a full day in which the company presented its new strategy to banks, suppliers and other stakeholders, which included:

- 1) focusing on Turn-Key Coating Plants for the Vehicle Industry;
- 2) an operational plan on how to satisfy the key success factors with a reduction of the costs for operating of such plants;
- 3) aligning the strategic goals with respect for the environment, people and the community;
- 4) verticalization of technologies employed in the systems.

This strategy was summarized with a final objective: 16 June 2020 - when Reza will turn 65 - has been designated "Energy Independence Day", the day when Geico will be able to build a fully self-sufficient painting system in terms of energy consumption and zero carbon footprint.

"In October 2005, we invited banks, strategic suppliers and other stakeholders to Geico. Of the many invited only a few turned up and some just to see if we had any chance of surviving. We presented our plans up to 2020 and told them that every two years we would organize a meeting to present the market development and the corporate innovation projects on a technological and cultural level. Those who took part were impressed and spoke well of us outside."

In parallel, Reza also started a cultural revolution. The corporate culture was influenced by his father-in-law's hierarchical structure as well as the detached management style of the Comau group. Many long-standing managers had a low level of education. Their intelligence had enabled them to learn the job, but they were monocultural, had a self-centred mentality and were not very respectful of the work of those considered inferior in terms of level and competence. Reza realized he had to dismantle the deeply ingrained habits if he wanted to revive the company.

While pursuing the organizational changes, he asked a consulting firm for a staff assessment. The results were paradoxical: everyone was proud of his/her work and felt indispensable to the company, but at the same time considered their colleagues inadequate. In addition, employees were unmotivated because they thought Geico did not have the technological knowledge needed to compete with international competitors.

Reza brought together all those with managerial responsibilities and communicated that this mentality was no longer acceptable: everyone must put the company first. All employees must

understand the company's business, the core competencies, the competitors' profiles, their strengths and weaknesses, and how to bridge this gap and build a competitive advantage.

He initiated a series of training courses to transfer business-related skills (e.g., the paint systems) or more extensive management skills (e.g., 6 Sigma). These courses taught employees how to measurably and methodically identify the needs of both internal and external customers, how to de-bureaucratise and de-politicize the company to streamline and speed up the business processes. Finally, he organized cultural courses to communicate the new corporate values on which to rebuild the approach to work. He wanted to facilitate the transition from a management model based on "Monarchic Darwinism" to one based on altruism, sharing and team working. Values such as respect, fairness and hospitality replaced careerism, classism and individualism.

Reza told everyone, "Our values are respect, fairness and hospitality. You have to stop shouting or speaking ill of colleagues, you must learn to explain in a civilized manner and to confront each other openly".

His desire was to transform Geico employees into responsible, polite and friendly people. According to Reza, anyone who came to the company must be met with a smile and a welcoming attitude from the staff, starting with those at reception. All those who work for or visit the company must be respected. To facilitate the change process, he improved the working environment: the walls were painted in more vivid colours, the elevator was made warmer and brighter, the offices and common areas were furnished with plants and paintings.

"At first the change was fierce. I asked everyone to leave their desks clean at the end of the working day. I passed through all the offices and, if I saw a piece of paper on the desk, left a post-it note simply asking: why?"

Some new graduates decided to leave the company because according to them "it was becoming strange". On the other hand, the employees remaining in the company embraced the belief that collaborating and greeting colleagues, customers and suppliers was pleasant. The cultural change progressed gradually and won over the employees.

Working mostly with small banks and agreeing to pay a slightly higher interest rate, the company was able to obtain the necessary financial resources to finance the development. The banks imposed the condition of substantially increasing capital to secure their funding. With the entrepreneurial family's numerous sacrifices, the company managed to restart and make its first investments. In 2006, Geico acquired the Haden Drysys patents and simultaneously created an international network

called the "*all Geico Project*". These actions enabled the company to exit from the crisis and turn into one of the world's leaders in industrial plants in the auto industry. In 2006, the firm achieved record orders thanks to contracts with GM, NASA, Fiat and Renault. The following year, turnover was still growing and the outlook was very positive. On the second *Innovation Day* in 2007, Geico's top management presented the projects to its stakeholders, those underway and those to be launched in subsequent years. The event reassured stakeholders on the company's competitiveness and the big banks come back to propose themselves as potential lenders.

### **The Second Turnaround**

At the beginning of 2008, the company forecasts were extremely positive and showed an improvement over the previous years. However, by mid-year, with the worsening financial and real estate crisis, customers started cancelling their orders. From August until the end of the year, orders that were already or almost in the portfolio for an amount exceeding €120 million were cancelled. Thanks to the turnover in the first half of the year, the company closed the year with a profit close to breakeven, but with no prospects for the immediate future.

2009 presented itself with 30 million in revenue and the market at a standstill. Customers continued to cancel orders. The largest contract in the company's portfolio was with an American customer whose financial situation was very critical: only a step away from bankruptcy. This customer still had to pay Geico a considerable sum for already completed work. An Italian-Indian joint venture was struggling to meet payments within the stipulated deadlines. The financial crisis called into question the company's survival.

This was probably the most difficult period in Reza's entrepreneurial life. He knew that the decisions taken would have a major impact on the company's survival. If his predictions proved correct, the company would celebrate the end of the crisis. If they proved incorrect, Geico would be in danger of collapsing and all employees and stakeholders would turn against him:

"I had never gone through such a bad time in my life, even during the Iranian revolution. I would wake up at night in a cold sweat, asking myself: what will we do? Liquidity was lacking, but I was convinced that sooner or later the market would restart."

In accordance with his belief in transparency, the entrepreneur decided to explain to everyone, in a straightforward way, the actual situation the company was in. The transparency and honesty with

which he presented the company's situation and possible future developments gave strength and security to employees. The company was very different, more united and stronger than in 2005.

Strategically and financially Geico was at a crossroads: in the absence of new orders and without new investments, the firm would have exhausted its financial resources in two and a half years; however, if the company were to invest in technology, staff training and market research, the financial resources would be exhausted in two years. Reza arrived at the conviction that, despite the absence of orders on the market, it was time to invest to gain market share once demand restarted.

"I told the staff that I thought it was right to proceed with the investment. If we win, everyone will speak of the foresight of investing in people and technology in a time of crisis. If we lose, you will be the first to criticize me."

Ali Reza decided to focus on technological innovation and the skills of employees to be able to offer added value that would be recognized and appreciated by customers once the market resumed. He sent some employees around the world (e.g., China, India, North America, South America) to identify which car manufacturers would recover, when and under what conditions. He invested in training, working on processes, understanding which markets to focus on and with which technologies. His goal was to create a competitive and dynamic company, ready to seize the market recovery when it came. This period saw the birth of the Geico R&D centre called *Pardis Innovation Centre*.

In October 2009, at the height of the financial and industrial crisis, Geico organized the third *Innovation Day* at the Trezzano Rosa research centre inaugurated that year. The company presented its current and future projects. The event proved to be a great success. Despite posting a loss, the banks proposed opening new lines of credit without having received an explicit request.

In 2010, the market resumed and Geico won an order to build the first plant in Russia, subsequently acquiring an order for a plant in Brazil and four plants in China. Everything became easier.

During *Innovation Day* in 2011, the alliance with Taikisha was announced, the Japanese giant specializing in the construction of vehicle body painting systems. Gecofin kept 49% of Geico shares and Taikisha acquired 51% to consolidate the company's results in its financial statements. The alliance was beneficial to both because it brought together two companies that operate in the same sector with complementary skills and resources. On the one hand, Geico had the opportunity to qualify as main contractor in international tenders that it had previously been precluded from due to its small size. On the other hand, Taikisha acquired access to the technology developed by

Geico. The agreement strengthened Geico's leadership in the vehicle body painting systems sector in all world markets, except Japan and South Korea, which the two partners had agreed to leave to the Japanese company.

In 2013, on the 50th anniversary of the company's birth, the new headquarters in Cinisello Balsamo were inaugurated with a new research centre and Laura's Garden of Thoughts. The new *Pardis Innovation Centre* was the ultimate expression of Geico technology and the most important R&D centre in the world for vehicle body painting systems while Laura's Garden of Thoughts was an ideal place for employees to improve their physical and mental wellbeing.

### **Competitive Strategy**

The profitability of companies producing painting systems for automobiles is strongly affected by the high purchasing power of large car manufacturers given that they are very conservative customers who prefer to buy equipment from national suppliers with whom they have established long-term relationships.

First-tier customers are conservative in technological choices and aggressive in the use of bargaining power. They want to reduce price to the minimum and delay payment to the maximum. They also often change their plans suddenly and unexpectedly without feeling bound by commitments or public declarations. Suppliers must avoid passively giving in to their demands, otherwise risking uncertainty. In the words of the entrepreneur, the characteristics of the main customers should be seen as an opportunity:

"If the problem is the same for everyone, it is an opportunity and not a threat. To avoid competition, we have to differentiate ourselves from competitors. We have to be much better than they are because many painting system manufacturers have a partnership with automakers in their country and we do not."

To distinguish itself from competitors, Geico periodically reviews its standards, seeking to reduce system costs without diminishing the value for customers and investing in improving the performance and quality. To avoid the harsh price competition, the company endeavours to convince customers to think about the overall system costs (i.e., acquisition and management).

"In Brazil we won an order for a difference of €100,000 on a contract worth €180 million. With such a competitive price we could not make a profit of €1. So we created a team of engineers and a *Value*

*Engineering Team* with the customer, which allowed us to demonstrate that if they reconsidered the project according to our indications, they could save 20 million on the plant itself. Given these savings, we requested 7 million more for the design, construction and assembly of the plant. A win - win situation: the customer reduces overall costs and we gain."

The culture and organizational complexity of client companies makes it difficult to negotiate on the overall costs of the plant. Automakers distribute decisional responsibility for the acquisition of plants to different departments. When submitting integrated projects (which include, for instance, the construction of the building and paint workshop), Geico has to convince two different managers who have their own budgets and are not willing to think about the total sum. For the same reason, it is very difficult to convince the client company to think about the sum of operating and investment costs. Automakers want a short-term return on investment and do not consider cost savings for a period longer than a year.

Even though Geico had cutting-edge technology, it was far from simple to win new customers. The major automakers are in fact very conservative and are reluctant to be the first to use an innovative solution. To try to overcome this obstacle, Geico created a research centre where they could show customers the most innovative sections in line with their vehicle bodies<sup>2</sup>. Thanks to this investment, the company can reassure potential customers on the quality of its products, thus facilitating winning new contracts. However, not all automakers are equally responsive to this initiative.

"Automakers are divided into two categories: we define first-tier manufacturers as *tech pushers* and car manufacturers from emerging countries as *tech pullers*. The former do not trust innovations and only employ traditional and extensively tested technologies. They say this is a laboratory and not an actual plant and that we can only simulate but not run real tests. The latter are located in emerging countries and are hungry for technology. They do not have a history and want to build the most modern factory they can. They are licensees of high-profile automakers and want to prove that they are better than them. These are customers to whom we propose the latest and most sophisticated technologies. After a couple of years, when the plant has acquired a positive track record, we bring conservative customers to visit it and, at that point, we can convince them that the innovative solution offered works."

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<sup>2</sup> A painting system can vary from 20,000 to 100,000 square meters, spread over two or three floors. The manufacturing companies build sections of an operating system in their research centres to run tests with the customer products.



## **Cultural and Technological Innovation**

Reza is a strong supporter of finding a balance between emotional and analytical intelligence as well as all-round innovation. He believes that companies should dedicate equal attention to technological innovation (to develop better products and production processes) and cultural innovation (aimed at improving the business climate and the welfare of workers). Consequently, Geico is a company characterized by all-round innovation that includes the Pardis Innovation Centre - the company's rational and technological soul - and Laura's Garden of Thoughts - the cultural soul tied to emotions and individual creativity.

Cultural and technological innovation is pursued during meetings dedicated entirely to one or other dimension. These meetings are bi-monthly and attended by the Executive Directors in charge of the various departments, the HR manager and J-next representatives. All employees can submit innovation proposals, which are assessed during specific meetings to understand whether they are feasible and, if so, what benefits the company can derive. The committee always provides feedback to the proposers, also in case of a negative outcome. The proposed technological innovation may refer to a simple detail (e.g., the use of bolts instead of welding) or far-reaching innovative ideas. In the words of Luigi Lazzari, Senior Executive Director Sales:

"These are meetings where we reason freely and without limits. We create committees composed of internal and external members with skills appropriate to the topic under consideration and set ourselves clear targets to be achieved. These committees are managed by a manager and periodically examined by the general coordinator of all innovation projects, namely, Daryush Arabnia. We assess new proposals as well as the progress of approved projects. We assign responsibility for each project to a program manager. In the past, extremely important technological innovations have been implemented while now it is becoming more difficult to propose radical innovations. However, all approved projects (such as the inclusion of LED bulbs or recovery of energy from heat emitted) have significant effects for Geico."

The great attention that Geico dedicates to technological and cultural aspects allowed the firm to win numerous national and international awards. For example, at the prestigious 2014 Surcar international conference (the most important conference in the world on *Automotive Body Finishing*), Geico received three awards: first place in the technology category for its paint shop project with Chinese OEM Qoros, second place in the innovation category thanks to the high technological content of the system solutions, and first place awarded by the jury composed of car manufacturers

and independent experts for its all-round innovation approach (technological, organizational and cultural).

### **Technological Innovation**

Geico has always invested in R&D to be able to offer its customers the best and most competitive technological solutions on the market. To achieve this goal, the company pays great attention to the selection and training of employees, who thanks to these investments are all professionals with highly qualified technical skills.

Even before the arrival of Ali Reza, Geico had invested in innovation, but in a purely technical perspective. However, lacking an organic project, the activities were unrelated and were born from the volition or ability of some. In the words of Gabriele Gironi, who coordinates the development of technology:

"For the first time, we had an organic view of innovation, a sustainability project articulated in concrete concepts and inspired by a technical and cultural vision. In 2006, participating in several international conferences, we realized that no company in our industry had a plan and a vision like ours."

In 2013, as part of the fiftieth anniversary celebrations, Geico changed its headquarters and R&D centre (*Pardis Innovation Centre*) into an innovation-based structure. The research centre is one of the most important technology centres in the world in the field of painting systems in the auto industry. The cornerstone of its philosophy on innovation and respect for the environment is creating a self-sufficient painting system from an energy standpoint. The company's goal is to present this system to the market by 16 June 2020, *Energy Independence Day*, when Ali Reza will theoretically have reached retirement age.

The company is on track to achieve the energy independence goal. From 2005 to 2015, Geico went from energy consumption of 900- to 320-kilowatt hours per vehicle body. The goal is to reach a 70% reduction in energy consumption (thermal and electric) with alternative solutions to those used in 2005, the year when the project started. Achieving this goal means producing a painting system with an overall production capacity of 360,000 vehicle bodies annually with just 270 KW/hour of energy consumption per vehicle body from renewable energy sources. Geico will thereby achieve a system with zero environmental impact, zero CO2 emissions and zero water waste.

"This will be the gift that I will leave to our society, community and country. I have received so much from this world. In my small way, I would like to leave something important behind for those who come after me" Reza says with a little philosophical romance.

The words of Luigi Lazzari reflect the true meaning of Geico's challenge:

"If we wanted to be cunning, we could achieve the goal quickly by installing numerous solar panels. Instead, we try to find efficient cost-benefit solutions. Innovations do not only derive from the proposals of technicians and collaborators, but also from a careful analysis of the solutions adopted by companies operating in other sectors."

Geico intends to reduce its impact on the environment far beyond what is required by law. Not only has it installed incinerators that generate energy through reusing the fumes dispersed in the environment, but also recovers liquid discharges resulting in water savings and a reduction of the environmental impact.

Technological innovation is also aimed at producing simpler systems. The simplicity of plants is one of the key drivers of customer orders because simple systems require less maintenance and less space, they get less dirty and have a lower malfunctioning probability.

Collaborations with suppliers allow Geico to use their complementary technical skills while maintaining a relatively lean technical structure. The company pays great attention to the protection of intellectual property and actively safeguards its products from the opportunistic behaviours of competitors.

### **Cultural Innovation**

Reza strongly believes that cultural innovation and technological innovation are synergistic. The success of an enterprise rests on efficient behaviours and collaborative attitudes. If a cultural predisposition is lacking, it becomes difficult to carry the technological innovation process forward. In other words, the person comes before the professional.

"I believe in teamwork. We should not assess people only on their efficiency in accomplishing a task. Some people do not contribute in a special way from a technical point of view, but their presence balances the team and gives a touch of serenity because they know how to be part of a team."

To overcome the cultural approach inherited from the past and enable the company to evolve in the desired direction, the entrepreneur has imposed his own extremely determined vision. Reza is convinced that a friendly smile and a positive attitude will improve the satisfaction and motivation of people. Consistent with this philosophy, he encourages all employees to smile and greet people they encounter in the company. At first, the response was timid. Employees were sceptical, because they could not see any link between such conduct and the production of painting systems. Then they personally experienced how working in teams with a collaborative spirit allowed them to produce the best paint shops. This experience enabled them to overcome their reluctance, turning them into ardent supporters of this cultural approach.

According to Reza, a corporate culture deeply rooted in values such as respect, fairness and acceptance will enable Geico to meet customer expectations and, at the same time, contribute to the development of individuals, communities and the environment.

Those responsible for the corporate identity and human resource functions nourish and sustain the entrepreneur's determined cultural approach. These functions have the objective of developing the corporate culture and also transmit it externally (through its stakeholders) so that it becomes an integral part of the company and the people working there. The attention to employee and stakeholder welfare is tangible. For example, Geico has joined the "Near to You" service, a company that directly delivers fruit and vegetables to employees and allocates at least 5% of receipts and 50% of profits to social activities. Geico intends to expand this initiative by launching a dinner take-away service at its corporate restaurant. In addition, the company pays special attention to maternity care, allowing employees who have become mothers to stay at home until their children reach the age of one. Finally, the indoor gym, designed to support work-life balance, can be freely used during the lunch break or after working hours. The company focuses on structuring this cultural approach in choices aimed at combining the well-being of the person with business efficiency. Geico has not, for example, activated forms of teleworking and *smart working* because it considers these impractical for the type of activities it undertakes.

People in Geico have a key role and the company therefore pays great attention to their health and their personal and professional growth. Laura's Garden of Thoughts, inaugurated in 2013 in honour of the entrepreneur's wife, is designed to improve the welfare of Geico employees. According to Reza, this immense space (over 2,000sqm) is designed to develop the right side of the brain linked to creativity, emotions and feelings. The garden includes an area for meditation, a gym, an amphitheatre and a photo gallery for culture and entertainment as well as a bistro where workers can enjoy Italian

cuisine. Geico regularly organizes entertainment events in this space (e.g., exhibitions of paintings, photography and sculptures) and cultural education (such as *Teasing Fridays*<sup>3</sup>). The rationale behind this project is well explained by the entrepreneur:

"I have been lucky in my life because I have had so much affection. From this love comes the desire to do something for Geico employees. Many of them spend long periods traveling around the world in climatic and living conditions that are not easy. When they return to the company, they should feel at home and must perceive our appreciation and affection. So one day, I decided to turn this large room, which could have been rented out with good returns, into a point of reference for the well-being of employees. I tried to recreate an Italian village with a garden, a fountain, a gallery and a restaurant near the waterfall."

Some workers when they first saw it were worried because they feared that such a beautiful space could be negatively perceived by customers. In fact, the feared effect has not occurred; on the contrary, many customers who visit the company react positively. Thanks to the Experiment Day project, customers can spend an entire day visiting the headquarters and meeting the workers. Some customers are so impressed by the beauty of Laura's Garden of Thoughts that their attitude and views of Geico and its workers improve after the visit.

Reza is a staunch supporter of continually training employees. He has great respect for those who have dedicated much of their lives to the company and, for this reason, wants to develop and enhance their experience and skills. To promote the professional growth of employees, Geico has created its own school, the Pippo Neri Campus (in memory of the founder) where managers, suppliers or partner companies design and deliver comprehensive training courses.

This continuous and unrelenting cultural innovation has had a major effect on employees. At first, being largely technically and engineering minded, they were most affected by technological innovation. Later, they realized that the cultural innovation had produced profound effects in terms of their pride and sense of belonging to the company. Reza jokingly claims to have to pay attention to what he says because the consequences on people's behaviours are sometimes unpredictable.

"My goal is to motivate and to grow all stakeholders. But I also have to be careful about what I say. The day before the *Innovation Day*, I pointed out that one of the spaces in the centre was a little empty. Within an hour, they had rented trees and created a forest. On another occasion, I was not

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<sup>3</sup> *Teasing Fridays* are cultural events organized on a regular basis. The protagonists of these events are esteemed individuals (e.g., writers, journalists and entrepreneurs) characterized by having experiences to narrate and emotions to share.

convinced of a particular colour, the supplier worked all night to find the right colour just because he did not want to disappoint me. When people believe in you, the return is incalculable."

## **Human Resource Management**

Geico's culture fosters a "*sense of ownership*" in employees. Employees do not reason by objectives and performance is not evaluated only on results. Geico tries to avoid employees focusing on a single goal to the detriment of other objectives and the cultural dimension.

The human resources function reflects the attention to the company's values and culture. This is of great importance and its main objective is to facilitate the transmission of company values to all employees in Italy and abroad.

The employee assessment process is consistent with this approach. The assessment form includes four sections: competence (i.e., technical and professional skills, results orientation, reliability, analytical skills, ability to synthesize), growth (i.e., availability, flexibility, innovation, potential, ambition), ethics and loyalty (i.e., spirit, ethics, presence, relationships with others, cooperation, altruism, responsibility, discipline) and leadership (i.e., personality, communication skills, ability to train staff, organizational skills, teamwork, systemic vision, stress tolerance, autonomy).

At Geico, self-evaluation and employee evaluation occur simultaneously. Each employee evaluates his/her own performance attributing a score to each criterion on the evaluation form. The direct supervisor is required to measure the frequency of observations and describe the actual behaviours of those who report to him/her. To facilitate the evaluator's task and to minimize errors, the human resources department has prepared an evaluation manual and designed a training course.

Subsequently, the evaluation form is handed to the Executive Vice President of the division and to the human resources department. The latter then analyses all the forms to identify any obvious elements of subjectivity.

Thereafter, the President meets the group of Executive Vice Presidents to discuss the performance of each person in detail and analyse his/her strengths and weaknesses. The process takes six full days. Based on the individual and overall ratings, the top management then decides on promotions and salary increases. This collegial process is aimed at avoiding that the individual judgment of a manager penalizes or favours certain employees.

On completion of the assessment phase, the human resources department returns the evaluation forms to the top management. The supervisor provides feedback to employees using the SWOT tool, namely, highlighting strengths, weaknesses, opportunities and threats. Through this process, they seek to help employees become aware of their skills and areas for improvement. Each characteristic can be assessed differently, for example, high ambition can be seen as positive but also as problematic. Following the performance evaluation, the implications in terms of career and remuneration are discussed. The final decision may entail a pay rise, a bonus or a promotion.

A second important process implemented by human resources is employee training. On-the-job training is particularly extensive and includes the development of technical skills and behaviours in line with company expectations. The business in which the company operates calls for personal sacrifices, for example, with regard to the installation and maintenance of vehicle body painting systems located in different countries such as China or Brazil. About 70 percent of employees work at the headquarters, the remaining 30 per cent reside in different countries around the world.

Site life is not easy, customers are demanding and often fickle. Employees must be willing to stay away from home for long periods of time to assemble the system at the customer site. From signing the order to the day when the first car is produced usually takes 18 months, of which at least 12 are for the construction of the system. The selection and hiring process must consider the availability of new employees to stay abroad for long periods. In relation to this aspect, Reza says:

"Geico invests six years to train engineers who are autonomous from a technical standpoint. The new employees must be able to work for long periods away from home. Our work is hard even in a physical and psychological sense, because we have to be prepared to go to the customer, continuously and without prior notice."

Geico is aware of the difficulties that may be encountered during site living due to both being away from home and the often-disadvantageous operating conditions. To try to alleviate the physical discomfort, Geico designs and builds comfortable workplaces also away from the headquarters. In the words of Luigi Lazzari:

"Our site office in Pernambuco occupies a space of about 300sqm and is equipped with air conditioning, a kitchen, bathrooms by gender, coffee maker and microwave oven. In Russia, we were in a run-down building from the '50s: we had it repainted, we changed the doors and made it cosy. In another site in Brazil, we installed solar panels to generate the electricity the office needed. These initiatives are not imposed from above, they are spontaneous proposals from our employees. In many

of our sites on the customer's premises, the automaker managers prefer to come for meetings to our offices because they are more comfortable."

Even the employee remuneration policy is aimed at developing a strong sense of responsibility towards the company. For example, at the beginning of 2015, Geico found itself in a difficult situation due to lack of new orders and customers continuing to defer those already in the portfolio. Despite the financial strain, the company did not block the payment of bonuses, but delayed the salary increases of managers (i.e., employees from the eighth level up) until April, coinciding with the arrival of orders.

### **Social Responsibility**

Reza believes that entrepreneurs and firms should have an active role in the surrounding community. As a result, both personally and through the company, he promotes numerous social responsibility initiatives. For instance, Geico offers a space in Laura's Garden of Thoughts to anyone wanting to use it for cultural initiatives.

"Business leaders have important responsibilities because their role can have a positive effect on the lives of the people they work with. If they create adequate, honest, peaceful and inspiring working lives, the workers will certainly want to be with their families and friends in the evening. The small community contributes to the improvement of the surrounding environment". He adds, "Leaders cannot wait for someone else to do what they can do to improve the world, cannot hide behind the fact that they pay taxes to public administrations that have the responsibility to fix what is wrong. This is not responsible behaviour. So in 2011, as the most important social problem facing the country was youth unemployment, I decided to hire 20 youngsters from 20 Italian regions, even if the company had no real need for new employees. I offered them a six-month paid internship, after which, if they performed well, I offered a fixed-term contract for one year to go around our international sites. Finally, if they lived up to our expectations, we hired them with a permanent contract. Thanks to this prospect, these twenty youngsters can start a family, access a mortgage to buy a house, and so forth. In essence, we contribute to society with greater planning. By extension, their partners, parents and friends are more relaxed knowing that their loved one has a job. I consider this as a tangible contribution to the country."

During the six-month internship, the youngsters alternate between training and on-the-job learning. This allows both the company to evaluate their skills and personalities, and the youngsters



to see if they can positively integrate into a company like Geico. At the end of the internship, those proving competent and keen, receive a one-year fixed term contract. During the year, the youngsters work at various sites around the world. This period is very important, because the experience away from home will test their strength, an essential quality for those working in a company like Geico.

Ali Reza says:

"A J-next youngster has refused to go abroad three times. He's a nice guy, polite, willing, but he cannot stay away from home. Values and skills are important, but also determination and a spirit of sacrifice. If you don't have a strong stomach you cannot go to sea. We do everything possible to retain talented people in the company. But we must also ensure that those who work for Geico have certain characteristics that are essential for us."

The periods at Geico's sites around the world also favour the creation of intense interpersonal relationships that facilitate integration and team spirit. Through these experiences, the company also wants to break down any cultural barriers that may arise between those who work at the headquarters and those who work at customer sites. Today, 12 youngsters already have permanent contracts and 8 others are on probation. Given the success of the program, Reza wants to continue it in the future.

In 2014, Reza created an internal club for all employees under 30 that they themselves have called J-Next. They have half a day a week to meet up and - without interferences of any kind - come up with innovative solutions to develop technologies, streamline processes and improve the working environment. The proposals they advance are then presented at the cultural meetings.

The results have been surprising. The youngsters have generated numerous interesting proposals, many of which have been approved and taken to the Technology Committee, thus contributing to innovations generated at Pardis. These proposals have helped managers see the business from a different perspective. Just to give an example, one of the proposals concerned the organization of a "*green week*", a week dedicated to ecology and environmental protection to raise awareness of the issue. This proposal was made in June 2015 by the youngsters themselves with the support of the communication department.

The positive evaluation of the J-Next experience led Reza to launch a similar project in other companies in the area. In particular, with his wife Laura, he created and financed the Pardis Foundation, whose operational managers are his daughter Irene (without pay) and Patrizia Quadri, former director of the group's human resources department (now retired). For example, the "Gate Bridge" project aims to place 100 youngsters in the labour market by 2020. In particular, members of

the Pardis Foundation identify the *matching* between companies looking for employees and youngsters looking for work. The initial screening of candidates is carried out by the Monza and Brianza public job agency. Pardis manages the final selection of candidates and covers the financial commitment relating to the first six months in the firm. The Foundation provides companies a single candidate and in return asks for the effective commitment to hire the youngster if s/he meets their expectations. This project is highly regarded by the companies and by the youngsters as it leads directly to employment without recruitment agency intermediation. Those who pass the initial screening, after six months, receive a fixed-term contract for at least one year and, in this case, the company receives a bonus. Conversely, if the youngster does not fulfil expectations, the relationship comes to an end, and if the company proves inappropriate, the youngster is placed in another company. The first 10 youngsters completed their cycle at the end of 2015 and 6 of these were hired.

"I wanted this Foundation because beyond what we have done at Geico with the J-Next project, I felt a duty to do something for the other companies in the area. I have no personal interest but to facilitate the employment of young people without jobs at serious companies that lack the resources to search and select them. Through this project, both parties can bring some serenity to their families" said Reza.

In 2016, the Pardis Foundation intends to launch the "New Hope Bridge" project for over-forties who have lost their jobs and are facing a period of inactivity. In this case, the Foundation's project foresees activities related to business education and personal assistance for a smaller number of people. The ultimate aim also in this case is recruitment in a firm. The project started in March 2016 with the aim of reintegrating 20 people into the labour market by 2020.

### **Looking Ahead**

The automotive industry is going through a period of great uncertainty due to the technological and social changes that are profoundly altering it. Auto and electronics companies are investing huge sums to develop so-called intelligent (*self-driving*) cars that use assistance systems and do not require drivers. A second area of innovation concerns the vehicle bodies that will evolve through the use of composite materials that enable incorporating displays and may not require painting. A third phenomenon is the ongoing trend towards industry concentration into a very small number of large and global automotive companies.

Geico is ready to face these challenges and react in time. The company is currently monitoring the evolution of the assisted driving phenomenon, which should not however have significant

consequences on the company's business model. Conversely, the use of composite materials for vehicle bodies seems worthy of greater attention. Such materials will increasingly be used as they allow reducing weight and fuel consumption. However, according to the market research, the company has commissioned, vehicle bodies will still require painting for several decades. Nevertheless, Geico's innovation committees constantly monitor the characteristics of new materials as well as the implications for the painting process and systems.

Geico views the industry's concentration with greater fear, since reducing the number of potential buyers will mean increasing their bargaining power with suppliers. In addition, concentration often entails lesser specialization and technical knowledge of managers of client companies, who will then make their purchasing decisions according to the lowest price.

In addition to paying attention to the industry's evolution, the entrepreneur intends to preserve the existing corporate values. Entrepreneurial succession has been planned in advance: his son Daryush will become CEO of Geico in 2017. He will be flanked by a management team whose values are aligned with those of the company and the entrepreneurial family. In the words of the entrepreneur:

"My son's values are the same as mine and those of Geico. His tastes and his way of doing things may be different, but the values are the same. Geico will be based on these values for as long as our family remains at the helm."

## Appendix 1. Staff assessment parameters

The assessment covers four areas: a) Competence, b) Growth, c) Loyalty/Ethics, d) Leadership. The assessment is divided into quarters and the possible levels of evaluation are: 1 - 1.25 - 1.50 - 1.75 - 2 - 2.25 - 2.50 - 2.75 - 3 - 3.25 - 3.50 - 3.75 - 4.

Evaluation parameters	1	2	3	4
<b>A1. Technical and professional capacity</b>				
A.1.1 Skills Depth	Has elementary specialist skills	Has simple specialist skills manifested as simple or standardized contributions to operational processes	Has qualified/specialist skills expressed with practical or methodological knowledge	Has extensive specialist skills
A.1.2 Skills Breadth	Has knowledge of individual parts in his/her own sphere of competence	Has knowledge of several parts in his/her own sphere of competence	Has good knowledge, at times beyond his/her own sphere of competence	Has complete control in managing his/her own sphere of competence and often beyond
<b>A.2 Performance/results orientation</b>				
A.2.1 Taking responsibility	Becomes anxious and may deny s/he made a wrong decision	As a rule, recognizes his/her own responsibilities with regard to situations that have arisen due to the decisions taken	Increasingly recognizes his/her own responsibilities and endeavours to solve problems	Able to get involved in situations that arise due to decisions taken; rationally, efficiently and without anxiety addresses the problem resulting from the decisions taken
A.2.2 Performance orientation	Requires continuous support to achieve the objectives	Understands performance requirements even if s/he is not always able to achieve them independently	Understands needs and endeavours to solve problems so as to achieve the performance requirements	Always aims to achieve noteworthy qualitative results, setting high but realistic standards
<b>A.3 Reliability</b>				
A.3.1 Accuracy	Not accurate in work, has to be frequently checked	Checks own work and eliminates many errors	S/he is accurate and meets deadlines and commitments. Own work rarely contains errors	S/he is accurate, knows how to respect deadlines and commitments by adjusting his/her and/or the organization's actions and fully satisfying the agreements with those in the relation
A.3.2 Self-awareness	No sense of reality; has little ability to realistically self-evaluate and to recognize own limitations and errors	Not always realistic and aware of own limitations and errors	A realist, has good self-evaluation capacity of own limitations and errors in known situations	A realist, understands own limitations and errors, is also capable of self-evaluation in unstructured situations, knowing what s/he can and cannot do
<b>A.4 Analysis Capacity</b>				
A.4.1 Problem identification	Focuses on marginal issues rarely able to analyse situations to determine the causes and consequences	Needs to be supported to remain focused on the causes and consequences of a situation	In usual situations, s/he is capable of autonomously identifying the components of a problem to determine the causes and consequences	Systematically analyses the situation to determine the causes and consequences. Determines in advance the steps of a process and what is needed to accomplish a task or achieve a goal. Expresses the essence of the problem to others
<b>A.5 Synthesis Capacity</b>				
A.5.1 Problem composition	Not always able to assemble the components of a problem	Needs to be supported to assemble the components of a problem in a logical and orderly way	In usual situations, able to independently identify the right structure and composition of the problem to be solved	Always able to assemble the parts analysed and identify the right structure and composition of the problem to be solved
<b>B.1 Availability</b>				
B.1.1 Availability	Not available in case of need	When needed, lends him/herself but with some limitations	When needed, is always available without limitations	Responds without limitations to exceptional needs of the company
<b>B.2 Flexibility</b>				
B.2.1 Flexibility towards situations	Able to express him/herself better in familiar and established situations; does not show particular interest	Adapts to new situations when there is time to define the new points of reference	Adapts easily to a new task or situation	Enthusiastically welcomes new situations and adapts quickly without preconceived opposition. Accepts changes in his/her role also using

	in change			previous experience
B.2.2 Flexibility towards others	Rarely willing to accept the ideas of others even if good and interesting	Needs to be helped to accept the ideas of others	Works with people or groups with different points of view and accepts their ideas	Seeks interaction and collaboration with people or groups with different views and cultures
<b>B.3 Proactivity/Innovation</b>				
B.3.1 Creativity	Uses usual schemes to solve problems	Seeks innovative solutions related to his/her own scope	Offers innovative solutions also outside of his/her own scope	Interconnects concepts and elements that others have not linked and generates original ideas. Out of the box thinking to find realistic solutions outside of his/her own scope
<b>B.4 Potential</b>				
B.4.1 Planning	Static and routine positioning without a growth plan	If supported, is able to create a growth plan	Faces new situations with enthusiasm and pursues a growth plan	Seeks situations that are unusual to implement his/her own growth plan
B.4.2 Versatility	Scarce marketability in other areas	Could be marketable over time in other roles and/or immediately in similar roles	Good short-term marketability in more specialized roles and/or different areas	Has capabilities and qualities that are marketable at deeper levels and/or in different areas
<b>B.5 Ambition</b>				
B.5.1 Ambition	Is satisfied in the position held	Has limited growth objectives towards which s/he makes contained efforts	Always sets new goals trying to expand own knowledge and seeking satisfaction in the results achieved	Knows exactly what s/he wants and how to get it. Is always willing to make sacrifices beyond the norm to achieve his/her own growth objectives. Creates situations necessary to support his/her own growth
<b>C Company spirit</b>				
C.1 Sense of belonging	Contribution is limited to what is required to carry out his/her own tasks; feels an outsider	In performing his/her own tasks takes pride in being part of the company	Participates in company life, his/her contribution goes beyond what is required because s/he is proud to be a part of the company	Actively participates in company life; internal and external behaviours show his/her pride in being part of the company, creates opportunities to strengthen the sense of belonging in others
<b>Ethics C.2 / Loyalty</b>				
C.2.1 Practicing the declared ethical values	Most of the time, his/her behaviours are not consistent with the company's ethical values	Sometimes needs to be supported so that his/her behaviours are consistent with the company's ethical values	Almost all his/her behaviours are consistent with the company's ethical values	His/her behaviours fully reflect the company's ethical values; practices the declared ethical values (consistently) and helps others do the same
C.2.2 Correctness	His/her behaviours are more directed towards themselves, sometimes even at the expense of others	His/her behaviours are correct, rarely at the expense of others	His/her behaviours are correct and respectful of others	In every situation, his/her behaviours are correct, dignified and respectful towards both internal and external stakeholders, helps others do the same
<b>C.3 Attendance/absenteeism</b>				
C.3.1 Attendance/absenteeism	Absences, even for short periods, are frequent	Every so often absent	Rarely absent	Never or hardly ever absent
<b>C.4 Relationships with others/contribution to improving the human environment</b>				
C.4.1 Social intelligence	More likely to focus on individual events than on the dynamics governing the group relations	Needs support to grasp the dynamics governing the group relations	Often able to grasp the dynamics governing the group relations	Able to diagnose social situations: grasps and analyses influences and interpersonal relationships in a group and helps others do the same
C.4.2 Relationships with others/contribution to improving human environment	Often estranged, sometimes quarrelsome	Keeps to him/herself but has no difficulties working with colleagues and/or others	Willingly cooperates with colleagues and/or others	Collaborates with colleagues by creating a good business climate without compromising work programs
<b>C.5 Cooperation</b>				
C.5.1 Cooperation	Is best able to express him/herself in situations of low interaction with others	If supported, is able to integrate own efforts with those of others	Integrates own efforts with those of others, does the same task with others	Integrates own efforts with those of others, provides and asks for information, makes own efforts available to others; invites others to do the same

<b>C.6 Altruism</b>				
C.6.1 Disposal of others	In case of difficulties, rarely at the disposal of others	At the disposal of others if asked	On seeing a colleague in difficulty, spontaneously disposed to help	Spontaneously helps colleagues even making sacrifices
C.6.2 Responsiveness to others	More inclined to focus on his/her own problems, difficulty in understanding the point of view of others	Sometimes needs to be helped to put him/herself in the position of others and to raise the listening level	Able to put him/herself in the position of others; strives to understand their point of view and interpret their needs. Has a high listening level	Pays great attention to people, ensuring the highest degree of respect for others (colleagues/co-workers, customers, suppliers, partners), understanding their needs while respecting diversity and supporting their passion
<b>C.7 Responsibility</b>				
C.7.1 Sense of responsibility	Puts personal problems ahead of the company's needs	Needs help in balancing company and personal needs	Faces problems with responsibility and participation; offers to help	Has a high sense of responsibility: does not allow external factors to affect reaching the objective. Puts the company's needs ahead of personal problems. Conveys this sense of responsibility to colleagues/collaborators
C.7.2 Perseverance	Commitment and willingness are inconsistent, sometimes absent	Needs to be supported to maintain a constant level of commitment	In usual situations, commitment and willingness are of a good level	Commitment and willingness are constant. Despite difficulties, s/he wants to achieve the objectives, without being fanatical or stubborn
<b>C.8 Discipline</b>				
C.8.1 Compliance with procedures and rules	Often does not meet the company requirements and rules	Complies with the requirements but sometimes circumvents them	Always respects the requirements	Ensures the correct interpretation and application of rules and procedures. Respects and helps others understand and respect the organisation's rules and constraints, promoting the quality of results
<b>D.1 Personality</b>				
D.1.1 Persuasion	Rarely able to approach a problem so as to convince others to accept his/her ideas	Needs indications to identify the elements to use to convince others to accept his/her ideas	Almost always manages to convince others to accept his/her ideas	Able to put forward his/her ideas. Sets out the elements of the problem and defends them rationally. Tends to overcome obstacles and resistance of others, always respects the rules and others
D.1.2 Relationship with authority	Rarely has a mature relationship with those in authority. Demonstrates dependence (yes wo/man) or disagrees (says no more often than yes) or lacks a relationship (detached)	Needs support to be able to overcome a still-immature relationship with those in authority	Almost always manages to manifest a mature relationship with those in authority	Interdependent: manifests a mature relationship with those in authority. When talking to group leaders, does not assume a defensive position. Responds in case of a disagreement, but is also able to agree
<b>D.2 Ability to communicate</b>				
D.2.1 Self-Expression	Communicates in a way that does not always clearly express his/her thoughts	Needs support to communicate clearly and effectively	His/her communication is almost always effective	Communicates rationally and emotionally, is able to thoroughly and clearly communicate his/her thoughts
D.2.2 Verbalisation	Uses basic dialectics	Has good basic dialectics that could be improved in terms of clarity and appropriateness of language	Has good dialectical skills and verbal fluency	Has the ability to adapt his/her language to the other party. Has adept dialectics and verbal fluency, appropriateness of written and oral language, and at the same time expresses him/herself easily
<b>D.3 Ability to train/motivate employees</b>				
D.3.1 Development	Better at managing his/her own skills than those of others	If supported is able to manage his/her own skills also for the benefit of others	Able to manage his/her own skills both personally and for the benefit of others	Promotes the personal and professional development of colleagues/employees, tries to give advice and help others take responsibility
D.3.2 Delegation	Centralized behaviour (has a tendency to make decisions first hand)	Sometimes encourages co-workers to make decisions independently	Non-centralized, delegates to colleagues/collaborators some decisions that he/she would be able to make first hand	Encourages others to make decisions that that s/he would be able to make first hand. Non-centralized and invites colleagues/co-workers to make decisions independently
D.3.3 Motivation	Can only rarely identify motivation stimuli for	Needs support to generate an atmosphere of motivated	Has good employee	Creates a favourable and participatory organizational climate,

	employees	participation	motivation skills	activating and orientating specific behaviours in the group aimed at fulfilling the objectives
<b>D.4 Coordination/organization capacity</b>				
D.4.1 Organization/coordination	Demonstrates a poor ability to grasp the main elements of a task and to structure the use of resources	Able to grasp the main elements of a task but needs to be supported to organize the use of resources	In usual situations, grasps the main elements of a task considering the short and long term. Able to structure the use of resources to achieve the objectives	Even in unfamiliar situations grasps the main elements of a task considering the short and long term. Able to structure the use of resources to achieve the objectives
D.4.2 Control	Not always able to ensure control of the quantity and quality of results	Verifies the quantity and quality of results, although not always with the required attention	Verifies the quantity and the quality of results	Makes his/her skills available to others to verify the quantity and quality of results through critical analyses
<b>D.5 Teamwork</b>				
D.5.1 Team spirit	More evident is his/her ability to carry out own tasks than involving others in the objective	If supported, s/he is capable of involving others in the objective	In usual situations s/he is capable of involving others in the objective	Facilitates and stimulates the group's production. Invites conversation, mediates conflicts, facilitates involvement in the objective
<b>D.6 Systemic vision</b>				
D.6.1 Abstract reasoning	Shows little ability to solve theoretical problems, is more interested in the 'how' than the 'why'	If reminded, will show concern for the environment and the side effects of his/her actions	Good ability to solve theoretical problems, more interested in the 'why' than the 'how'; also concerned about the environment and the side effects of his/her actions	Grasps the complexity of situations, framing individual issues into higher-level contexts. Is aware of the side effects of his/her actions and knows how to manage these in compliance with company resources
<b>D.7 Stress tolerance</b>				
D.7.1 Tolerance to anxiety	In stressful situations, loses the points of reference; emotion often takes over at the expense of the effectiveness of his/her actions	Suffers and transmits the anxiety factor, but does not lose the ability to use his/her skills	Even in stressful situations, does not fail to address the problem, although less effectively	Even in stressful situations, is able to fully utilize his/her skills, and even when emotionally involved addresses problems with the same efficiency; reassures collaborators
D.7.2 Tolerance to conflict	In conflict situations, loses the ability to express ideas, responding with aggression instead of rationality	Needs to be supported to manage personal conflict situations	Almost always able to face and manage personal conflict situations	Always able to face and manage personal conflict situations: does not let anxiety take over, remains calm and rational. Aggressive in relation to ideas but not to people
<b>D.8 Autonomy</b>				
D.8.1 Autonomy	Even in a structured situation, does not know how to organize his/her work alone	Knows how to organize his/her work in a structured situation	Able to carry out his/her work independently, knows to evaluate when advice or help from others is needed	In an unstructured situation, does not ask for approval, knows how to organize his/her work alone without losing contact with others

## **Appendix 2. Code of Ethics (updated January 2013)**

The Geico Code of Ethics aims to identify the corporate values and to emphasise the rights, duties and responsibilities of all those who in any capacity operate in the Company in respect of all internal stakeholders, such as employees, and external stakeholders, such as customers, suppliers, consultants, agents, business partners, shareholders, and, more generally, all stakeholders.

This Code of Ethics has been developed to ensure that the Group's core ethical values are clearly defined and constitute the cornerstone of our corporate culture as well as the standard of conduct of all Group employees in conducting business and their activities.

It is the responsibility of all Group employees to observe the principles and policies of the Code when conducting business and managing relationships, to promote its popularization and be an example of practical application.

The commercial integrity of Geico and the Group Companies is correctly reflected in its accounting books and documents. All Employees are responsible for ensuring the accuracy and reliability of corporate data. Fictitious, erroneous, false, hidden or unregistered data on funds or activities constitute a grave breach of ethics and in certain cases of the law.

Company policy requires that all books and records follow generally accepted accounting principles and comply with all relevant laws and regulations.

We ask those who work, collaborate and interact with us to help us in this commitment: we consider it an essential element of the growth of our company.

Each of us is proud of the strict rules of conduct associated with Geico Group employees.

Let us decide together to continue to be a company that is not willing to tolerate anything but complete honesty, fairness and integrity in dealing with all groups that count on us.

The Group strives to ensure that the principles of the Code are shared by consultants, suppliers and any other party maintaining ongoing business relationships with the Group.

The Group does not engage in or does not continue business relationships with those who expressly refuse to abide by the principles of the Code.

Strict moral rules are in reality also an advantage for business and constitute a corporate asset.

### **CODE OF ETHICS STRUCTURE AND SCOPE**

The code consists of three parts:

- The Ethical Principles;
- The Rules of Conduct;



- The Implementing Rules.

This applies to all companies operating in Italy or abroad and is therefore binding on the conduct of all staff.

### **Geico's "Ethical Principles"**

Geico, in relation to all those involved in applying this Code, is committed to:

- Ensuring timely disclosure;
- Ensuring its review and updating to adapt to regulatory changes and established international practices;
- Providing clarification on the interpretation of the provisions contained therein;
- Adopting adequate procedures to report, investigate and deal with any violations;
- Ensuring confidentiality of the identity of those reporting violations subject to the requirements of the law and their professional protection;
- Periodically verifying respect of and compliance with the Ethical Code.

All Employees commit to:

- Acting and behaving in line with that indicated therein;
- Reporting all violations as soon as becoming aware of them;
- Cooperating in defining and in behaving in accordance with internal procedures.

GEICO's policy requires that all its employees enjoy a working environment free from undesirable behaviours such as those related to race, gender or other personal characteristics that have the purpose and effect of violating the dignity of the person.

**These behaviours, in any form, are totally unacceptable and will not be tolerated.**

### **The "Rules of Conduct"**

#### **Proper use of company assets**

Each employee is responsible for protecting the resources entrusted to him/her and has a duty to duly report to the appropriate bodies any threats or damaging events for the Group.

In particular, employees shall:

- Work diligently to protect the company assets;
- Avoid improper use of company assets that may cause damage, reduce efficiency or otherwise be in conflict with the company's interests;
- Obtain the necessary authorizations in case of using an asset outside the company.

Growing dependence on information technology requires ensuring the availability, security, integrity and maximum efficiency of this particular category of assets.

**Every employee is required to:**

- Not send threatening and insulting e-mails, not resort to low-level language, not make inappropriate or undesirable comments;
- Avoid spamming or chain letters that can generate internal data/information/process traffic in the company's computer network and significantly reducing network efficiency with negative effects on productivity;
- Not surf websites for personal reasons and/or with indecent and offensive content;
- Avoid uploading the business systems with borrowed or unauthorized software for personal use and never make unauthorized copies of licensed programs for personal, business or third party use.

The use, even unintentional, of assets for any purpose outside of the business can cause serious damage to the Company with the aggravating circumstance that improper use could lead to potential criminal and administrative sanctions on the company for any legal infringements and obliges the company to take disciplinary action against employees.

**Gifts**

Employees may not receive gifts or special treatment, except within the limits of normal courtesy and provided they are of modest value. If an employee receives gifts exceeding the above limits, s/he must immediately report it to their supervisor who, in collaboration with the management, will appropriately return or dispose of such gifts. This rule also applies in those countries where offering valuable gifts is customary.

**Anti-money laundering**

The Group and all its employees must never be engaged or involved in operations that could result in laundering proceeds from criminal or illegal activities in any form or manner.

**The “Implementing Rules”**

**Responsibility and applying the Code of Ethics**

The Human Resources Manager is the person identified in each Group Company to whom the Board of Directors delegates responsibility for managing all aspects related to the dissemination and application of the Code of Ethics.

**The Manager's tasks related to compliance with the Code of Ethics include:**

- Define the operational procedures for reporting violations and their handling, ensuring appropriate confidentiality;
- Ensure the general fairness of the process to avoid reporting minor or entirely baseless incidences;
- Ensure communication and understanding of the Code of Ethics;
- Update the Code of Ethics;
- Perform periodic reviews in relation to applying the Code of Ethics;
- Directly collect any report of violation of the Code of Ethics concerning all Group companies.

### **Management**

All Managers (Heads of Units/Divisions/Functions) have a primary responsibility in relation to the Code of Ethics. To this end, they shall:

- Maintain behaviours in line with the dictates of the Code of Ethics such as to constitute an example to their employees;
- Guide employees in such a way that they perceive compliance with the Code as an essential part of the quality of their work;
- Stimulate employees to analyse together issues related to the application and interpretation of the Code of Ethics;
- Carefully select, within their competence, internal and external collaborators from amongst those with greater reliability in relation to observing the Code of Ethics;
- Immediately report to their superiors or to the Head of Compliance with the Code of Ethics any instances of possible violations;
- Take appropriate corrective measures;
- Prevent any type of retaliation.

### **Interpretation and reporting violations of the Code of Ethics**

For clarification of the Code, employees are encouraged to contact the Human Resources department.

Employees wishing to report a violation (or suspected violation) of the Code should contact their immediate supervisor or the Human Resources Manager.

### **Code of Ethics value**

The observance of the principles and rules of the Code of Ethics and their consistent dissemination and operational implementation within the framework of assigned responsibilities is an essential and integral part of the contractual obligations of each employee.