

**INNOVATION AND GROWTH IN A SOUTHERN ITALIAN COMPANY:
STRATEGIC THINKING AND THE SCHUMPETERIAN PERSPECTIVE**

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Abstract

The authors' purpose is to outline how Strategic Thinking during the Planning Phase should take in account that Micro and Macroeconomic factors are interconnected. To this purpose, the specific approach of the Company to Innovation and Growth has taken in consideration various elements in relation to the Schumpeterian Perspective as outlined by P. Aghion and U. Akcigit in October 2015. Some questions, answers and predictions were examined as a stimulus for elevator thinking when the Scenarios were defined for the Company Strategy and 2019-2021 Planning process. In fact, some innovations can bring about effects that should be evaluated carefully and with an open mind. The specific case taken into consideration refers to a high-tech innovation introduced in the robotic field: a robot called Mike Process Master launched on January 28 by the Group Tech Start Up MyAv in the daily operation process of some Supermarkets in the Consumer Goods Distribution Group brand Futura. The launch of this system may introduce significant elements to be considered as possibly contributing to the economy of the territory of influence, leading to further qualification of human resources. In the meantime, new competitive factors and the expected overall economic and financial results of the new venture, together with vision and mission corporate considerations, led the Management to consider how to adapt the strategy that previously focused strictly on selling consumer goods by also looking into how to communicate more effectively and acquire specific knowledge in digital transformation, by supporting robotic innovation process requirements and potential properly. A step towards the Company future that led the Management to consider the upcoming Scenarios by going through the questions and answers previously mentioned was achieved by also taking into consideration the role of finance. The role of equity finance as a growth-enhancing factor was then introduced, leading to further innovation inside the Company-Group Holding by structuring the takeover of a complementary Company listed on the Italian MTA, and then looking to different equity sources as part of innovation financing.

Key words: Planning Growth, Robotic Innovation, Financing Strategy

JEL Codes: D04, G11, O50, P47

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1. INTRODUCTION

Innovation as a method requires a cultural approach. The human mind is fertile ground, but it needs to be cultivated with intelligence. In this sense, the authors cite the principles set out by E. De Bono [1], in particular with reference to *lateral and vertical thinking*, considering them to be conceptually valid and topical. The capacity to step outside the box, and distance oneself from classic sequential logic in fact leads to what is often defined as creativity. Managerial creativity allows the reaching of goals which are otherwise unthinkable but, at the same time, De Bono himself [2] is cautious: “*Creativity is very necessary and very wonderful. In itself it should have no disadvantages since the business of creativity is to turn up useful ideas. And by definition useful ideas are not useless. In practice, however, there are dangers. These dangers arise from self-indulgence in creativity rather than from creativity itself.*”

To this end, taking these concepts as a starting point, in order not only to control but to stimulate conceptual developments and analyses regarding the vision expressed by Management, beyond the use of classic managerial control and planning tools, the strategic planning approach used by the Orizzonti Holding Group has for some time been aimed at not limiting analysis to micro and company factors, but also at expanding and placing the vision within the framework of macroeconomic themes, in such a way as to create a procedure.

For example, in order to better understand the influence of important questions, such as the role of the Euro in the field of expected development [3], or that of the evolution of Eastern European countries, with possible consequential impact on our micro-system, the theme was examined either through specific studies or through participation in conventions [4]. During the course of these events, an opportunity was given to be presented to the participants from these countries through a paper structured not only to demonstrate to others our way of being and our vision, but above all to be able to dialogue, listen and understand through the perception of others, originating from those countries which, with their already highly meaningful entry into the European Community, are significantly influencing future dynamics and perspectives.

It is also important to point out that in order to undertake the company’s challenging process towards innovation, in a strategically-structured and non-haphazard manner, with suitable control over risk factors, it is now more important than ever to also evaluate situations and negative aspects on an economic and behavioural level. It is clearly necessary to bear in mind, and evaluate, the relative operational and competitive risks.

As conceptually well introduced and analysed by Pelloni [5], with whom we have had the opportunity to discuss this theme directly, Italy is going through a critical moment of progressive substantial and structural impoverishment, and the International Monetary Fund highlights that in this economic-political-behavioural framework, Spain is ahead of Italy in terms of GDP per capita [6].

In this context, how should the problem be tackled, considering that there are also numerous adverse factors on a micro and macro level?

In order to aid analysis on the possible impact on a system level, with regards to the innovative orientation assumed on a company level, we have introduced, as strategic assessment factors, not only aspects of a microeconomic and specific nature, but we have also sought to examine certain aspects which are also adequately assessable in a macroeconomic framework, in order to avoid inappropriately perceiving certain conceptual macro elements which could have an influence on situations that are of interest to us, and therefore behaviour which is useful or is to be kept in mind in order to remain a level of competitiveness in our field. We therefore began a process of examination, including considerations of a general nature, such as those expressible in terms of a scientific work which is focused on “The Shumpeterian Perspective”, using it as an Elevator Thinking Tool. To this end, we found an interesting reference on Innovation and Growth, with precise references made to Europe [7], which encouraged us to proceed in this direction, considering that Aghion and Akcigit introduce their work as a survey oriented to achieve a two-fold objective. The first, to allow the reader to be informed through recent

research into the Economics of Innovation and Growth; the second, to provide them with a theoretical and empirical background in order to consider growth policy design in EU communities.

What impressed us further, in the specific paper, was the open approach taken by the two economists in inviting readers to open thinking in the using of the models, encouraging debates and criticism in order to inspire future work in the spirit of “creative destruction”.

We have taken this approach as an invitation to specifically adopt a “lateral thinking” approach in order to reach objectives which would have been impossible solely through vertical thinking, i.e. by following traditional logic which passes from one state of information to another. We felt justified in trying to use the work made for different purposes, but which is conceptually connected, as a method of thinking and comparing, also in specific cases. We have adopted the set of questions and considerations posed by the Aghion-Akcigit work, such as:

1. Why do we need competition policy for innovation – led growth?
2. How does growth relate to firm dynamics and the size distribution of firms?
3. Does growth increase or reduce unemployment?
4. What distinguishes innovation – led growth from other types of growth? What are the main drivers of innovation – led growth?
5. How can macroeconomic policy help sustain innovation – based growth? Should we oppose structural reforms and the need for (more flexible) macroeconomic policy to enhance innovation – led growth?
6. What is the relationship between innovation – led growth, inequality and social mobility?
7. Should that lead us to dispense with patent protection: in other words, should we oppose patent protection and competition as potential drivers of innovation – led growth? Similarly, should the need for competition policy lead us to reject any form of sectoral (or industrial) policy?
8. How should we reform the welfare state in order to facilitate innovation – led growth?
9. Should governments subsidize R&D to foster innovation – led growth: is such government intervention necessary or sufficient?
10. What are the limits to patenting and intellectual property and why do we need academic freedom and openness?

We then proceeded with the usual thinking process and analysis, once again defining the innovation for growth problem, looking further into the competitive situation as seen from a Company perspective. In short, by considering the innovation perspective from two different points of view, we felt as though we were looking simultaneously at the ground and towards the horizon from the terrace of a high-rise building, while, of course, things seem completely different if examined from the limited ground perspective only. Two different ways of considering complementary elements that, in the end, are not completely separable: the general view and the specific view.

2. WHAT COULD LEAD US TO CONSIDER A PROCESS OF GROWTH?

In order to answer this question, economists very often use the Solow model, i.e. conceiving a possible answer with a function which compares aggregated production Y with stock capital K and labour L , the latter seen as the number of workers involved:

$$Y = f(K, L)$$

This function is the basis from which diverse evaluations can be made according to how much consideration is made of feasible technical progress [8]. It is therefore important to consider that, in translating this kind of evaluation into microeconomic - or better, corporate - terms, also via this model, it is necessary to focus attention on the ability to create *cash flow* per worker, or rather per capita, in order to equip with tools, and consequently with capital, new arrivals into the developing corporate system, or the country, in macro-economic terms, according to the rate of growth of the population.

It is not our role, in the framework of the corporate concepts on which this kind of economic-strategic analysis is structured, to go into further detail in line with the Solow concepts, carried out via the Growth Model. In any case, it can at times prove interesting for those faced with the necessity to prepare a corporate strategic, and therefore micro-economic, model, as already stated above, to exercise by also focusing attention on the viewpoints and methodology used on macroeconomic themes, and therefore on the outcomes themselves. In the end, the Economy is organic, as an area of study in the use of scarce resources, and therefore, also as a subject for study, it is difficult to separate between what is Micro and what is Macro, without losing the connection between fundamental elements.

Solow's model is widely confirmed on a practical level, and therefore provides many conceptual points of validity for macro-economic analyses in BG models, i.e. the balancing of growth in dimensions such as: capital/output, interest rate, capital-labour share, but it makes no contribution in helping to understand, and in justifying, the "source of growth", inasmuch as it does not provide sufficient explanation to clarify possible take-over between countries, as the technological progress is left unexplained.

For this very reason, the Shumpeterian Model is considered for use in "elevator thinking", as its paradigm, set out by Aghion and Howitt (1992,1998) grew out of modern industrial organisation theory, where the company and entrepreneurs form the heart of the programme of growth. Aghion and Akcigit, in the paper that we have taken as a reference for our purposes of strategic analysis and control, in fact illustrate that the model is based on 3 ideas.

First idea: *"long-run growth relies on innovations. These can be process innovations, namely to increase the productivity of production factors (e.g. labor or capital); or product innovations (introducing new products); or organizational innovations (to make the combination of production factors more efficient)".*

Second idea: *"Innovations result from investments like research and development (R&D), firms' investments in skills, search for new markets, that are motivated by the prospect of monopoly rents for successful innovators.*

An important consideration for thinking about the role for public intervention in the growth process, is that innovations generate positive knowledge spillovers (on future research and innovation activity) which private firms do not fully internalize. Thus private firms under laissez-faire tend to underinvest in R&D, training.

This propensity to underinvest is reinforced by the existence of credit market imperfections which become particularly tight in recessions. Hence an important role for the state as a co-investor in the knowledge economy".

Third idea: *creative destruction. Namely, new innovations tend to make old innovations, old technologies, old skills, become obsolete. Thus growth involves a conflict between the old and the new: the innovators of yesterday resist new innovations that render their activities obsolete. This also explains why innovation-led growth in OECD countries is associated with a higher rate of firm and labor turnover. And it suggests a second role for the state, namely as an insurer against the turnover risk and to help workers move from one job to another. More fundamentally, governments need to strike the right balance between preserving innovation rents and at the same time not deterring future entry and innovation.*

As predictions emerging from the Shumpeterian Theory, we therefore have:

Prediction 1: *The turnover rate is positively correlated with the productivity growth rate.*

Prediction 2: *The relationship between competition and innovation follows an inverted-U pattern.*

Prediction 3: *More intense competition enhances innovation in "frontier" firms but may discourage it in "non-frontier" firms.*

Prediction 4: *There is complementarity between patent protection and product market competition in fostering innovation.*

Prediction 5: *The size distribution of firms is highly skewed.*

Prediction 6: *Firm size and firm age are positively correlated.*

Prediction 7: *Small firms exit more frequently. The ones that survive tend to grow faster than average.*

Prediction 8: *Average growth should decrease more rapidly as a country approaches the world frontier when openness is low.*

Prediction 9: *High entry barriers become increasingly more detrimental to growth as the country approaches the frontier.*

Prediction 10: *The more frontier an economy is, the more growth in this economy relies on research education.*

Prediction 11: *The correlation between democracy and innovation/growth is more positive and significant, the closer the country is to the frontier.*

Prediction 12: *Everything else equal, the probability of hiring an outside manager and, conditional on hiring, the number of outside managers is increasing in firm size, and increasing in the rule of law.*

Prediction 13: *Average firm size increases in the rule of law.*

Prediction 14: *Firm growth decreases in firm size, and more so when the rule of law is weaker.*

Prediction 15: *Everything else equal, creative destruction and reallocation among firms will be much higher in economies where the rule of law is stronger.*

Prediction 16: *When the rate of exogenous destruction is small the job destruction effect dominates the job creating effect and therefore growth and unemployment should be positively correlated.*

Prediction 17: *When the rate of exogenous job destruction is high, then the relationship is negative growth and unemployment: in that case the job creation effect of innovation-led growth on unemployment dominates the job destruction effect.*

What meaning can these predictive elements have for those working on the company strategy task? What considerations do they provoke? Before returning to this theme, it is necessary to examine the specific case of Orizzonti Holding - Centro Studi, and evaluate the strategic-operative process towards development, illustrating at least the fundamental elements.

3. PROCESS OF DEVELOPMENT FOR ORIZZONTI HOLDING: A SPECIFIC CASE OF STRATEGIC COMPETITION AND GROWTH APPROACH.

As a strategic approach, from a methodological point of view, the company follows a traditional path [9].

This is clearly shown by the two information models below (Figs. 1 and 2).

The company information system and the method of communication between the various functions are always of determining importance for the strategic management of the company. Two information systems, internal and external, coexist within the company. It is not merely a problem of information, but above all of organisation of information. Information can generally be classified according to the company level to which it is addressed in:

- **Strategic** (for executive management)
- **Tactical** (for operational management)
- **Operational** (for department supervisors)

The flow of information within the company takes place by synthesis and through successive levels of decision-making, passing from level **O** (operational), to **T** (tactical), up to strategic control, **S**, for top management. The synthesis of internal information must contain sufficient elements of feedback in order to render company programming and control balanced. The objectives, transmitted on a lower level, must be understandable and accepted by the structure. The constraints, i.e. company policies and resource limitations, placed at the foundation of objectives, must be coherent and in line with global strategy.

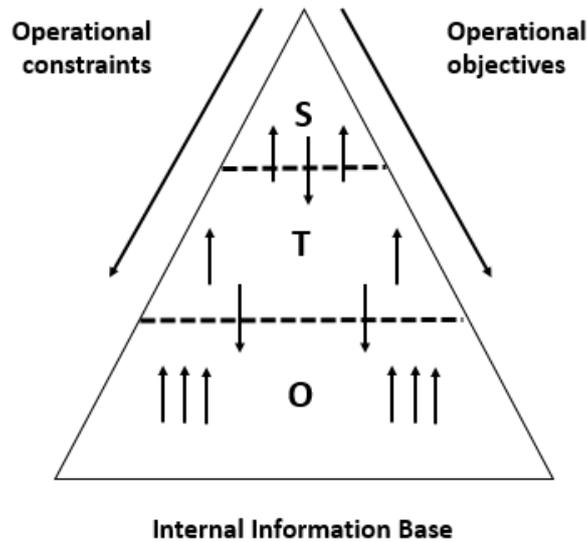


Fig. 1 - Internal information pyramid model

This internal information pyramid (Fig. 1) is to be united with external information (Fig. 2) through a semi - pyramid placed laterally in relation to the internal information pyramid. On a strategic level, the maximum amount of business/environmental information is produced and analysed. On a tactical level, operative information for sales and contact with suppliers or auxiliary entities is generated together with standard managerial control information.

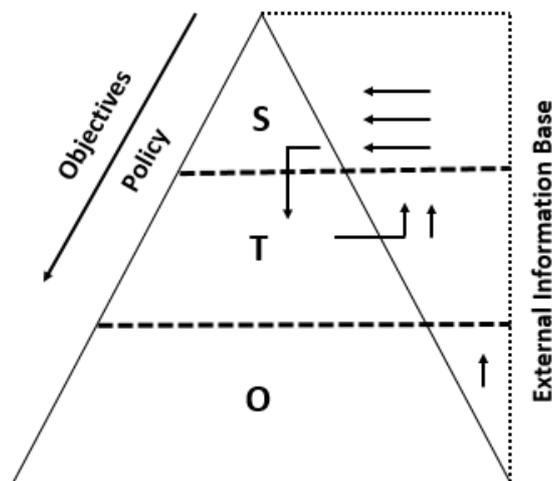


Fig. 2 - External information semi-pyramid and its relations with the company levels in the internal information pyramid

In order to render the flow of information optimal, the internal organisation of information must take into account requirements of efficiency and effectiveness, which are common to all businesses. In order to set out a strategy which takes these requirements into account, the four constitutive elements of every business strategy need to be elaborated through information:

- **Scope:** identification of the business and the field of action that the company proposes, the definition of the core business;
- **Use of resources:** company behaviour and limits in the use of resources;
- **Competitive strengths:** the possibility of using the resources in a more efficient manner than competitors, within the identified scope. Competitive advantages are never absolute, they are relative. In the case of the Orizzonti Holding Group, the key competitive strength with respect to the most qualified peers is, currently, most definitely that of a profound knowledge of the area in which its core business takes place on an operational level, but, taken singularly, it is not a determining factor;
- **Synergies:** effects relating to the joint use of resources in such a way as to exalt the efficiency of the resulting action, in a manner which is objectively and quantitatively measurable and, in any case, ameliorative. In business, in common terms, when speaking of synergy, the concept is 1+1 has to be significantly >2, otherwise synergy has not occurred, or does not exist.

This awareness is joined by a certain knowledge of the principals of military strategy seen and applied from a company perspective. In corporate strategy there are, in fact, numerous situations which find correspondence with the five principles of war:

1. **Mass:** considered as “force”, in terms of personnel and equipment
2. **Manoeuvre:** the combination over time and in space of the forces available
3. **Economy of force:** the forces to use in order to counter unexpected situations
4. **Surprise:** unexpected action, conducted with secrecy and/or originality
5. **Security:** activity aimed at guaranteeing against surprise and protecting information

The first principle of war establishes that force is the secret to almost all victories, and that force can be expressed in the material or intellectual means applied to the competitive environment. This is clearly demonstrated in the model of the 5 competitive forces by Porter (Fig. 3) [10].

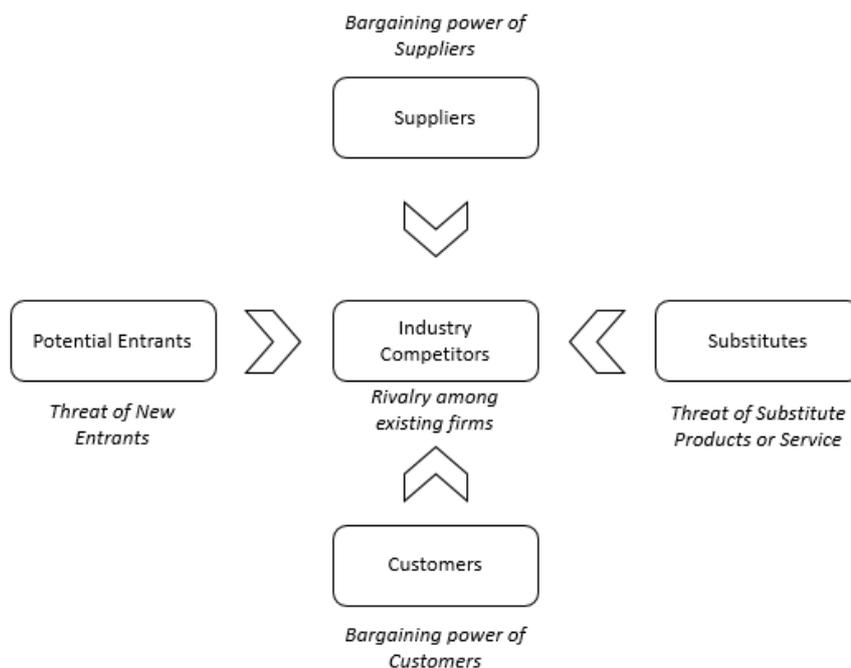


Fig. 3 - Porter's 5 Competitive Forces Model

By adopting managerial concepts such as the definition of processes (input-output within an operative system), the development process (The DMAIC method, which stands for Define, Measure, Analyse, Improve and Control), and the definition of problems, an attempt was made to provide a structured framework for process development.

Orizzonti Holding's approach to innovation, via Centro Studi, is sufficiently structured for a Southern Italian company of relatively limited size. Orizzonti Holding has sought to operate in a manner oriented at specific results, thus measuring performance, linking it to time-related objectives of fulfilment, favouring when necessary the inclusion of innovative elements.

It has developed a culture of reasoned approach in the development process, with an analysis that begins above all in the clearest possible definition and identification of problems.

By defining a Problem as a deviation (Figs. 4 and 5), caused by an event or series of events, between a reference system (set as an objective) and that which actually occurs as a result, it is possible to move not only towards a more organised method of analysis which is more efficient in terms of development of processes, but also towards an approach aimed at innovation [11]. In fact, if there is no identification of gaps between an actual situation and its desired counterpart, the problem either does not exist or is not defined, and the process development approach oriented towards innovation is not easily applicable. Ultimately and in summary, by modifying the reference objective, it is possible to exclude the existence of a problem, or it is possible to introduce and create new objectives, thus leading to innovation.

CASE A

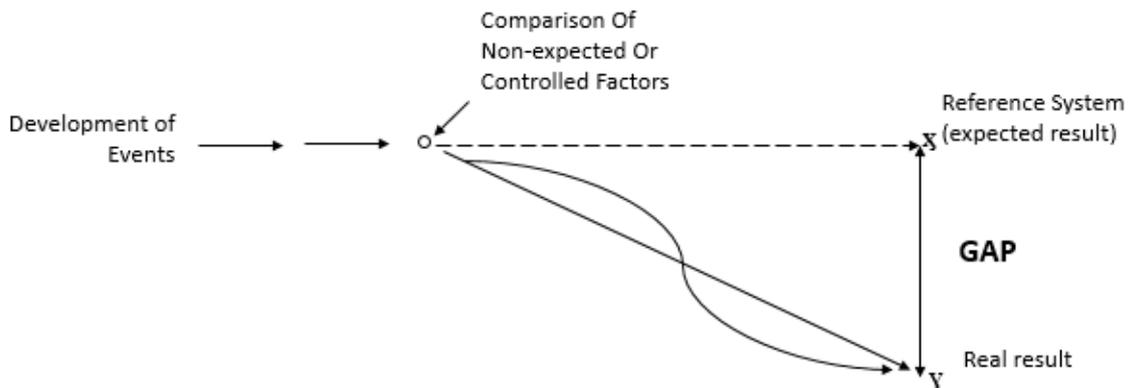


Fig. 4 - Diagram of deviation from a current objective

CASE B

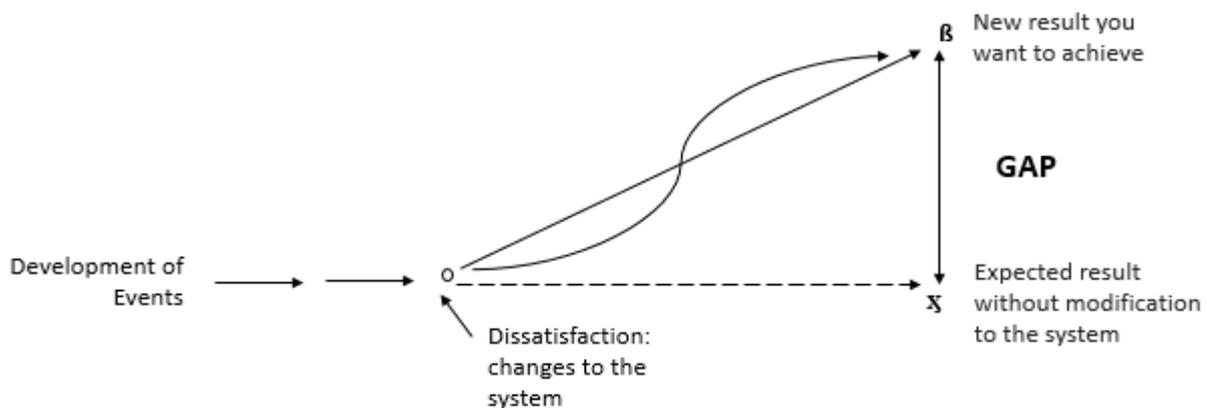


Fig. 5 - Diagram showing deviation to a new objective

Despite having a sufficiently solid cultural baggage, and while maintaining a culturally very solid approach on a financial level, it should be said that, for many reasons, above all linked to aspects regarding local competition - which we will examine further on - the key activity of the Orizzonti Holding Group, i.e. retailing, has not produced satisfactory results in recent years in relation to the competitive potential which it was previously able to express. Even though, overall, it can be said that in general competitive terms the company has defended itself well, from a financial point of view it has not produced excellent results, or rather, in particular from 2008 onwards, it has lost its edge due to a number of unresolved competitive weaknesses, which have been dealt with through substantial continuity of action.

At the same time, it should be said that on a financial level, the company is highly structured and well-conducted, as shown by indexes, structures and relationships with stakeholders and with the banking system in general, which it refers to for requests for credit when necessary. The company also demonstrates the clear culture and awareness that companies in general survive on good financial results but die or fail to survive in situations almost always related to financial matters, and specifically those related to short-term debt. Even financially-healthy companies can encounter problems of survival if they make errors in programming deadlines and short-term financial commitments.

For this very reason, alongside financial liabilities, aimed at managing in a balanced manner the core business and correlated activities, the Company is structured, also from a knowledge point of view, to additionally manage a suitable quantity (in relation to the profit structure) of financial investments made up of ready marketable securities, which serve as a balancing element and element of elasticity which is strategically used to manage the debit value of peaks in liquidity requirements that emerge during short-term operations.

The company therefore, during planning, makes a clear distinction between Passive (FP, Financial Position) and Active funds, with their risks and financial yield, even if, on an accounting level, the ready marketable securities converge to determine the NFP (net financial position), which influences many financial and structural indexes, together with EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization).

In short, in evaluating Orizzonti Holding in comparative and competitive terms, it can be said that from the outside the company can be considered as healthy and financially sound, but from an income point of view, a number of competitors are emerging who, at least in terms of financial statement results, currently prove to be more efficient. If however one analyses in more depth, also introducing the ability to “respect the rules”, and a more specific comparison is made of the various situations, the difference is reduced, and at times is even cancelled.

The distribution sector is, in fact, a difficult one, and in the south, this is even more so than in the north for territorial structural and environmental reasons. The “average receipt”, an important indicator of the spending capacity of consumers, is very low, often lower than half that found in the north, and it is for this very reason that the expansion in the south of international or qualified companies has often been met with difficulties that local companies have been able to respond to in different ways.

Despite coming from an unfavourable foundation in economic and size terms, the response of Orizzonti Holding as a group, and with reference to its Distribution Companies, which are all operative in the southern territories, and prevalently in the Tyrrhenian-Peninsular area, was to keep the reference Corporate Values stable and to concentrate its efforts on cultural qualification and development.

In fact, on a cultural-scientific level, the Company has taken a positive and qualified cultural approach as of 2009, with the support of Centro Studi, which runs parallel with the traditional operational management.

In fact, taking the methodological definition of the company problems as a starting point, focus was placed on how to create innovation and growth, both improving the abilities of key figures on a managerial level and, in conceptual terms, how to be able to take advantage of opportunities offered by a targeted application of exercises in lateral thinking.

This also contributed, beginning from the internal synergy created by the scientific-intellectual potential generated by the contribution of Centro Studi in working alongside executive management on a daily basis, to the emergence of a highly innovative drive which took the form of true growth. From this point of view and as potential, we can say that Orizzonti Holding-Centro Studi is currently unique in Italy, inasmuch as it concerns a private group with family-based ownership and origins, and of a relatively modest size, considering that it concentrates operations in an area such as fast-moving consumer goods, where size is generally a positive factor from a financial point of view.

With this in mind, the idea of creating an interactive totem capable of interacting with customers in sales points was the first step which led to the creation of that which, today, is a service robot which embodies technology considered to be state-of-the-art on an international scale.

It is clear that this innovation did not occur separately from the operative process, but rather that it was generated by the Group's core business inasmuch as, through Centro Studi, the objective was set to create innovative processes to support the operative area.

Having examined various alternatives, Centro Studi pulled out all the stops, both with its own means sourced from within, through internal expert consultancy and services valorised in a competitive manner with similar services acquired externally. The excellence of the small group of locally-sourced personnel did the rest, and the small group grew just a little with the addition of a few more members, again sourced locally, creating a new company, an innovative start-up which has now become a solid entity: MyAv! We will examine this in detail further on.

4. INNOVATION AND STRATEGY

Applying an open approach on how to design a strategic path for innovation, and speaking in general terms, we can say that the innovation strategy for economic growth in a company could take the form of a dynamic portfolio based on different possible combinations of 6 innovative elements:

1. Product Innovation
2. Process Innovation
3. Service Innovation
4. Business Model Innovation
5. Management Innovation
6. Financial Approach to determine and manage Innovation

Referring specifically to element 6, this not only concerns financing, but also everything related to resource allocation. Let us consider for instance the Patenting approach Strategy: in order to define something as a potential invention, it is necessary to satisfy the principles of originality, novelty and legality, and the criteria of specific concrete application. Therefore: does aggressive patenting always lead to an economical solution? If protection is possible then the answer is yes, if protection is not possible in an economical manner, it is sometimes wiser to avoid possible confrontation and related disclosure. It is not in the number of patents that an Innovation oriented management should rely to measure the innovation progress status and, in the meantime, financial expectation elements are not the last factor that should be examined. In a Company operating in low margin operations the decision to be taken in order to invest in Innovation is a serious bet, as the risk connected to innovation failure is always present. The financial approach should therefore be specifically focused on not only how to finance but also what to finance and how to connect it to the operation Process. Economy of resources is a management constraint necessary not only for standard daily operations, but also for those concerning the innovation project. Innovation goals often lead to additional costs before leading to results!

In a Distribution Company, Product Innovation mainly concerns Point of Sale evolution and its capabilities to connect with Customer consumption needs. This is the source of the so-called operative Formats, standardized branded outlets

that can be differentiated in many ways. Therefore, innovation in the distribution sector can be substantial, and may include combined innovation elements. There is, in any case, a considerable possibility of affecting the overall economic process, not only in a positive way, and there must be a process control policy regarding the carrying out of innovation. Going random often means carrying out action in no specific direction in terms of controlling the actual benefits. In contrast to what it seems from the outside, on an initial examination of the innovation problem, the distribution business presents many traps and survival nowadays requires one to be very wary of easy analysis. For instance, the distinction between e-commerce and bricks & mortar is not as simple as it seems, and, in the long term, the two converge as different approaches to selling the same products and combine many elements that are synergic, while at the same time differentiating the outcome.

With regards to innovation, we therefore deem it necessary to distinguish between:

- The technical learning approach - progressive process development (e.g. six sigma based continuous improvements)
- Innovation based process development (e.g. new machines – new methods allowing discontinuity and steps up)
- Invention based (which may even change the competitive rules of the game)

Trying to define the power of Innovation that a Strategic overall approach might put into action is not so easy, and often becomes a demanding managerial task in terms of competencies that must be combined.

It is a complex function that can return multiple results. Simplifying, we can perhaps try to demonstrate with the use of an apparently complex function where:

$$I_{si} = f(X, W, H, T, L)$$

Innovation as a Strength (effect and durability) and Impact (capability of disruption to other parties' actions) is a function that in our opinion can be traced to the combined effects of

X = type of innovation (process, invention or combined effect)

W = When innovation takes place (i.e. if innovation is timely or not), it is, in fact, not only important to know how to introduce innovation, but it is necessary to introduce it at the right time, and in the right period, where the work "timing" has a determining value.

H = How it takes place, in other terms also conjugated with HR (the effect of human resources on Impact)

T = stands for Timing, and states that many things depend on the effectiveness of actions carried out at a certain moment in a certain period.

L = Which can be summed up as Luck, always bringing things together (hopefully) in a random manner, therefore the ability to always be ready for opportunities is often called luck, although not always correctly. If there are different scenarios, the ability to be ready for the more favourable one is not Luck, but is more probably Attitude to be ready, and it is an ability which can be cultivated in a business organisation.

And that's it!

Furthermore, we would like to add something very important regarding Micro and Macro results: "*An important fact is that powerful psychological forces are active in determining people's behaviour, and therefore the wealth of nations*" [12], and that of companies, we would add. Therefore, the way a company and its actions are seen both externally and from within is an important factor. It is a matter which is correlated to behaviour and actions, but also to how the Company communicates itself, its products, services and in general how it connects to the environment in which it operates. This factor is changing

and is becoming ever more technological and tied to the capacity to interpret the social world. Social networks act both internally and externally to the business, and nowadays efficient management of these factors has, more than ever, a strong effect on behaviour. Knowing how to communicate in a manner which is appropriate to the times was important in the past, but now it is a determining factor. Communicating factors of innovation and having them perceived as positive to both old and new clients is not easy, and inefficient communication can cancel intrinsically positive potential.

The cue for innovation can emerge from nothing, but more often than not it follows a process, and in this case it is easier to govern development and prospects.

How did MyAv come about, and following this, the more recent and important technological development of the product-service: Mike Process Master?

As an initial step, it was conceived as a simple interactive totem which, between 2012 and 2013 was introduced into sales outlets to provide information to customers. A service instrument which gradually acquired more intelligence and “process” meaning.

The Alias-Avatar concept was tied to the fact that the sales point operator had (and still has, today) their own avatar, which could provide answers via the totem (Fig. 6), receive information, and provide customers with service information.

As an initial step in the evolution process, in 2014 a plan was prepared which also involved an essential increase in scientific and technological capacity within Centro Studi. It was necessary to acquire more in-depth knowledge of Computer Vision, Artificial Intelligence, Internet of Things and Big Data. Research doctorates were financed and contact with University research was increased in order to understand the state of the art on basic research terms with regards to the aforementioned areas.

The sole intervention of the totem in the scope of the process was not, in any case, considered substantial. Customer interest was solicited solely when the totem was included in the process in a dynamic manner (promotions, rewards, etc.). It was an attempt at innovation which made a contribution but was not enough to qualify as a true competitive advantage. What was missing was the real advantage!

This led to a substantial consideration and a question that brought in lateral thinking, which is not made up solely of yes or no, but also PO. A series of questions which are not only set out to reject (NO) or promote that which has been done (YES), but also to step out of the framework (PO) through a widening of thought into the area of the POSSIBLE, POTENTIAL, or even into pure fantasy, which De Bono calls POETRY, indicated, with this, an arrangement of information in a provocative rather than analytical manner [2]. Going through this mental process and maintaining the initial ideas a little while longer in our brain elaboration we decided to split the overall problematics we were examining by separately considering those related to direct “in store” communication to the customer and those aimed at achieving specific process advantages in point of sale operation.



Fig. 6 - The interactive totem at the Futura Point

Then we started to look in a simpler manner to all matters while, in the meanwhile, considering the staging of a project which was far more ambitious and, why not, involving State of the Art and specific technology. Possible? We then simplified the conceptual problem, by dividing it in two components, connected but severable and therefore separately manageable:

- That of the “process” connected to the shelf and the interaction with the Sales Point operator
- That of promotional and service “interactive communication” with the consumer.

Two separate projects which were connectable in an opportune manner using Digital Communication technology, but which, in reality, were divisible into three projects which, today, are all active, even if conceived in the scope of the re-thinking of the originally called TOOL project.

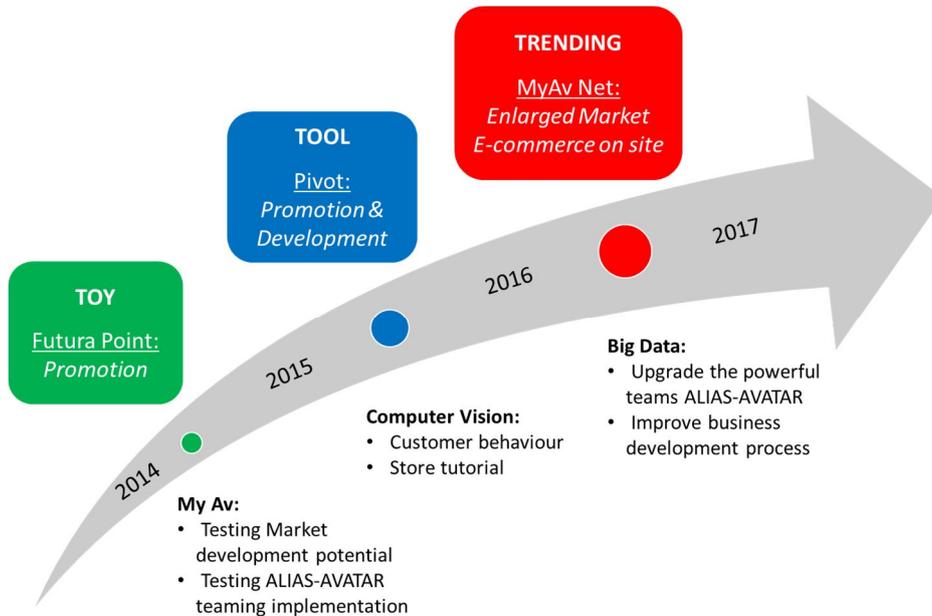


Fig. 7 - Development process from the first interactive totem to the birth of MyAv and the idea of the robototem

Following experimentation, among other things also with humanoid robots, such as the widely-used Pepper, produced by the Japanese firm SoftBank, and distributed in Italy by Fullsix-Softec, with whom we had an initial opportunity to meet and have commercial contact as clients, we sought to develop our own mobile “process agent”, which confirmed the fact that for the effective development of a process for the managing of shelves and interaction with the operator, what was required was not a humanoid robot, but rather a robotic platform. Initially we developed this internally, even if, further on, we realised that the key aspects of possible technological innovation resided in being able to assemble many forms of development in various fields, and to render them synergic via connection programmes. In practice, as Systems Integrator, we are convinced that what was important was to have a clear basic idea, and multidisciplinary knowledge which concerned, in an interrelated manner, robotics, computer vision and artificial intelligence in all its possible forms, which are sufficiently articulated and of diverse application. We started working, as we had an idea and we wanted to be ready to apply it when someone with the right technology and mission became available with the right proposal, even on an experimental level if necessary. In fact we felt that we were able to use this idea and basic concept in a way which was interesting for us, also contributing to the development of the projects of others, thus maintaining that this technologically aware collaboration would have favoured us competitively in terms of cost management and as early users. We felt we were capable of suggesting, contributing and experimenting, but our identity and strengths were clear: we felt we knew what to do and how to use, in a financially advantageous manner, a robot which had been designed and created with “a certain type of precise characteristic!”

The events which then led us to the direct development of Mike therefore emerged from the idea of rendering the work of the sales point operator more efficient, identifying a “process” solution which was valid both for us and for others, with similar problems regarding the management of the sales outlet, the range and presence of products on the shelves, using a planned or programmable disposition through so-called “Planograms”, and separating the theme from that of direct dialogue with the customer - already partially tested by us through the experience acquired with the totem project.

During the development of the idea, what then became important was the concept of direction to be followed, in order to achieve the objective with determination and without excluding the possibilities provided by alternatives of cooperation. In reality, it was the contrary! As already said, our initial idea was in fact to gain the qualifications to be able to experiment with others, specialists in the design and development of similar projects, which were apparently far ahead with product testing, and already having launched some sporadic proposals. During a visit to the United States in May 2017, we realised that we were not behind others with regards to key aspects of system design, on a level of robotics, computer vision or artificial intelligence, and we also had a clear idea of what we wanted on a process level. At the same time, none of those who had this type of product at an experimental stage considered viable to carry this out through us in Europe, at least in the short term. This led us to a decision supported by an element which is essential in innovative development: determination. This is how the story of this project for an innovative product began:

a robot (Fig. 8) capable of assisting, in a synergic manner, the sales outlet operators in their work, in the filling and management of shelves.

Recent history tells us that in October 2017, Ahold and Walmart, two giants in the distribution of fast-moving consumer goods on a global scale, started using robots in a number of their supermarkets for daily duties, albeit on an experimental level. Surprisingly, we managed to be the third to take this innovation path.

We operated as a Systems Integrator, assembling technologies with the conceptual glue generated by our process knowledge as well as scientific advanced support, and on 28 January we presented “Mike Process Master” in a Potenza Supermarket of our brand Futura.

Were the robotic products introduced by us and by the two global distribution giants the same? We can say that they may look similar, but everybody is always convinced they have some distinctive secrets and advantages in terms of knowledge. Only developments over the next two or three years will be able to provide an answer on the real state of the art with regards to this Innovation.



Fig. 8 - Mike Process Master at work at Iper Futura in Potenza.

It is certainly very clear that, in the strategy at the foundation of our robototem MyAv, we have not tried to substitute humans, but to integrate capabilities in a synergic manner: human-machine synergy, with the latter, the technological component, aimed principally at increasing human potential, not substituting it.

On the other hand, “robototem” is practically a product definition, which we have registered, and which responds to the initial MyAv philosophy: to provide not only an Avatar, but an interactive technical and concrete support for humans who dialogue with a “machine” equipped with artificial intelligence. This support can therefore be measured through its financial consequences, in the scope of processes which involve humans. The machine provides support to humans and intervenes in processes, as a synergic strengthening of possible reciprocal learning, and artificial intelligence becomes a source of resources acquired through integrated learning and experience.

From this key element, we have been able to internally establish targets and operative costs which allow us to determine objective advantages expected from the new process regarding the introduction of MIKE Process Master into the operative system, and to evaluate the entity of said cost and revenue improvements, net of the new system operative costs and directly-attributable investment. From this point it was then possible to estimate a potential market, related to the minimal optimal store size of the sales point in which this innovation can operate, obtaining a financial advantage that compensates for the investment, thus providing an estimate which is considered to be reliable in order to continue to invest and to provide a credible value for this development.

On the basis of conservative internal development plans we prepared our assessable programmes and prospective forecasts regarding the MyAv project for the operations we set up. The value of production has been estimated to have passed from 500 thousand euros in 2017, when we carried out internal experimentation only, reaching a prudent estimated value of approximately 7.5 million euros in 2020, the year in which the impact of the revenue of MyAv S.p.A. on the Orizzonti Holding Group is forecast to be zero and the level of overseas turnover is estimated to be at 18%.

These figures are apparently limited but, in the light of the evaluation by operators and investors from the high innovative technology filed, the evaluations of sectors with high levels of growth prove to be rewarding and significant, and therefore we have taken this into account, in negotiations and market presentations, illustrating the characteristics which are useful for an opportune financial and investment evaluation, bearing in mind potential developments.

This theme is technically somewhat distanced from the scope of this project, while we would like to point out that the project, as planned, as well as having an effect on the process, will also have, as an expected consequence, the identification and selection of approximately twenty graduates with a high technical profile, over the next three years, to become part of our operative research and development staff, and this makes us just as proud as the operation results achieved, as it can and must be a further demonstration that the South is just as capable! Even more could be done, in Italy and in the South, but this is a subject that we will leave for our final conclusions, “also” with a view to that which Aghion and Akcigit tried to identify as macro themes.

The fact remains that the the MyAv project was not destined to conclude with Mike, as an answer to the theme of the process. In fact, in our laboratories, the “Problem” of the robotic link with the client, in the Sales outlet, continues, and has gone beyond experimentation with third-party products (see Pepper), with work being carried out on a specific technological concept of our own, for which we have, at the moment, registered only the name: Dominik, which is not - and will not be - humanoid, but which will have extensive capacity to render company communication active, as well as communication in the sales outlet. We considered it essential and important to invest more, and we continue to do so and in a better way, in the strengthening of our digital communication capabilities and know how. Here is where the extra factor lies: an opportunity taken in an innovative manner and with particular attention to timing, both in terms of the conception of the operative programmes which must be able to be developed in a manner which is sufficiently coherent with the relative strategic objectives and relative restrictions. We contacted Fullsix-Softec as they were the Italian distributors of the robot

Pepper. We contacted them again to qualify the digital and internet presence of Mike Process Master, and we learned, via stock exchange information and that provided directly during commercial communication, of the possibility to create a synergic acquisition, but that in order for this to be possible, it would be necessary to provide “further” innovative concepts. Two further verifications were necessary, one financial and the other strategic. Once again we sought help in the teachings of De Bono with regards to being both creative and rational [2], by using information in Forward and Backward arrangements (Fig. 9):

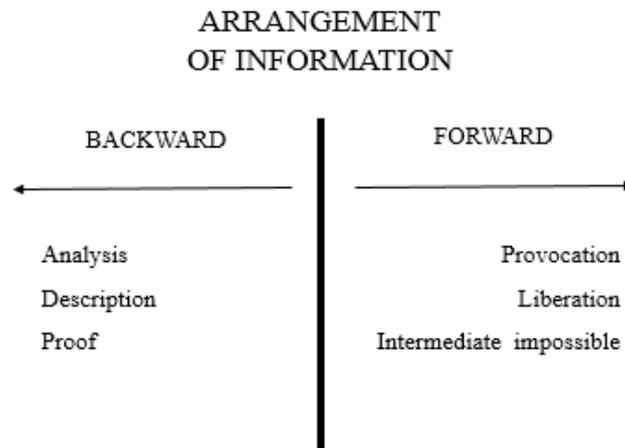


Fig. 9 - The two processes of information usage

We provided our decisional system with sufficient rationality to accept a new path which would otherwise be impossible, setting out a precise set of elements to balance our risks. We agreed to the acquisition of Fullsix and its subsidiary Softec, evaluating, as a PO hypothesis, to be able to carry out the take over without affecting the General Management of our Distribution and Core Business Operation together with that of our financial structure and policy. Until now, we have been successful! In planning our take-over planning, and in the reality of the subsequent operation, the entire and very complex take-over procedure was handled internally and directly by only four key level internal people. The specialised work was carried out by bringing together the abilities of the ENVENT Professional Team and those of Centro Studi. Combined efforts were then aimed at rendering possible a complex and technically innovative stock market operation including a takeover bid with share-swap, in an indirect operation involving two companies: Fullsix is quoted on the regulated stock market, and is therefore under the technical and legal supervision of CONSOB, while Softec, which is quoted on the Alternative Investment Market and therefore is governed by the Italian Stock Exchange, making reference to a simplified set of criteria and the Nomad (Nominated Advisor) tutoring throughout the permanence on the market to enable the company to always comply with the market rules requirements. In order to take control and handle the take over of Fullsix-Softec, a number of financial operations, as well preliminar investments, were already, and will be, necessary, but a major portion of these were carried out by valorising MyAv shares, which had become the connecting public reference point for value both for the share exchanges for Fullsix and Softec, and for the “equivalence” cash purchasing of the same shares in the framework of the takeover bid.

The level of financial investment to be made in relation to the takeover bid, as far as the conceptual assessment of “POssibility Analysis” was concerned, was considered, in terms of Orizzonti Holding Strategic Control, as manageable through the Active Finance Invested means. In practice, evaluation was carried out technically, assessing the substitution of a risk spread over a number of shares, therefore more balanced, with a concentrated risk, made up of investment in two shares, but which allowed, in any case for the acquisition of the possibility of the direct management of many factors regarding risk, through participation

in Governance. Furthermore, it was considered possible, even desirable, to sell shares to various specialised funds and partners, with a view to development and further valorisation.

5. INNOVATION OPPORTUNITIES AND FACTS

The core business of the Orizzonti Holding Group, well identified and focused, has always been the distribution and sale of fast-moving consumer goods in a geographically limited area characterised by an intrinsic problem, related to this limitation, which is the possibility of expressing economies of scale, in a sector in which purchase volumes influence costs, penalising the basic conditions of competition in favour of larger organisations, either privately or through groups or purchasing consortiums.

Furthermore, the competitors who act on a national level take advantage of factors of a differing nature in order to compete on costs, using, for example, franchising and umbrella branding which allows for a distribution of marketing and communication costs on a wider, national level. Consequentially, through these forms, there are local sales outlets (i.e. in our same scope of presence and action) covered by communication and promotional action with national-level brands, in the face of internal operative behaviour both towards competitors and collaborators, which are not always in line with the brand under which they are operating. A number of other critical aspects which have further emerged in the last few years also involve the behaviour of competitors based on Cooperative Groups with brands operating on a national level [13], which have demonstrated an ever-more aggressive level of competitive actions and policies, also perceived on news articles, for the acquisition of further market space, also in the South.

In effect, all of the aspects of personnel policies and working relationships are a characteristic aspect of competitiveness in the South. This is the case with Orizzonti Holding, and in line with our Vision and Mission, we have never applied flexibility in the interpretation of employment contracts. We are therefore aware that the use of temporary workers or worker cooperatives offers concrete and valid possibilities for flexibility in costs and overall efficiency. Even in this case, we have stuck to the rules, but the arrival of an increasing number of national companies is making what was already a difficult task in the Southern territories even harder: keeping the cost of employment solid and competitive.

Apparently, the Store image is the same as the leading Parent Company, but with Cooperative and Franchising Brands, the real strengths and weaknesses of their capabilities in our territories is always a matter to be examined on a more individual level, and may differ substantially from one brand to another, running the same brand, point of sale format and communication to the consumer but different local operating Ownership and Management.

This type of situation, which is to be considered in an objective manner before setting out plans for attack and defence in commercial actions to protect the territorial core, or to conquer new space in surrounding territories, has been gradually consolidated in a new and disturbing competitive manner since the beginning of the latest crisis. In the 2007-2009 period, many multinational companies, which were previously the first to provide an impulse to modern distribution, also through the management of large structures such as Hyper and Superstores, have consequently begun to disengage from southern areas, or to modify the terms of their presence, while, as already mentioned, they have begun to strengthen cooperative groups, which are also present throughout the national territories, confirming the advantage of being able to express on a local level both the strength of communication through classic means of television advertising as well as purchasing power, with very high levels of volume. Furthermore, in addition to this, they have also, in some cases, chosen cooperative operators who have proven to be highly flexible and capable of adapting to operating in their specific territory.

There are positive but also not so positive aspects to this “drop in the South”, and this is a fact. We at Orizzonti Holding, on a strategic level, have been attentive to this phenomenon and, having made respect for the rules a cornerstone, we have considered how this can “also” lead to positive results, in a medium-term period, if not in the short term.

Therefore, for the moment, we have simply had to accept this situation and, consequently, manage the fact that while competitive pressure has tended to increase, the average sale receipt and the number of clients tendentially demonstrate a fall in consumption, due to a population which is ageing, and not growing, leading to depopulation in small urban areas. Consequentially, local competitive dynamics are to be followed ever more carefully, together with the evolution in consumption, i.e. what, how, and when people buy, understanding the motivations in order to be able to respond in a dynamic rather than static manner.

What was the reaction of Orizzonti Holding? What strategy has it put into place? The unconventional choice, “innovative” in its counter-current nature (i.e. temporarily placing less importance on advantages attributable to “quantitative purchase factors” in order to favour other, less considered aspects) was to leave the Purchasing Consortium to which it belonged, in order to be free to act, bringing three factors into play:

- A. Availability to “aggregate” or “join others” in operational development (flexibility in agreements with others);
- B. Focus on cultural development and technological innovation (development of processes and dynamic communication);
- C. Become, and establish oneself, ever increasingly as a “territorial expert” (without seeking to sidestep the rules).

With regards to point A, the concept can also be translated into “an increase in all-round flexibility in our competitive approach”. This means that while keeping Orizzonti Holding independent and united as point of reference and control on an operational level for the distribution subsidiaries, it has been decided to implement a strategic and pragmatic approach, evaluating situations in which others try to “aggregate”, also seeking to be a model for behaviour. This is in the framework of weaker competitive situations for which to provide synergic support in order to minimise specific weaknesses. Instead, in situations which call for it, the attempt is to “join forces” with stronger organisations where there is a clear opportunity to be able to provide a valid element to be shared. With examples such as these, stress has also been placed on the willingness to provide specific support and cooperative alliance with other international high-level operators seen as potential competitors, starting with the consideration of possible synergies also attributable to the specific knowledge of the territory as an essential factor of relative importance.

This is an important decision for the Orizzonti Holding Group and its companies operating in the distribution sector, but one which is conceptually based on the fact that while sharing strengths can lead to creating further strength, the sharing of weaknesses never leads to substantial benefits, even in the present of apparent advantages in size.

It is therefore, fundamentally, a clear strategy which is also communicated to stakeholders, and which bears in mind the fact that the “knowledge of the territory” factor represents, in the Southern Italian territories, an essential element to be united with solid operational capacity in order to survive in a clean manner in an area which has always been difficult, but which is perhaps even more so today, due to the increase in competition in the last decade. In fact, new national and international arrivals with specific characteristics suited to “adapting” to the territory, render the competition more difficult than ever due to the increase in competitive pressure on prices and services, despite a number of temporary exits from the competitive arena, rendering the achievement of suitable margins even more difficult for those who do not know how to evolve, or are unable to do so. We have also tried to reflect on this in light of the global contexts and considerations highlighted in the Shumpeterian Perspective Paper taken as a reference for elevator thinking.

This environmental situation, to be considered natural in its developments, must bear in mind in this context that competition in Italy and in the framework of dynamics of agreements in place in the EU, must also be seen from an international, European and global point of view, and therefore no-one can allow themselves to consider doing nothing. In particular, and this is our hope, the idea should not be entertained that in the medium term, and in terms of evolution, any existing distorting factors can become permanent or remain without reactions and interventions regarding regulations.

We feel that the 2008 economic crisis, which most certainly led to an operational shift into South Italy of a number of national competitors who were previously competitive in the North, has, paradoxically, highlighted the limited understanding of a number of territorial aspects of a number of international companies, who have, consequently, felt it necessary to resize much of their current presence in the South, above all in the areas displaying the highest levels of criticality in terms of consumption and competitive distortion to be addressed. However, we believe that this choice is temporary, for the very reasons stated above, because Italy is a unique, advanced and relevant country with a complex economic system. Furthermore, leadership in Italy cannot be considered such without a balanced presence also in the Southern Territories.

Currently this is not yet the case, but we feel and trust that it soon will be. It is and will be a necessary factor in the future that we will re-examine in the conclusive section of this work. Certainly, at the moment it is necessary to bear in mind that, in terms of fast-moving consumer goods, the average receipt in the south is generally much lower than in the north. This leads us also to understand that a number of competitive forms of logic which are often adopted require careful consideration before being implemented with money and means in investment operations aimed at expansion. Distances and the sizes of towns and larger cities are combined with lifestyles and forms of consumption which differ even over distances of just a few kilometres and this is a dynamic which has only currently been understood by those who live and work in these territories. On the other hand, simply to cite a difficulty which is ever increasingly experienced by those who operate solely on a local or multi-regional level, the policies traditionally followed by Large Scale Distribution in the north, compared to the south, where consumption is more limited, have to bear in mind the fact that structural investments need to be paid off, sooner or later.

Due to tactical operative concepts which have formed over the years in the north, brick and mortar distribution practice is usually based on 3 conceptual pillars:

1. Increase sales by opening or acquiring outlets;
2. Obtain volume advantages on the price and promotional conditions made by the producers to increase margins (in the case of large groups it is often considered the success key factor);
3. Invest in structures (real estate speculation). This specific approach is particularly favoured by cooperative groups, but not exclusively.

We can say that this period, in our opinion, in terms of effective strategic value, is partially over, and therefore also a number of expansions based on this principle (real estate speculation) are now facing a probable pending future threat. If the distribution business can support real estate investment, then all is fine, but in some cases, and particularly in some areas of the north, where competition is particularly aggressive, real estate investment, with relative authorisation and licences, has become a possible speculative cure-all for resolving a weak economic situation.

Many non-performing loans are nowadays based on this strategic inconsistency: to finance an economic main business weakness through possible income via financial speculation on a real estate project. Something which is nowadays of rare occurrence in terms of economic opportunity and is therefore very risky. What is even more difficult is considering this event in the south, due to specific structural macroeconomic factors: in the south there is less wealth, less potential for development and, relatively speaking, less application of rules.

We are confident that this will change sooner or later, and our pointing it out is simply as a way to set the theme within a current economic and strategic analysis. Many others are committed to bringing about change, but much competitive evidence nowadays is still to be considered as distorted and, consequentially, this needs to be taken into consideration on a strategic level.

As a matter of fact, as a leading innovation element for determining growth, we have concentrated on that which was previously identified as factor B, that is on the development of the process and the capacity for effective and dynamic

dialogue with the client. In this context, we have sought answers which are more or less innovative, but which are capable of providing us with a contribution in order to remain active in the competitive context.

The overall strategy of the OH – GDA Group is currently developing in line with A and B factors, considering factor C as a necessary supporting element. We are investing in process development in order to allow longer term defensibility in the core territory defined by our geographic position, which technically defines the elements of physical distribution competitiveness based on orographic and distance elements from the distribution platform. These investments and the relative technology, thus become, in our view, elements to be considered as key investment barriers. The key point of the strategy evolution was therefore to lead our Distribution Company GDA to become more open to cooperation with others and to be ready to use the distribution platform to serve everybody (eventually also specific competitors) and to evolve by defining its own core business as a “distribution platform-multichannel”. Being multichannel means emphasising the flexibility of the platform in order to answer to different requirements, and this was and is now the point towards which technical and operational efforts were directed.

Therefore, the strategy evolution led us to “think differently” from a competition point of view. We started to evaluate how to benefit from the advantage of being solidly present in the territory, with some added technological evolution as a growing tangible and intangible asset. In the meanwhile, we asked ourselves if the new developments in MyAv robotics and the synergic Fullsix Softec digital communication field should be considered by us as an asset to increase our internal competitiveness, or in a wider and different value creation strategy and perspective? We asked ourselves many questions, such as:

- Are these Innovations or Newly-Acquired Development capabilities a way to and eventually strengthening a business connection with possible distribution Partners?
- Do we, as a locally-focused Distribution Company and as part of our Innovation Strategy, need synergic participation companions in this innovation process? Should they be Italian, European or more globally-oriented?

After having examined various questions of this nature, also from a critical point of view, regarding what we could need or what may make us stronger, we also asked ourselves if we are and will be ready to share our technological developments with others. The answer was yes!

We need partners, as we are potentially customers and suppliers at the same time! In the meantime, our being a local distribution player does not create conflict with a wider distribution arena, and in the meantime, this renders us more open to taking advantage of opportunities for development and knowledge to apply to local “core businesses”.

Furthermore, in our current definition, our concepts of “operational role”, Supplier or Client, unifier or unified, these definitions are very flexible and strategic, above all through an analysis relating to the ability to create value determined by one choice or another.

By clarifying this conceptual definition, we established key strategic elements to define our policy for managing a number of innovation-related outcomes, both for MyAv and for Fullsix Softec or similar cases, as we will clarify in point 7.

6. CONCEPTUAL AND OPERATIONAL FRAME FOR A STRATEGIC FINANCIAL ACQUISITION

While having grasped the Fullsix-Softec opportunity through an innovative financing approach and having provided a significant boost to an important technological project with the creation of MyAv as a solid company, the strategic approach of a Holding Group always requires a verification of coherence of identity and manageability. We are aware that the running of a diverse range of activities brings forward the management difficulties which are typical of any conglomerate. One needs to know what unites and divides the various sectors, activities and businesses, and to know how to handle these aspects. Therefore, as Orizzonti Holding, we are putting into action a strategy which conceptually allows us to separate that which interests us from that which may also be of interest to others.

Given that we are a brick and mortar distributor, we have approached the e-commerce world, but have not yet activated this sector, as we are structurally tied to distribution and the heart of our system, in terms of technological investment, is the distribution section. We are fairly well-versed in B2B, i.e. we serve professional customers, but in terms of retail, we are still learning: we have created the robotem project as an accelerator of our learning in terms of dialogue with the client, and we do not intend to do this alone, which is why we have been since the beginning very open towards qualified partnerships to join us in this project.

The search for possible partners with specific abilities which also could serve as reference for specific international development, as carried out for MyAv and consequentially for Fullsix-Softec, is aimed at not losing identity or the capacity to maintain the solidity of a number of specialisation factors in the territory which, at the moment, are considered distinct elements which can be configured as relative strength factors, to be carefully defended in the framework of OH Group's core business (Fig. 10).

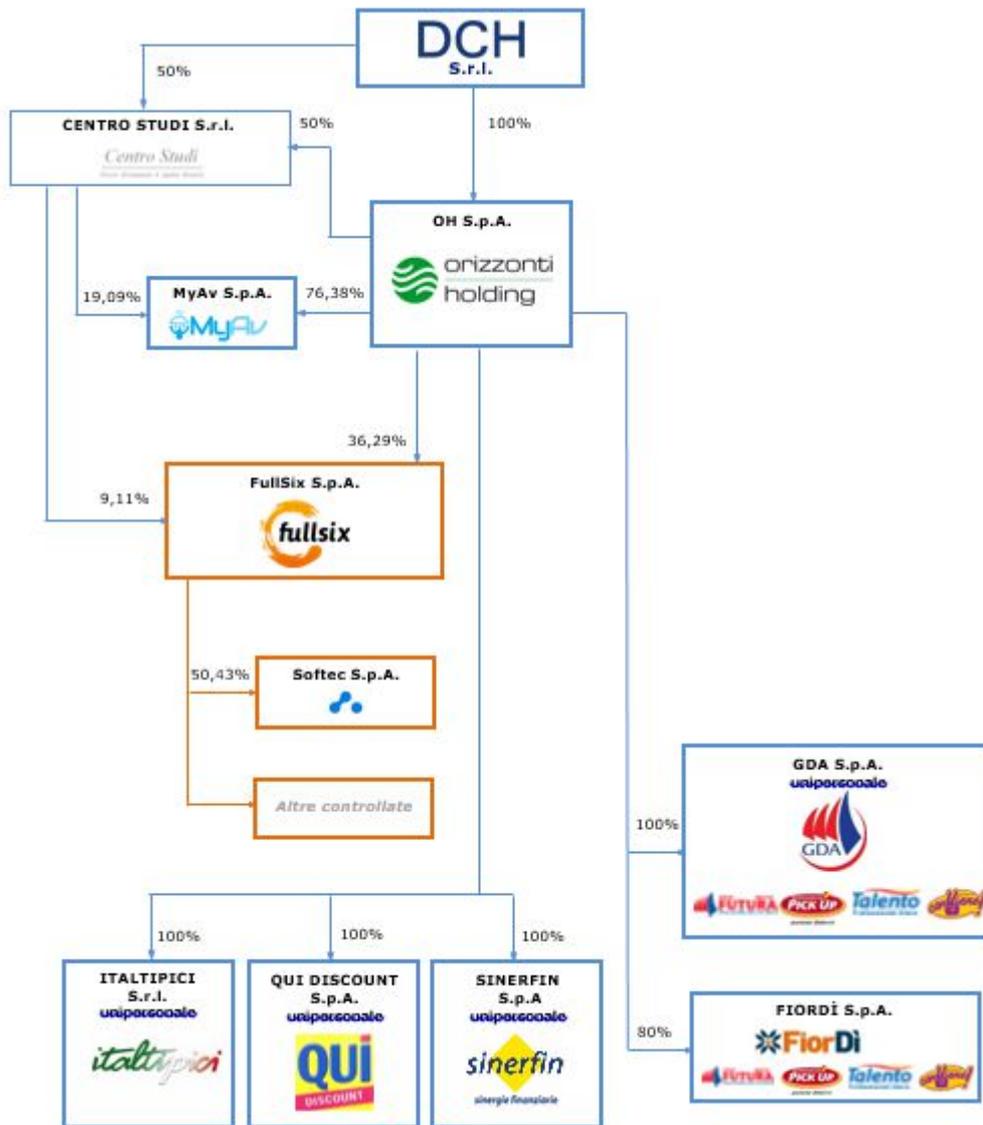


Fig. 10 – Sociogram of the OH Group

As a further, but important, element, we intend for the Fullsix operation to be characterised by specific involvement and attention from OH Top Management, solely from a few key figures with regards to the legal, company and strategic-administrative aspects. On an operational level, no other member of the organisation should be involved in a significant and

widespread manner. Operational relations between Fullsix-Softec, MyAv and the other companies in the OH Group will consequentially be directed and structured in an independent and specific manner, according to the principal dynamics of a Supplier - Client nature. This is to be carried out also bearing in mind the possible entry into these technological companies of various partners.

7. IS IT POSSIBLE TO INNOVATE THROUGH INNOVATION?

This play on words is no joke. It is a serious question.

It is necessary to clearly define:

- The economic policies and sustainability of new initiatives
- The organisational policies and integration of new activities

As Orizzonti Holding Group, we have established internal references for “strategic control”, covenants which allow us to evaluate if we are moving in areas of coherence or not with respect to our structural and financial indexes.

Furthermore, it is clear to us that any new activity has to respect these policies, otherwise we will have to consider the possibility of surrender and disinvestiture. The managing of innovation does not only lead to opportunities, but also threats, which can act in an insidious manner, bringing about negative changes. We apply a simple rule of thumb in order to determine the priorities for analysis. When something “innovative” and “synergic” is introduced, we ask ourselves in retrospect if it was necessary, and we assume a critical, but not destructive, attitude. We allow dynamic internal responsibility, but in the end, it is Top Management that must understand if something works or not, and the outcome must be objective: that which does not bring improvements has in any case involved a cost. Let’s evaluate it!

The risks connected to innovation should not be underestimated, and often can in some way be measured in terms of innovation itself, but it becomes much more difficult to evaluate when the innovative process widens to multiple perspectives. As we have outlined in point 4, the dynamic combination of 6 factors of innovation can lead to a multitude of strategic and operational configurations with differing levels of risk.

In the practical example examined, Orizzonti Holding combined a process innovation (the MIKE Process Master project) with a financial innovation (using MyAv shares, the company carrying out the technological innovation project) to acquire controlling shares in another company, to be considered as a vehicle (Fullsix SpA, quoted on MTA, that is the leading Italian Equity Market) which led to the indirect acquisition of a portion of shares which is not only majority, but which could prove to be directly important, via a takeover bid, for the true synergic target, Softec SpA.

Softec in fact represents a vision centred on digital communication development, and as it is quoted on the AIM (Alternative Investment Market), representing a market which is subject to a privatistic and less complex regulation, and therefore an investment which is easier to be managed in terms of bureaucratic requirements regarding the quotation of shares. The situation of ownership of Softec by Fullsix has led anyhow to an indirect takeover bid - IPO, an “exchange-purchase” public offer which involved both companies, with differing relative regulations, but identical in the economic equivalence of exchange offers with MyAV shares.

This means that effectively Orizzonti Holding has invested in a specific target (Softec SpA), but will also have to manage the Fullsix Holding, which, according to market evaluations, is to be considered in a “disrupted situation”, therefore to be conducted through a turnaround project.

In effect, the origin and the role of the actions in the dynamics of a regulated market are in themselves factors for economic opportunity, but only if there are sufficient ideas and credibility to lead the market to invest in projects alongside those who are proposing them.

This is why the agreement between the main shareholder and Fullsix management has been set out in a clear and certain manner: Orizzonti Holding assumes financial control and all of the operational delegations, but the programmes must be

structured according to criteria which are acceptable, credible and financeable, even by the market and the other financial stakeholders.

In this manner, and with this form of evaluation, it is the market itself which can assess if, in the framework of the new partnership between the previous main shareholder and the new set-up, in which Orizzonti Holding has assumed a main role, conceptual, cultural and operational, synergy has been achieved. If this does not take place in a precise period of time which is financially compatible with the initial objectives and evaluations, the “financial” aspect still needs to find a successful definitive solution but it is clear to our strategic attention. The aspects of content are to be divided, and on a technical level, this is not easily resolved, but it is an exercise which can be taken on, if proper distinction is made between the diverse aspects, and if there is a clear idea of which content can be assigned a value or not.

Even in the case of synergies with the MyAv strategic project, or rather in the combination of process innovation via the current robototem (MIKE Process Master) and the future additional version (DOMINIK Store Assistant) with integrated digital communication oriented towards the client, involving systems of connection and influence linked to social networks which can be identified via eventual Fullsix-Softec know-how values, the criteria of Orizzonti Holding is and will be mainly that of placing itself in the viewpoint of the customer, acquiring, through its own distributive companies, an innovative process service via a Supplier, integrated with the communication objective, and then evaluating properly the actual results. This will be our approach and will be the factor on which the consequential evaluations depend, to separate the financial aspects, which by definition do not permit risks which have not been previously opportunely evaluated, from operational aspects which, instead, allow for the assumption of differing doses and qualities of risks if they are functional to technical and methodological ideas and capacities which are coherent with the vision.

8. CONCLUSIONS

What is halting innovation in Southern Italy? What is important and necessary in order to favour development: undifferentiated support and contributions or structural intervention measures?

Making reference to the set of questions and considerations posed by Aghion and Akcigit, *“How can macroeconomic policy help sustain innovation – based growth? Should we oppose structural reforms and the need for (more flexible) macroeconomic policy to enhance innovation – led growth?”*

The competition analysis and growth-related activities must take in account macroeconomic situation and policies. For example, nowadays we should consider that we cannot not speak any more of an independent Italian policy towards the southern territories. With the Euro and EU agreements ever more sensitive in addressing the financial resources of member states, it seems more correct and wise to talk of European policy towards specific European geographic areas and not towards specific geographic parts of the Member States concerned with development problems. This leads to arguments about the “optimal currency area” conceptual frameworks and coherence with the present agreements regarding the Euro. As matter of a fact, nowadays and with the current Italian political situation, a possible change in the trend that is so seriously affecting the economy of the southern Italian regions is not yet either determined or envisaged.

Which then are the elements for development to be taken into account by a Company like Orizzonti Holding, which is looking for growth?

We think that the present EU situation cannot last longer and therefore reforms and action should gradually take place, also driven at EU central level otherwise the EU itself would end up in crisis:

- Stronger action against distortion in competition;
- Increased concentration of resources to favour productive investments (tax relief on actual investment);
- Increased allocation of resources for education.

In the meanwhile, we hope that our industrial and economic system will be considered more and more European, and not only Italian, with the presence of a central body with a wide-ranging balance and a central bank for last resort lending and a guarantor for public debt.

It will not be possible to support credit to businesses on a European level for long, on the basis of a debt/GDP ratio which is inhomogeneous for evaluation. Widespread trend to impoverishment and lack of proper development in areas such as the Southern Italian Territories is a risk which could also have repercussions on the other Member States and the stability of EU agreements.

Without this premise, the businesses involved in the fast-moving consumer goods market and not only, are having a difficult survival task if they want to respect the law and be able to pay their employees adequately. Hopefully a proper answer for a number of them is to aim for innovation-led growth, if they can! We know in fact that managing successfully an innovation based strategy for growth it is not an easy possibility and task!

In a national political context which is apparently not in condition to be specifically attentive to design policies with regards to the South of Italy, but which is rather forced to be concentrated on a political vision focused to consider the north, and the south of Europe, we have to say that a number of companies in the south of Italy have activated a strategy of maximum flexibility and openness to innovation. We believe that we cannot accept to have two economic Italies and that it is an entrepreneurial responsibility to be at the forefront to change it!

Through the new operative companies, led by Orizzonti Holding as a finance centre and for strategic control, we have opened a window onto the north of Italy and beyond, and one example is the Fullsix operation. In this way, we are trying, with the means at our disposal, not only to tackle depopulation, impoverishment and a reduction in consumption, which concerns us directly but also to find and make benefit of synergies between our territory, in Italy, Europe and the World. We expect from our projects of process innovation and technological development to see principally and above all a return of efficiency and effectiveness in our core processes (fast-moving consumer goods). But, from our contacts and participation, we expect not only financial-economic return, but also the continued openness of contact with a Northern Italy digital communication Company, and consequently the whole world, which is and always will be one, above all considering the new frontiers of digital communication and the internet.

On our part, we will try to collaborate with those institutions that we consider to be able to favour development and innovation, continuing to invest in available resources (also seen as know-how capacity and competence) and particularly on those which can be expressed in the Southern Territory where the roots of the Orizzonti Holding Group lie. Local limitation? No! A small local contribution to a problem which can only be resolved on a much more global political and economical level, for which, objectively speaking, is currently reflected in the saying: Stay alive and keep running!

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