



LES HENOKIENS CASE COLLECTION



MELLERIO dits MELLER is internationally known for its unique skills and expertise in the selection and enhancement of precious stones: collection pieces, unique pieces, private commissions, repairs, and alterations. It is the last of the historic luxury jewellery houses in France to remain a family business.

Awarded the French Living Heritage Company label, MELLERIO dits MELLER is a member of the Comité Colbert,¹ the Henokiens Association,² the Family Business Network, OSEO Excellence,³ and numerous other associations. Olivier Mellerio, General Director of MELLERIO dits MELLER until 2015, also authored the Mellerio Ministerial Report on the transmission of family businesses, delivered to the French Government in 2009.⁴

MELLERIO dits MELLER has existed for 15 generations. The history of MELLERIO dits MELLER thus spans 400 years punctuated by significant dates which are shown on the diagram⁵ included in Annex 1.

It all started with the Mellerio family's arrival in Paris in 1515. The story of MELLERIO dits MELLER has been marked by the great crises which shaped the history of France: the Revolutions (1789 and 1848) and the major wars at the end of the 19th century and the beginning of the 20th century.

However, in studying the firm's history a pattern emerges which repeats itself at regular intervals. This consists of a cycle occurring in three stages:

- Each Cycle starts with the laying of a foundation (the "Anchoring"),
- The course of its development is then disrupted, either by external events (the Terror, the French Revolution of 1848, the First World War, the accelerated movement towards consolidation which impacted the French luxury jewellery sector starting from 2000) or by family events (the untimely death of Emile Mellerio in 1967) (the "Disruption"),
- This triggers the second stage, which is characterized by the way in which the firm deals with the trauma caused by the Disruption in order to rebuild on renewed foundations (the "Resilience").

¹ Founded in 1954, the Comité Colbert brings together French luxury firms and cultural institutions who work together to promote the French art de vivre at an international level.

² An Association of 44 bicentenary family businesses with members from Great Britain, Italy, France, Germany, the Netherlands, Japan, Belgium, and Switzerland.

³ The Club OSEO Excellence, now BPI Excellence, is a community of companies chosen by BPI (Banque Publique d'Investissement France, which includes OSEO, CDC Entreprises (investment fund of the Caisse des Dépôts), the FSI (Fonds Souverain d'Investissement, established under the term of office of Nicolas Sarkozy) and FSI Région) to represent growth sectors,

⁴ Report to Hev  Novelli, Secretary of State for Commerce, Trade, Small and Medium-sized Businesses, Tourism, Services, and Consumption (2009)

⁵ Source: Mellerio dits Meller website

At the climax of the resilience stage, the new foundations are in place, and a new cycle begins.

The history of MELLERIO dits MELLER can thus be organized into three cycles:

- **First Cycle: The beginnings (1515-1815)**

- 1515 (Anchoring): the Mellerio family arrives in Paris, but maintains strong links with the family's native village in Lombardy, Craveggia,
- 1793 (Disruption): François Mellerio leaves Paris following the execution of Marie-Antoinette, and takes advantage of the turbulent period following the Revolution to expand his knowledge of the trade by working for the great Milanese jeweller Manini,
- From 1801 (Resilience): François Mellerio returns to Paris, where he builds a clientele from among the entourage of the Emperor Napoleon I.

- **Second Cycle: The emergence of a major jewellery house (1815 - 1915)**

- 1815 (Anchoring): François opens a shop on rue de la Paix with his brother Jean-Jacques Mellerio, under the name MELLERIO dits MELLER frères,
- 1848 (Disruption): the shop on rue de la Paix closes, François' two sons, Jean-François (1815-1886) and Jean-Antoine (1816-1882), leave for Spain where they rebuild their client base with the royal court of Spain,
- From 1851 (Resilience), the two brothers return to Paris and consolidate their business activities on rue de la Paix. They build a solid clientele from amongst the aristocracy, deploying a technical and artistic creativity which establishes the firm's international reputation.

- **Third Cycle: Ensuring the continuity of a family business (1915 - 2015)**

- 1915 (Anchoring): Raphaël transfers the firm to his three sons, Charles (1879-1978), Bernard, and Maurice Mellerio and a governance system is formed based on three equal thirds held by three branches of the family at each generation (Charles, Maurice, and Bernard, followed by Emile, Hubert, and Guy, and then François, Jean-Claude, and Olivier),
- 1967 (Disruption): Emile, Charles' son, who had taken over from his father, dies prematurely and leaves the firm in the hands of his son François, age 25; this happens in a profoundly disrupting context, as the profession needs to reinvent itself to adapt to the reorganization of the luxury sector, and this combination of circumstances increases the difficulty of the transmission,
- From the 70's (Resilience): after the retirement of Emile's brothers Guy and Hubert, there is a progressive return to a three branch organization system centred around François and his brother Olivier, and Jean-Claude (Guy's son), accompanied by an increased professionalization of the firm's strategy and governance.

At the beginning of 2015, a change in ownership took place, which put an end to the governance system based on three pillars. Concurrently, major changes and challenges are affecting the jewellery market. These changes have initiated a Fourth Cycle, and it is too soon to try and characterize its stages, as the new foundations are now being laid down.

In light of this context, the objective of the Case is not to present a model or judge the quality of organization, governance, or method of transmission adopted in each Cycle, because each solution is unique and adapted to a particular context.

Rather, we aim to identify the elements of familiness (concept defined and detailed in Annex 5) which enabled the family business MELLERIO dits MELLER to renew itself at each Disruption, to continue through the centuries while preserving and developing its skills and reputation and remaining a family business, and to understand which elements of familiness have enabled and supported the resilience of a jewellery firm during a period spanning four centuries of history.

This analysis will be done through an identification of the elements of familiness present and/or developed during each of the three Cycles examined below.

1. FIRST CYCLE: THE BEGINNINGS (1515-1815)

The family's Italian roots along with a strong entrepreneurial spirit, which found expression with the French, and then the European, aristocratic elite, are an essential part of its identity.

▪ The roots of the Mellerio family in Craveggia

The Mellerio family has its roots in the village of Craveggia, located in the alpine valley of Vigevano, on the border between Piedmont and Lombardy.



The Mellerios arrived in France during the Italian Wars which had marked the first half of the 16th century, when François I ended his military campaigns in Italy.

At that time they lived within a small transalpine community established on rue des Lombards in Paris, where they worked as chimney sweeps, bankers, and seasonal traders.

But it was not until a century later that the legend began, and more precisely in 1613, the year in which the family obtained, by Royal Privilege, the right to trade freely in precious stones and jewellery, without being subject to the corporation laws which would later give rise to the professions of jeweller and goldsmith. This date marks the beginning of the Mellerio family's jewellery business.

▪ 1613, Royal Privilege is obtained

On 10 October 1613, Queen Marie de' Medici granted the Lombardians from three villages in the Vigevano Valley, Craveggia, Malesco, and Villette, a royal privilege, signed by her hand and registered by the Parliament, which granted them the power to: *"sell and peddle, in our kingdom, cut crystal, trinkets, and other small goods."*

The Royal Privilege was confirmed for two hundred years, first by Louis XIII, and then by Louis XIV, Louis XV, and finally by the Regent, *"for services rendered since time immemorial..."*

- **The legend surrounding the Royal Privilege**

Legend has it that as he was climbing down one of the chimney flues in the Palais-Royal, a young chimney sweep from the village of Villette, neighbouring Craveggia, overheard a conversation which was meant to remain secret... When he understood that he had fallen upon conspirators plotting to assassinate the young king Louis XIII, he informed his boss, an individual named Pido, "consul" of Villette. Pido quickly called a meeting of the Lombardians of Paris and among them was Jean-Marie Mellerio, "consul" of Craveggia.

Taking their responsibilities as "heads" of the Lombardian community in Paris very seriously, they decided to alert Queen Marie de' Medici. She immediately launched a search and the following day the plotters were arrested.

When Marie de' Medici asked the Lombardians what she could do to reward them for their assistance, they asked for royal protection.

- **The more likely truth: the geopolitical importance of Craveggia**

Contrary to this legend, no serious historical research has been able to prove the existence of a plot uncovered by the Lombardians. Intrigued by this mystery, Émilie Mellerio, member of the 15th generation, and President of Mellerio International from 2013 to 2015, has carried out in-depth historical research on the subject in order to understand what could have motivated the Kings of France to maintain, one after another, the exceptional privilege granted to the Lombardians.

According to her findings, it is all down to the geographical location - which we would today refer to as "geostrategic" location - of the villages of Craveggia and its neighbours, Malesco and Villette. Located near Lake Maggiore, in the Vigizzo Valley, these villages interested French royalty because of their geographical location. Vigizzo is one of the rare valleys which allow a descent without obstacle towards the plain of Milan.

By entering into an agreement with the families who "held" the high part of this valley, the Royalty, via its secret diplomacy, was guaranteed a passage to Italy which would allow the French army, at the chosen moment, to easily cross the border. Similar military agreements were made at the same time with strategic valleys which link Italy to its neighbours, in particular the Valtellina (on the Austrian border). The wording of these agreements matches the royal privilege given to the Mellerio almost word for word.

- **Jewellers to queens and empresses**

Upon obtaining this privilege, the Mellerios definitively specialized in jewellery and became suppliers to high society. When they were accused of unfair competition and taken to court, they invoked the Queen's protection. And won all their cases...

- **Arrival of François Mellerio in Paris in 1784**

Historian Jacqueline Viruega, specialist in goldsmithing, places the moment of the acceleration of the rise and visibility of MELLERIO dits MELLER in 1784, with the arrival in Paris of François Mellerio, an important member of the family as it was he, in 1815, who decided to open the shop on rue de la Paix, which remains to this day MELLERIO dits MELLER's head office, workshop, and the firm's main shop.

Here is how she describes the life of François:

"François Mellerio (1772-1843), who arrived in France in 1784, remained in Paris during the Revolution, and joined the republican army, was employed by a Milanese jeweller in 1796. In 1801, he opened a small firm on rue du Coq-Saint-Honoré which was quite successful. Presented to Josephine, he did business with the Bonapartists and became supplier to the Empress. In 1815, he joined his brother Jean-Jacques Mellerio at 22, rue de la Paix, under the name MELLERIO dits MELLER frères."

In fact, François, aged 12 in 1784, had followed his father Jean-François Mellerio (1756-1826), who had decided to leave Craveggia and move to Paris. After two years of boarding school in the countryside to learn French, François quickly became the most industrious member of the family. He convinced his parents to end the sales trips to the provinces, which were tedious and not very profitable, in order to concentrate on a clientele of noble families and financiers, who had the reputation of being rich and solvent.

He also sometimes visited his cousin Jean-Baptiste Mellerio, who later became his uncle⁶ when François married Madeleine, Jean-Baptiste's niece, in his second marriage in 1811.

▪ Mellerio, jeweller to queens

According to Marie-Émilie Vaxelaire, the Mellerios had already begun to make a name for themselves in the jewellery sector and to specialize in luxury products under the reign of Louis XIV.

Mellerio is not mentioned among the jewellers or goldsmiths to the King, prestigious individuals who were often made noble, or among the goldsmiths and jewellers of the 17th and 18th centuries before the French Revolution. However, a legal document dated 1755 states that Jacques Mellerio, jeweller, prevailed against the Corporations of Le Havre by virtue of Royal Privileges. This document is currently stored in MELLERIO dits MELLER's archives as well as in the National Archives. The firm's archives also contain an account ledger dating from 1776, testifying to the Mellerios' involvement in the jewellery business before the Revolution.

Legend has it that Jean-Baptiste Mellerio, François Mellerio's cousin, set up his stall in front of the Palace of Versailles and Queen Marie-Antoinette purchased several pieces of jewellery from him.

Here is what Joseph Mellerio says in his book written in 1893: *"The special relationship which links Mellerio to the most charming and the most majestic of queens was forged in 1777. That year, Jean-Baptiste Mellerio, a young twelve year old Lombardian goldsmith-jeweller set up for business with a small quantity of goods in front of the gates of the Palace of Versailles. As she was returning from her walk, Queen Marie-Antoinette noticed this unusual merchant and ordered her entourage to take a look at what he was offering. The table was carefully laid out and Jean-Baptiste presented his jewellery so persuasively that the lady of waiting was won over and acquired several pieces. Quickly the young man became a subject of interest, made himself known, and carried out promptly and intelligently all the small orders he received, and soon became supplier to the Queen."*

"Although Louis XIII states, in the second decree granted to the Mellerios in 1635, that the Mellerios were already selling their wares to the Court during his reign and the Regency of his mother, the first royal client to which the Firm makes frequent reference in its history is Queen Marie-Antoinette. She seems to have purchased a bracelet with seven cameos surrounded by rubies from Jean-Baptiste Mellerio, who presented his jewellery in Versailles

⁶ Source: *Famille Mellerio, son origine et son histoire par Joseph Mellerio, Imprimerie D. Dumoulin 1893*

with the assistance of a type of trunk known as a "marmotte" which has been preserved and still belongs to MELLERIO dits MELLER.

At the time, Jean-Baptiste worked with his cousin Jean-François Mellerio (1756-1826) and his son François (1772-1843), in the framework of two separate family businesses.



Jean- Baptiste Mellerio's "marmotte" (trunk) from 1780.

One day Marie-Antoinette noticed a Mellerio at the gates of the Palace of Versailles and had him enter. She bought the bracelet shown below from him. From then on, the jeweler was received at the palace.



It was then that the family specialized in luxury goods: silver and goldware, rings, jewellery, precious boxes made of shell or gold, snuff boxes, bonbonnières, shoe buckles... Their reputation extended well beyond the capital, throughout France and all the way to England.

Another element which attests to the Mellerio's close relationship with Royalty: the conservation in Craveggia of clothing belonging to Marie-Antoinette, as well as all the royal decrees and privileges, bound in a leather book with wax seals on which the coat of arms of the King of France is still visible: three fleurs-de-lis.

▪ The Disruption caused by the Revolution of 1789

The French Revolution put an abrupt end to this expansion. In 1793, Jean-François found refuge in Italy and his son François joined the Army of the North for two years, charged with the task of driving out the Austrians and Prussians who had joined forces against France.

Returning to Italy in 1796, François spent two years as an employee of the great Milanese jeweller Manini, where he was able to increase his knowledge of the profession before returning to Paris, in 1801, where he resumed his activities as a jeweller.

Fortune smiled on him in 1804 when one of his clients, Madame Sans-Gêne, presented him to Empress Josephine.



- **Renaissance in Paris in 1796 with the opening of "Mellerio Meller à la Couronne de Fer"**

According to other sources, the first "Maison Mellerio" of which traces have been found was founded in 1796, after the French Revolution which had all but eliminated the former privileged class of Parisian goldsmiths, many of whom also went bankrupt at the end of the Ancien Régime.

Jean-Baptiste Meller (1765-1850), the former peddler who had sold his jewellery to Queen Marie-Antoinette when he was twelve, set up shop rue Vivienne à Paris, under the name "Mellerio - Meller à la Couronne de Fer", near the rue des Lombards.

2. SECOND CYCLE: THE EMERGENCE OF A MAJOR JEWELLERY HOUSE (1815 - 1915)

Whatever the case may be, it was the opening in 1815 of the Mellerio jewellery shop at 22 rue de la Paix which marks the point of departure for the expansion of MELLERIO dits MELLER.

- **1815 François Mellerio opens the Mellerio jewellery shop on rue de la Paix**

François Mellerio was the first jeweller to open a shop on rue de la Paix, a very innovative choice at that time. All the others had stayed at Palais Royal. It took Cartier 80 years to open right nearby...

The address was strategically located, mid-way between the banks and the Tuileries where the government ministers met. This was the clientele targeted by MELLERIO dits MELLER. A clientele who for the most part lived close to Place Vendôme, which rue de la Paix, opened in 1806, gives onto.

It was the beginning of a confirmed commercial success with this clientele close to the Emperor. In the Mellerio archives, order forms have been carefully preserved for two centuries. The name of the Empress Josephine sometimes appears every week...

- **The development of an aristocratic clientele**

MELLERIO dits MELLER progressively became supplier to the kings and queens of France and other European royalty. The firm established itself as one of the great European jewellers, working for Napoleon I, Empress Josephine, and the Emperor's sisters Pauline Borghèse and Caroline Murat.

Its reputation was unsurpassed for the quality and the choice of precious stones, refined craftsmanship and style, and a prestigious and international clientele.

The shop on the rue de la Paix was also one of the only jewellers to serve clients from the high aristocracy: the Orléans, Rothschilds, the royal Courts of Spain, the Netherlands, England, Sweden, Russia, Italy, and Belgium, diplomats, intellectuals, artists... In the order books, called "Brouillards des comptes" and preserved since 1766, are written the grand names of the royal families and Parisian grande bourgeoisie. These exceptional archive collections show a particularly close relationship between the jeweller and its clients.

This was a distinct advantage at the moment of the Bourbon Restoration because competitors like the Nitot firm (ancestor of Chaumet and jeweller for the coronation of Napoleon) did not have access to this clientele.

- **Family reunification**

In 1816 François entered into a partnership with his brother Jean-Jacques.

Jean-Antoine, François' son, was at this time running another shop on quai d'Orsay. The two firms did not merge until 1851, one year before Napoléon III's accession to the throne.

In 1830, after the accession of the Duke of Orléans, the firm obtained the coveted title of official supplier to the Queen of France, Marie-Amélie.

In 1836, the firm moved to 5 rue de la Paix (number 9 today).

In 1843, François retired to Italy, leaving the firm's destiny in the hands of two of his sons: Jean-François (1815-1886) and Jean-Antoine (1816-1882).

▪ **Disruption: the Revolution of 1848**

However, the Revolution of 1848 put a halt to this successful growth. The shop on rue de la Paix closed, due to violence and above all due a strong drop in business in the framework of a political, social, and financial crisis.

▪ **Departure for Spain after the Disruption of 1848**

The firm recovered from the shock of the 1848 Revolution thanks to the combined and complementary talents of François' two sons, Jean-François and Jean-Antoine.

Recognizing the context of crisis reigning in Paris, they left for Madrid with the stock of jewellery and precious stones. The Palais Royal was closed but Jean-François succeeded in making contact with Queen Isabella, who bought the entire stock of jewellery.

Two years later, seeing that the business was viable, Jean-François decided with his brother Jean-Antoine to open a branch in Madrid under the name "Mellerio-Hermanos".

In 1860, Mellerio obtained by decree the title of "supplier to Her Majesty the Queen of Spain".

▪ **Expansion in Germany and England**

Jean-François and his brother also began a commercial relationship with Germany, relying on jewellers, probably cousins, operating in Baden-Baden, a fashionable resort which in the high season attracted many wealthy European families. It was a way of following the clientele from a distance.

They also established a regular flow of business with the Rothschild family in London.

▪ **Merger of the family businesses at the dawn of the Second Empire**

The merger in 1851 of the two firms founded by François Mellerio on rue de la Paix and by his son Jean-Antoine on quai d'Orsay, marked the beginning of a renewal of the MELLERIO dits MELLER firm under the Second Empire.

In 1852, Napoléon III came to power, and wanted to make Paris the luxury capital of the world. MELLERIO dits MELLER reached its financial and artistic peak under the Second Empire. Emperor Napoleon III and Empress Eugénie, who admired the Mellerios' talents, purchased numerous pieces of jewellery from them all throughout their reign and strongly contributed to the firm's success.

In 1867, Jean-François and Jean-Antoine decided, along with another brother Joseph (1827-1907), to open an annex at 28 Boulevard des Italiens. That same year MELLERIO dits MELLER obtained the title of "supplier to His Majesty the King" of Italy.

Another brother, Félix, also opened a jewellery shop in Paris on rue d'Argenteuil with a partner from the Vigizzo Valley.

Three years later, the family obtained French citizenship, in 1870.

▪ **Enlarging the client base**

The constant search for new clients is a necessity in the jewellery business as one of its characteristics is that it offers expensive products to a wealthy and thus limited clientele. The jewellery market is highly sensitive and reacts to the unpredictability of the economy. Surviving means enlarging the clientele by establishing oneself in other countries in order to better withstand the vagaries of the economy.

Thus, as Biarritz, which was made famous by Napoleon III and Eugénie who built a palace there, became a favourite resort town for the aristocracy, the Mellerio family opened a shop there in 1891.

This commercial expansion was also made necessary by the financial risks inherent to the profession and the great need for working capital required to constitute a stock of precious stones and materials, while payments by prestigious but capricious clients are sometimes erratic.

Throughout Europe, people admired "these imaginative jewellers, with good taste and high-quality creations". In order to retain its demanding and refined clientele, the jewellery was created and produced by the finest craftsmen of the day.

▪ Consolidation of know-how

MELLERIO dits MELLER took advantage of this period to file numerous patents, which concern, in particular, the method of setting precious stones.

During this period the Firm also created many religious objects for the Vatican, Notre Dame of Paris... including the crown of the archangel Michael (copies of the crown can be found in the Maison du Pèlerin in Saint-Michel) or those of the statues of Lisieux, Notre-Dame de Fourvière, Notre-Dame de Lourdes or Sacré-Cœur and the Crown of the virgin of Brebières (photo to the right).



Although the Mellerios all knew how to draw - in particular, Jean-François (1815-1886), one of the best artists in the family - they supervised a large number of their creations; i.e. they entrusted their ideas to their workshops or to craftsmen who gave form to them. Of course, this creative process was not a one way street and, on their side, the craftsmen, on the basis of their talents, contributed to influencing and embellishing the object. A piece of jewellery is above all a collective work, which reflects all of the individuals who created it, but then takes only one name which is that of the jeweller.

The Mellerio archive collections show that the making of jewellery calls upon individuals from several crafts: designer, setter, lapidary, engraver, stone-setter, and enameller. Between 1830 and 1870 two hundred and twenty artists worked more or less permanently or regularly with the Mellerio firm. Lalique designed jewellery for them and his drawings can be found in the workshop book.

In addition, the Mellerios knew how to recognize the artistic talents of their craftsmen. For example, they allowed Henry Foullé (1833-1882) to sign his drawings and requested that he be awarded a medal for his work at the International Exposition of 1867.

▪ The Creation of a precious collection of archives and drawings

Jewellery is weakened by being worn: metal gets scratched, stones fall out, enamel cracks. To this can be added the traditional practice of taking it apart in order to create something more in line with the fashions of the day, which means that drawings are an important source for preserving the memory of jewellery. The Mellerio drawing collection is thus capital for the history of jewellery.

It testifies, as from the 1830's, to the firm's creativity, retracing the tastes and fashions of the time. The portfolios, tracings, and preparatory drawings show an abundance of shapes and ideas inspired by a reflection on the surrounding world. The flora, fauna, characters and shapes were taken from books, magazines, paintings, engravings, and various settings.



MELLERIO dits MELLER's reputation was based above all on its capacity to skilfully cover an extremely diverse range of jewellery, the result of the great variety of styles which characterized the period. The military campaign in Egypt, and the archaeological discoveries in Herculaneum and Pompeii were also sources of inspiration. This mix of creativity, daring, and the capacity to satisfy or even anticipate the desires of a versatile clientele was truly the key to the firm's success.

Contrary to the First Empire which was a complete break with the 18th century, the second half of the 19th century was not dominated by any particular style. Concerned with tradition and assimilation, it borrowed shapes, materials, and iconography from earlier periods, and enriched them with technical and stylistic innovations. The International Expositions during this period made it possible to show off this diversity and the technical progress which accompanied it.

A stylistic analysis of the Mellerio jewellery produced during the July Monarchy and the Second Empire is particularly revealing as concerns the tastes of the second half of the 19th century. MELLERIO dits MELLER was able to respond with talent to the most diverse expectations, creating very classic, timeless jewellery, such as pearl or diamond necklaces ("*rivière de diamants*"), and also unique jewellery, which found its source in the large decorative repertoire of motifs: neo-Gothic, neo-Renaissance, Louis XV, Louis XVI, classical, and naturalistic were an endless source of inspiration.

▪ **The invention of the flexible shank setting**

The International Expositions during this period provided MELLERIO dits MELLER and its peers with privileged opportunities to show off their most daring creations to a wide public. They also enabled them to exhibit new fashions in jewellery or to present their new techniques.

With a view towards the International Exposition of 1855, MELLERIO dits MELLER frères filed a patent on 3 August 1854, for a flexible shank for mounting all types of gemstones: "*The purpose of this request is to gain ownership of an application forming an entirely new jewellery item insofar as it imitates natural hanging fruit with no stiffness, which no one has been able to do until now [...]*". This discovery constituted significant progress; it would make it possible to give natural flexibility to floral arrangements which until that time had been rigid. The Mellerio firm was awarded a gold medal for this.

▪ **Recognition of this exceptional talent for innovation**

Mellerio successfully participated in numerous International Expositions. The firm won the "Prize Medal" at the International Exposition of 1862 in London, the gold medal at the International Exposition of 1867 in Paris, and the grand medal of the Religious Exposition of 1870 in Rome.

The Mellerio archives show that through its innovations in technique and form the firm succeeded in reinterpreting the creations of its predecessors and developing its own style combining fashionable taste inspired by an evocation of the past.

3. THIRD CYCLE: ENSURING THE CONTINUITY OF A FAMILY BUSINESS (1915-2015)

It was during the 20th century that the firm truly consolidated its capital, by organizing the shareholdings at each generation around three family groups, and by adding real estate holdings, which were also a source of recurring cash flow, to the jewellery business: the building located 9 rue de la Paix, held through a non trading real estate company⁷, while calling upon limited external financing in order to maintain control of the capital.

▪ Continuity during the two World Wars

World War 1 did not really constitute a Disruption for MELLERIO dits MELLER and neither did World War II.

The significant events which occurred during this Cycle were more family related (Disruption caused by Emile's death) and strategic (growth of the world jewellery market and strong concentration of market players into a small number of very large international groups in the second half of the 20th century).

▪ Continued recognition of the Mellerios' talent

The post-war years allowed MELLERIO dits MELLER to "surf" the wave of success of French Haute Couture, thanks to profitable collaborations with prestigious houses such as Christian Dior and Balenciaga.

At an artistic level, the Mellerios continued to deploy their considerable talents during the 20th century, as is attested to by the prizes which the family continued to receive, in particular, Charles Mellerio (1879-1978), Doctor of Law, Jeweller "*Meilleur Ouvrier de France*" and "*Prix de Rome*" for drawing.

This is undoubtedly the key to the longevity of this dynasty: each generation is dedicated to improving upon what the previous generation has accomplished, driven by a passion for their profession, and charged with a duty to pass on its know-how and talent.

▪ Principle of organizing the shareholdings around three family groups

The transfer of the firm by Raphaël Mellerio to his three sons Maurice, Charles and Bernard Mellerio, at the beginning of the 20th century, marked the start of a governance system based on three equal thirds held by three branches of the family at each generation, a system which the following generations sought to emulate and sustain over time, despite the shareholding complexities caused by the continual enlargement of the family circle as a result of having large families.

The principle is that the firm can count on three family shareholder branches which are completely equal in order to any avoid conflict of interest: the same salary for the individuals representing each branch, the same number of shares, the same number of shares in the real estate holding company which owns the building, and the same amount of current accounts. None of the branches holds a blocking minority. The partners much reach agreement in order to make a decision. Each individual finds his place on the basis of his competencies. Leadership is determined by discipline on the basis of talent and skill.

The idea is that at least two of the three shareholders are physical persons, the third can be a group of several individuals, who must then chose just one person to represent them for general meetings of shareholders and meetings of the board of directors.

⁷ *Société Civile Immobilière in French*

The intention of the family was to move away from branch combinations and to identify the shareholders on the basis of their individual identity, their capital, and their respective contributions, including on a human level. This is why the term "shareholder pillar" was preferred over the term "branch" which evokes the idea of persons who are descendants of the same father.

Each Mellerio involved in the firm was also advised to choose the individual from among his descendants who had the desire, and if necessary the financial means, to take over the shares held by his father, in order to avoid fragmentation of capital which is not conducive to the implementation of a sustainable strategy within the company and can lead to the forming of minority alliances likely to harm shareholder cohesion.

These principles were later set out in a family charter and a governance charter drafted and discussed in 2010.

- **Disruption: the firm simultaneously faces the untimely death of Emile Mellerio, in 1967, and the upheaval of the luxury sector**

The premature death of Emile, at the age of 57, happened at a time when the jewellery craft experienced profound transformations which threatened the equilibrium of the family business, and put the balance of the three pillar system at risk, precisely when Emile's son François, age 25, took over.

Emile's brother Hubert became President, while Guy, another of Emile's brothers, decided to retire. Ten years later, in 1979, Hubert retired and François became President. The three pillars system was maintained through a progressive association of François's brother Olivier, who successively purchased shares held by Guy's branch and later those held by his brothers and sisters.

At the end of the 1980's, the Hubert branch withdrew. The group was restructured in order to finance the purchase of the shares held by this branch (shares and shareholder current accounts shares in the real estate holding company): SA MELLERIO dits MELLER, which up until then had held 51% of the shares in the real estate holding company, acquired them and became holder of 90% of the shares, and financed this purchase by means of a bank loan.

- **Developments in the luxury sector**

During this capital restructuring period, the luxury jewellery market underwent profound upheavals.

It was a rapidly growing sector which took advantage of the economic growth at the end of the 20th century and beginning of the 21st century to grow by more than 7% per year, according to estimations, to 150 billion euros in 2015. This growth can be explained by several factors: a strong period of worldwide economic growth led by the United States and Japan up until 2001, the opening of markets in certain emerging countries and also the "democratization" of luxury products in developed countries.

Luxury products are not anymore ordinary purchases for exceptional people, but exceptional goods purchased by ordinary people.

Starting in 1998 the market became more globalized and consolidated:

The last Jewellery House to remain a Family Business

MELLERIO dits MELLER is not only the oldest and the most prestigious Jewellery House in existence, it is also the last to remain a Family Business.

MELLERIO dits MELLER

Still independent and 100% held by the Mellerio family

CARTIER

Belongs to the Richemont Group since 1988

VAN CLEEF & ARPELS

Belongs to the Richemont Group since 1998

CHAUMET

Belongs to the LVMH Group since 1999

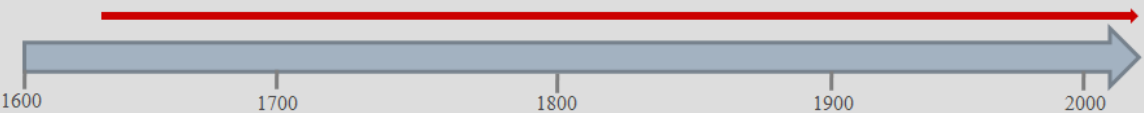
BOUCHERON

Belongs to the PPR Group since 2000

MAUBOUSSIN

Acquired by Dominique Frémont in 2002

MELLERIO dits MELLER



1993 Diversification into watchmaking

In this context and thanks to a controlled and limited call to private investors, starting in 1993, Olivier Mellerio was able to start diversification into watchmaking, which once again gave rise to new inventions and patents, continuing the tradition of creativity which MELLERIO dits MELLER has always shown.



Mellerio makes every effort to create a sensation and stand out: the MELLERIO dits MELLER watch has a novel face: a new shape, oval, uncluttered yet complex, obvious yet subtle, familiar yet symbolic. This innovation was the subject of a patent filed in 1993. The watch was awarded the "Prix du Cadran d'Or".

This shape also gave rise to a new diamond cut, under a patented method unique to MELLERIO dits MELLER.

This development was first carried out in a separate framework, by the Laurivier company, founded by Olivier Mellerio in 1989 with his own capital, under license granted by MELLERIO dits MELLER. Laurivier became MELLERIO International when in 2005 the entire branch of jewellery and goldsmithing activities was transferred to it by MELLERIO dits MELLER, which thus became the family holding company.

▪ 2004 new patents for the "Mellerio Cut"

At the same time, the tradition of innovation continued; a new patent was filed for a gemstone cut which bears the name of its creator; oval, after the brilliant, pear, heart, or emerald cuts: the "Mellerio Cut".



In 2005, Mellerio filed a new patent; a gemstone cut which bears its name, the "Mellerio Cut".

This cut shapes gemstones in the same proportions as those of the "Neuf" watch, but its design presented numerous challenges: thus a "Mellerio cut" diamond has as many facets as a brilliant cut but their arrangement was entirely rethought in order to reveal a much more intense and finer grained radiance, instantly identifiable.

This never-before-seen ovoidal shape is natural and universal.

▪ Limited opening of the capital to outside investors

In order to retain control over the capital while continuing with international development and organic growth, which are necessary in the context of the evolving luxury market, MELLERIO dits MELLER decided to bring in TEPA⁸ investors wishing to direct the product of their wealth tax⁹ towards Small and Medium-sized Businesses.

In order not to put at risk the family's objective to retain control over the capital, which remains a key family policy, these investors are issued shares, preferably without voting rights, totalling approximately 30% of the capital. The investors have granted options to sell in order to avoid dilution.

▪ Reorganization of the firm's governances

The firm's governance was also reorganized in 2006 in order to implement a two tier system:

- The family holding, MELLERIO dits MELLER, is held by the three family branches; its role is to preserve the firm's heritage and identity: protect the value of the name and its reputation, risk level (debt), development of capital, significant investments and divestments; it has a small board of directors (3 to 5 persons),
- The firm's operating subsidiary, Mellerio International, responsible for operations; its shareholders are MELLERIO dits MELLER for 90%, and approximately 10% of minority shareholders; its board of directors is made up of independent board members, and family representation is limited to one person.

⁸ The law of 21 August 2007 in support of work, employment and purchasing power, abbreviated as the "TEPA law" and known as the "tax package" because it set up tax credits for individuals who invest in SMBs.

⁹ French wealth tax known as Impôt sur la Fortune or ISF



▪ A professionalized firm for its 400 year anniversary

At the dawn of its fifth century of existence, MELLERIO dits MELLER was transferred to the 15th generation: Emilie Mellerio, an HEC graduate (1998), with a degree in gemmology, became Chairman of the operating company, Mellerio International, after having created the Marketing department and reorganized internal auditing.

She also created a structured collection which makes it possible to envisage international distribution, and redefined the collection, distribution, and marketing strategies.

This professionalization also involved the hiring of a Managing Director from outside the family who brings 20 years of experience in the sector to MELLERIO dits MELLER.

▪ Challenges for the 21st century

MELLERIO dits MELLER is currently facing numerous challenges:

- Heightened competition from large international groups with the financial means to engage in large scale international commercialization and distribution of standardized iconic objects forces MELLERIO dits MELLER to rethink its strategy on the basis of new opportunities available, in particular through technical developments.
- For example, the development of Big Data offers possibilities for personalization, the creation of bespoke jewellery allowing the client to help design unique pieces suiting their individual tastes, with the assistance of the extensive documentary resources held by MELLERIO dits MELLER,
- The impact of new technology makes it necessary to re-examine many aspects of the jewellery business (rapid prototyping, laser, man-made stones, e-commerce, etc.).

However, MELLERIO dits MELLER is ideally positioned to respond to the new aspirations of a large international clientele who are demanding and who desire creative and personalized services and products.

Remaining in the artistic domain, it has not wished to stray from its core business and can today find a financial model which allows it to attract the finest talents and remain at the top of its business sector throughout the world.

Questions for Students

▪ Overall objective of the Case

The overall objective of the case study is to identify the familiness (concept defined below and in Annex 5) which has enabled the family business MELLERIO dits MELLER to endure through the centuries while preserving and developing its know-how and reputation, and remaining a family business

In order to clarify this objective, it should be noted that the concept of familiness has three components which include, in and of themselves, all the characteristics of family businesses, and which can be summarized as follows:

- the surplus of social capital, which explains the resilience of family businesses, and their relative financial outperformance during periods of crisis, and which can be defined in every sense of the term as "social capital", i.e. the funds invested in capital (or precious stones in the case of MELLERIO dits MELLER), the intangible assets (the archives), know-how, human capital, the family's emotional and even symbolic capital through, in particular, eponymy and transmission, which guarantees the orientation over the long term,
- the local foundation, rootedness, which itself guarantees the continuity of the firm held by family shareholders, and the enrichment of its know-how, without in any way hindering the firm's international expansion,
- the network: the social network, in the traditional sense of the term, i.e. the family's network of influence, which interacts with that of the firm, to produce values which are all the more credible in that they are embodied by the members of the family, which makes management by values more efficient than in non-family companies.

▪ Assignment

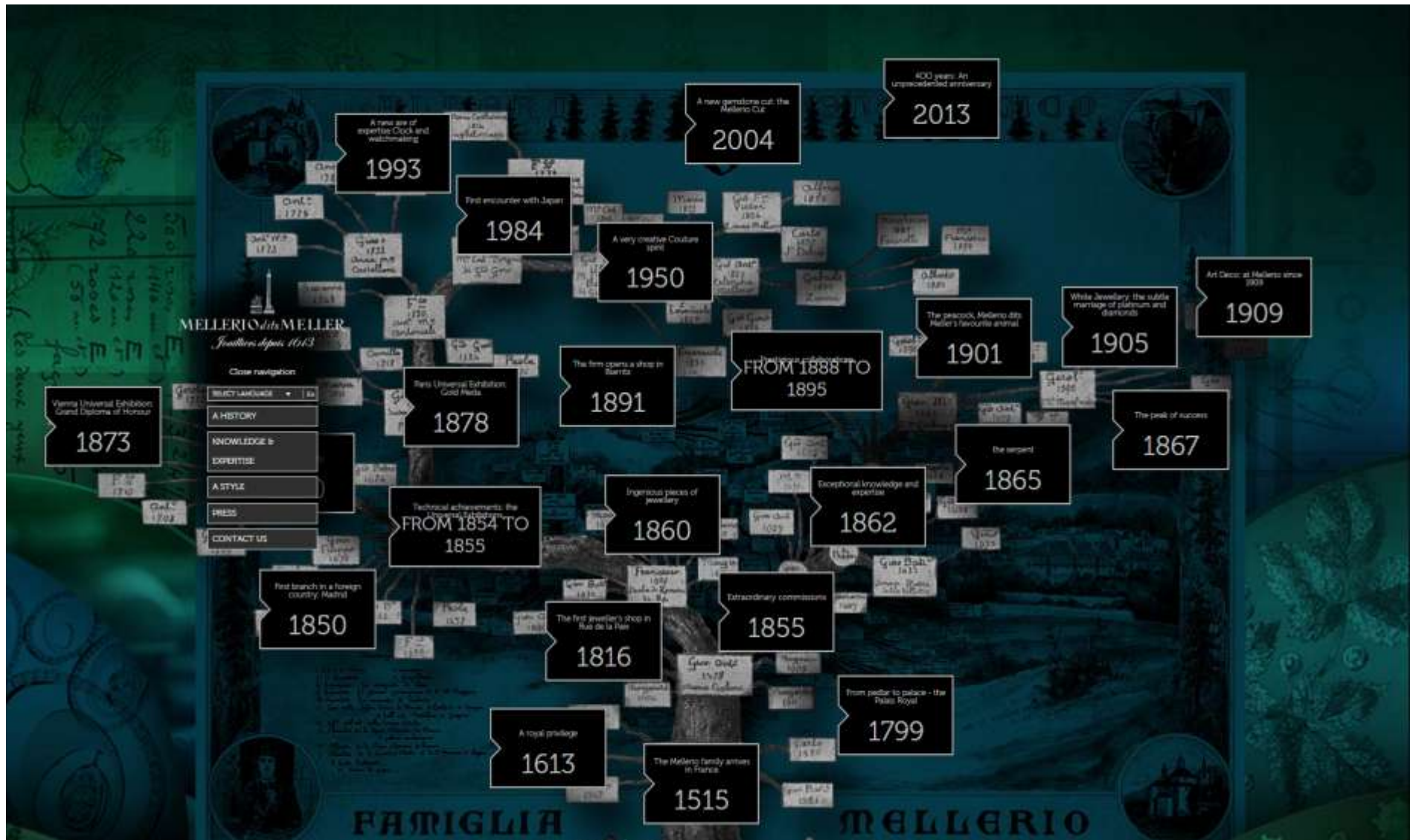
Students are asked to show how this familiness has developed and enriched itself during each of the three Cycles shown in the MELLERIO dits MELLER Case Study, and to pay particular attention to the two aspects of surplus of social capital which make up familiness:

- The dimension of symbolic capital which represents the sum of human capital, know-how, the combined history of the firm and the family, the importance of the eponymy and shared values, and the preservation of a geographical link and a remembrance in spite of the family's move from Italy to France, and the question of financing innovation and growth in order to allow the firm to reinvent its business model and continue to grow in an ever-changing jewellery market; the analysis of human capital will focus on the concepts of network and *affectio familiae*,
- The dimension of financial capital and the related issue of financing the repositioning over the generations on a core group of majority shareholders to ensure continuity in the control of capital; the analysis will include a shareholding analysis and the methods used to link family governance with the firm's governance.

Valérie Tandeau de Marsac (HEC 1982)
Attorney, Family Business Law specialist
(see list of books and publications at www.vtm-conseil.com)



Annex 1 - Diagram showing the key dates in the history of Mellerio dits Meller

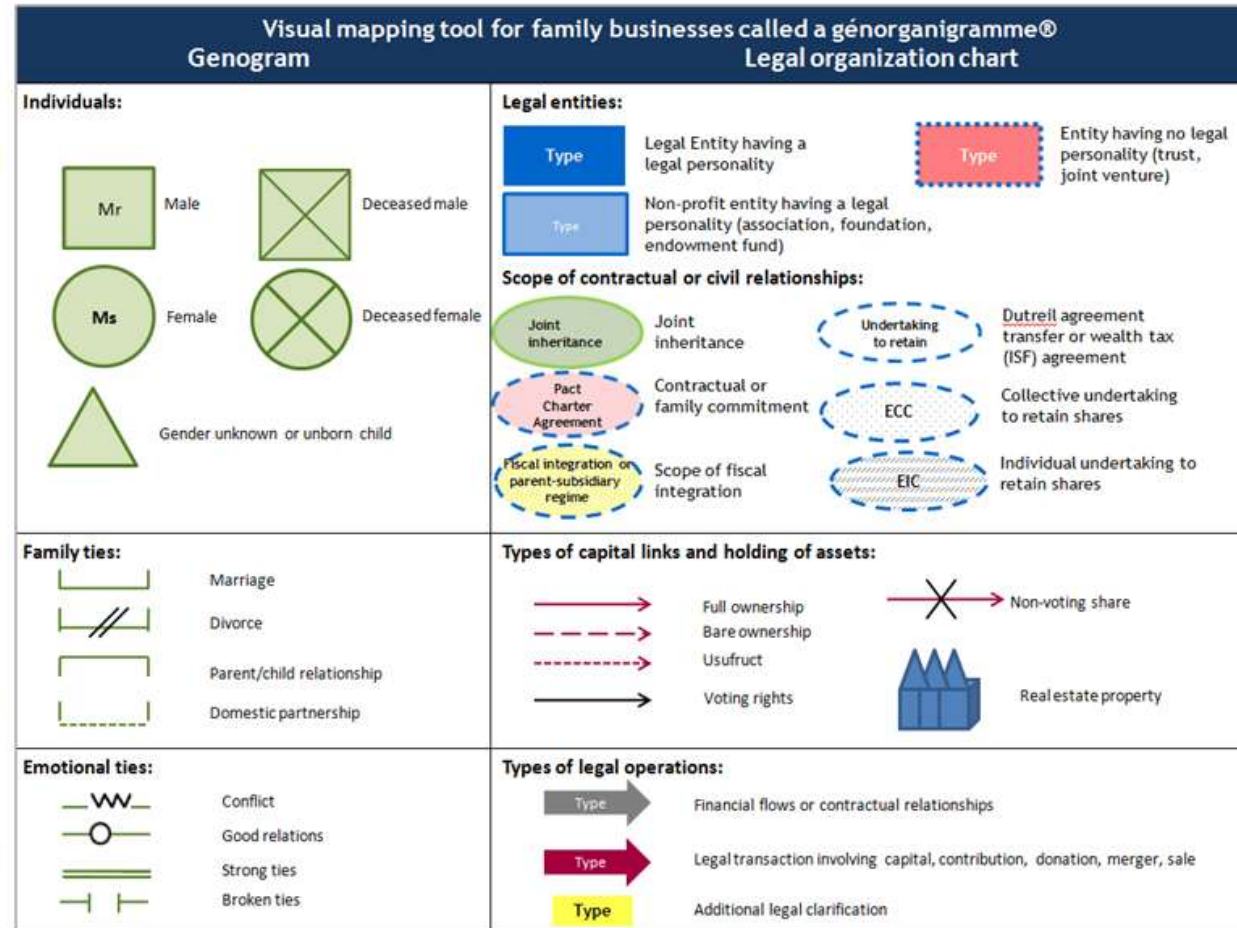




Annex 2- Visual mapping tool for family businesses called a génorganigramme®

The **génorganigramme®** is an innovative mapping tool designed to provide a visual representation of family businesses. Created by Valérie Tandeau de Marsac, it combines:

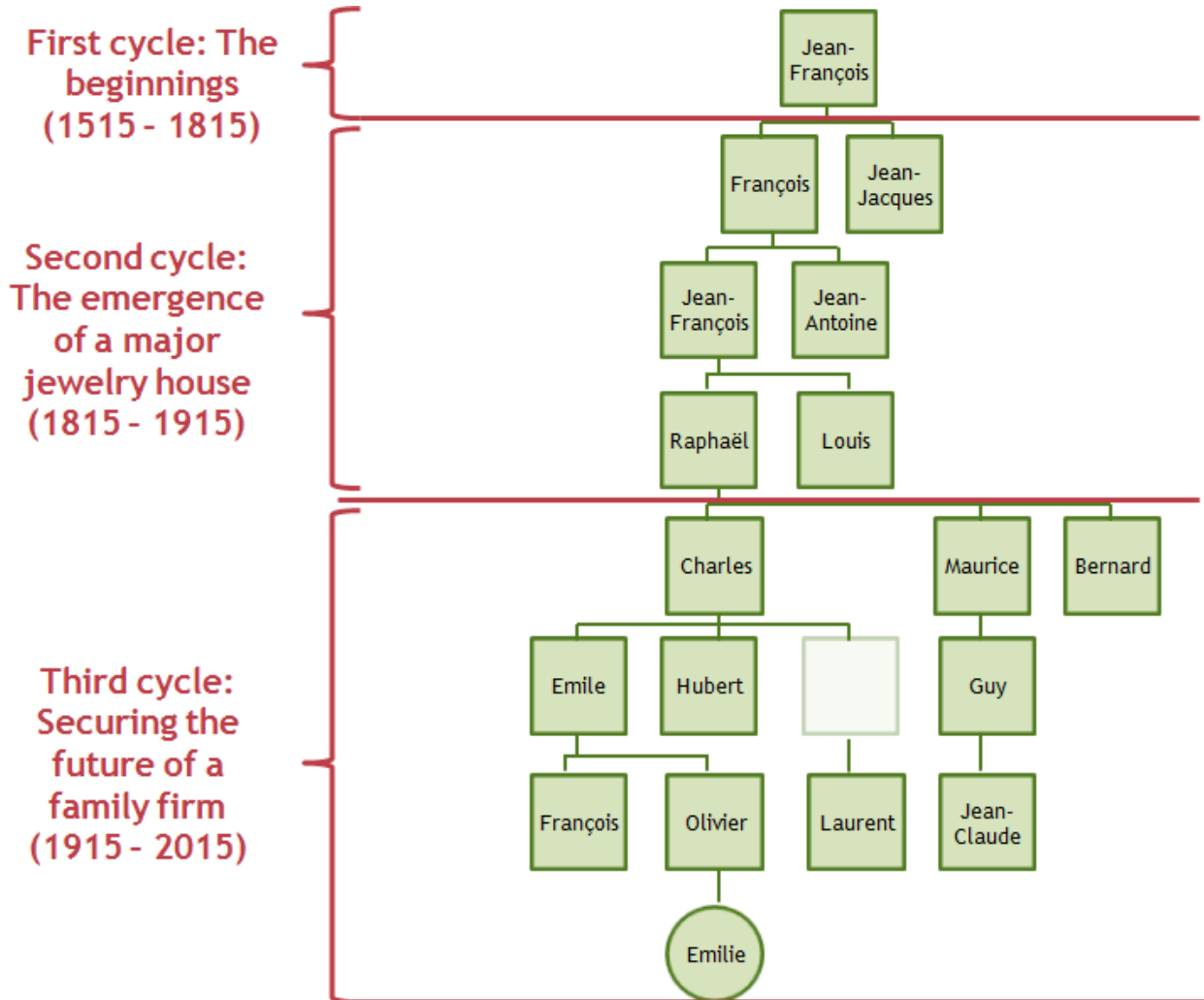
- a coded diagrammatic tool used in medicine to graphically represent family trees and assess family relationships, known as genogram,
- A diagrammatic code created by Valérie Tandeau de Marsac to draw the legal organization chart which describes the business and its shareholding,
- And a standardized graphic and color-coded representation of the legal and financial flows and operations, used to illustrate and explain each solution envisaged.



génorganigramme® is a registered trademark of Valérie Tandeau de Marsac - all rights reserved



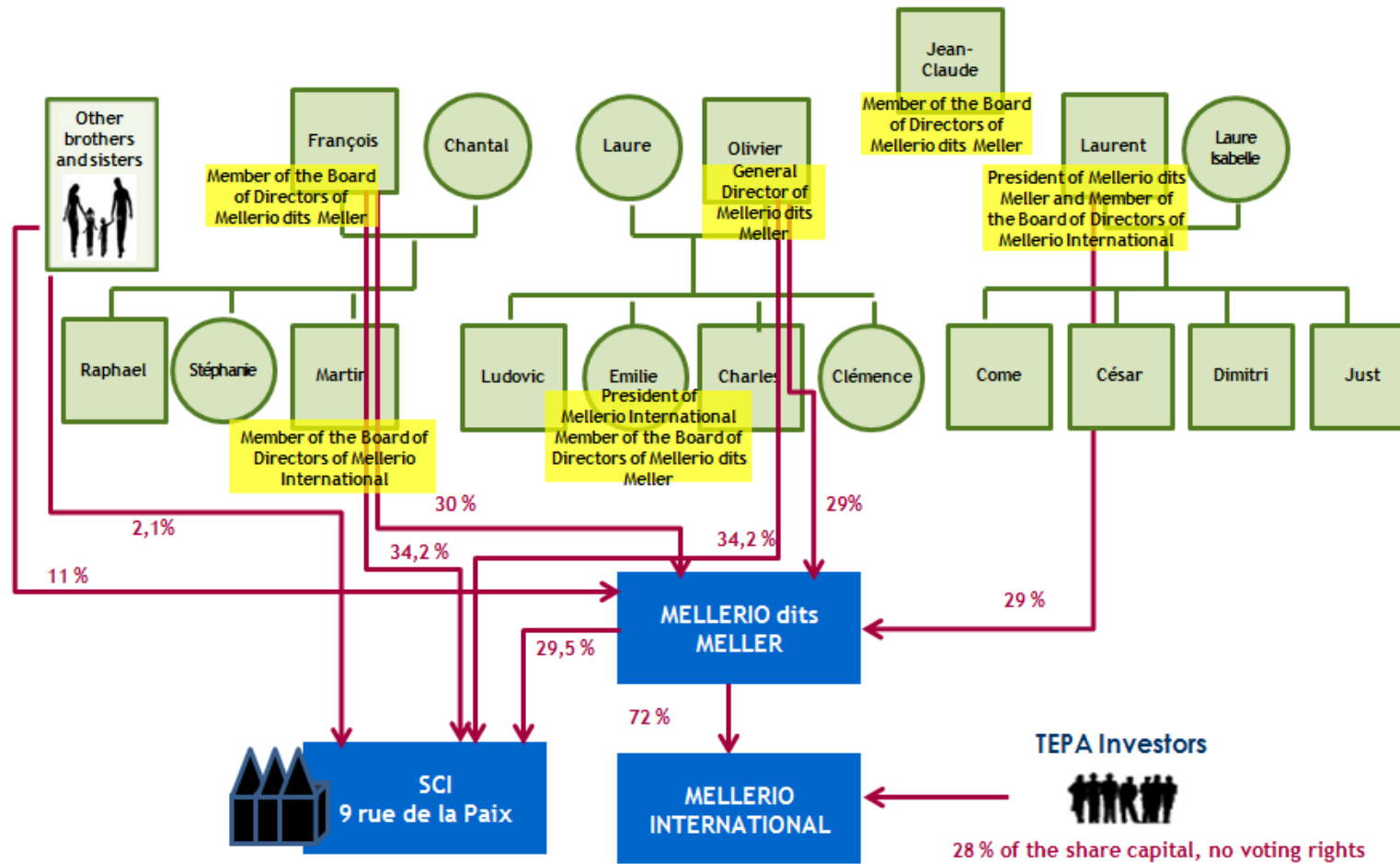
Annex 3- Simplified Génorganigramme of the firm's three life Cycles





Annex 4- Génorganigramme at the end of the third Cycle

Génorganigramme® of MELLERIO dits MELLER On January 1st 2015





Annex 5 - Familiness

Translated from Chapter 4 of the book "L'entreprise familiale, un modèle pour l'avenir et pour tous", by Valérie Tandeau de Marsac with the EDHEC Business School in 2014 (Editions Lignes de Repère)

Academic research uses the term "familiness"¹⁰ to designate "the unique set of resources of a family business which arise from the interactions between the family system as a whole, the individual family members, and the business itself".

Researchers have even proposed a measurement unit for "familiness" called F-PEC,¹¹ via a scale with three dimensions: power, experience and culture:

- **Power:** influence of the family on the governance and management of the company; the concept of power takes into account the control family members have over the company and the number of family members involved in the company's governance or management,
- **Experience:** knowledge, judgment, and intuition, accumulated over the generations; this concept refers to the experience brought by the family to the company, which is all the more significant where several generational transfers have occurred,
- **Culture:** alignment of the family's objectives with those of the business; culture corresponds to the involvement of the family in the business and to the family values which are apparent from the style of communication and way in which conflicts are handled.

After having defined what research considers "familiness" to be, we will examine these three dimensions through the three lines of approach developed by academic research:

- family governance, corresponding to the power measurement in the F-PEC scale,
- values, corresponding to the culture dimension on the F-PEC scale,
- the local roots of family businesses, combined with a strong international presence, which, although it is not quite the same thing, relates to the concept of the experience dimension on the F-PEC scale.

▪ **Familiness: family, values and humanism**

Familiness": a surplus of social capital

The EDHEC and EM Lyon¹² have proposed to translate "familiness" by "familiarisme".¹³

Their idea is that agency theory (saving of agency costs by combining the functions of ownership and management) is not sufficient to explain the

Note: the concept of "familiness" explains the better performance of family businesses by "the unique resources possessed by a company due to a system of interactions between the family, the family members, and the business.

¹⁰ TG. Habberson and Williams (1999): "A resource-based framework for assessing the strategic advantages of family businesses", Family Business Review, Vol. 12, pp. 1-15.

¹¹ Sabine B. Klein, Joseph H. Astrachan, Kosmas X. Smyrniotis (2005): "The F-PEC scale of family influence: construction, validation, and further implication for theory"

¹² Jean-Luc Arrègle, Rodolphe Durand and Philippe Very (2004): "Origines du capital social et avantages concurrentiels des firmes familiales".

¹³ In French, I suggest to use the word "Familiarisme", in conjunction with the baseline "L'ADN des entreprises familiales"



better performance of family businesses but that the explanation is found more in the way in which social capital applies to family businesses.

Social Capital is defined by Baron and Markman as “the collection of resources the individuals can acquire by being connected with others, by being part of a social network or by simply being known among them and having a good reputation”¹⁴.

Individuals can thus benefit from belonging to a social network and use these social resources for financial purposes under three conditions:

- they have the opportunity to enter into social transactions;
- The members of the network must be motivated to act in favor of the individual;
- They must have the capacity to do so.

This definition applies both to the family and to the company, and it can be considered that family businesses benefit from these two types of social capital, as each can interact with the other and contribute to better structuring it, which is likely to generate distinct competitive advantages.

The family can therefore be considered as an educational establishment which pervades and shapes its members with the patterns of behaviour and collective knowledge which constitute the family's values. The family members who work in the business will thus reproduce this family behaviour and fill the business with the family spirit.

How to measure "familiness"?

The creation and strength of the social capital in a family business depend on four factors¹⁵:

- the stability of the network (of the education received) over time,
- the interdependence of the family members,
- the interactions between them,
- closure (the network is closed: only family members can join).

The heterogeneity of the practices and performances of family businesses can also be explained by factors linked to the family (structure, size, and definition of the family) and others linked both to the family and the business (generation in power, issue of succession).

▪ **The family's power: importance and characteristics of family governance**

"Affectio familiae" is a key concept in the understanding of family governance

In "Guide pratique des entreprises familiales", I proposed to characterize family governance by the presence of an "*affectio familiae*", a concept defined by analogy with the legal notion of "*affectio societatis*", which designates the intentional element that characterizes and defines a company, whether it be civil or commercial. Without the willingness of several partners to work together on a joint project, there can be no company.

It could also be said that family businesses would also not exist without the shared willingness of several members of a family to work together on a collective project, embodied by the business. It is this shared willingness that is defined by the term "*affectio familiae*".

¹⁴ Baron, R. A. and G. D. Markman (2000): "Beyond Social Capital: How Social Skills Can Enhance Entrepreneurs' Success, *Academy of Management Executive*", 14(1): 106-115.

¹⁵ Jean-Luc Arrègle, Rodolphe Durand and Philippe Very (2004): "Origines du capital social et avantages concurrentiels des firmes familiales".



Of course, "*affectio familiae*" is not necessarily present right from the founding of the family business, and this differentiates it from "*affectio societatis*" which is one of the legal conditions for the existence of a company. In order for "*affectio societatis*" to develop into "*affectio familiae*", and thus become a factor of cohesion in the family business, it is necessary for the latter to reach a certain level of maturity, unless the firm was founded by several members of the same family.

"*Affectio familiae*" is the cornerstone of the family business's equilibrium. Without the cohesion of the family group, the business is in danger. "*Affectio familiae*" expands upon the legal concept of "*affectio societatis*" by adding a psychological dimension, which is the willingness of the family to work together towards a shared goal, which is perceived and recognized as such.

The concept also makes it possible to understand family businesses for what they are: a complex system where each party interacts with the others. Like a family, a family business can be compared to a mobile where each element is interdependent with the whole. When one part moves, the entire system moves to integrate the change.

	Niveau élevé (note de 5)	Niveau Faible (note de 1)
Critère 1	Périmètre de la famille connu	Périmètre flou ou non connu
Critère 2	Sentiment d'appartenance fort	Individualisme
Critère 3	Accord sur des objectifs communs	Désaccord
Critère 4	Principes d'éducation partagés	Principes divergents
Critère 5	Existence d'une personnalité exemplaire	Absence ou disparition du modèle d'identification
Critère 6	Connaissance de l'histoire commune	Ignorance des racines
Critère 7	Existence d'un symbole fédérateur (nom patronymique ou marque)	Absence de symbole lisible

Les critères d'appréciation de l'*affectio familiae* proposés par la Commission Gouvernance de l'Association Française des Family Offices (AFFO)

Diagram 1 – criteria for the measurement of *affectio familiae*

The level, low or high, of "*affectio familiae*" can be measured with the assistance of criteria established by the members of the family governance commission of the Association Française des Family Offices (AFFO),¹⁶ of which I am a member, charged with drafting a White Paper on governance intended for use by family businesses and family offices.

Family governance and corporate governance are closely linked

The term "family governance" is widely used to refer to a set of rules for organization and operation that the family agrees to follow in order to ensure that its interaction with the business circle is both harmonious and efficient.

Indeed, these two circles operate according to very different, and sometimes opposing¹⁷, value systems, which requires that two sets of distinct rules must be defined.

On the family side, governance is generally based on a family charter, often accompanied by the creation of a family council.

The family charter defines the family's shared values and objectives, which characterize the "*affectio familiae*". It sets out the ways in which the family ensures that information circulates within it concerning the business in order to create unanimity within the circle of family shareholders, whose position can be relayed to the business to ensure efficient management. It also deals with sensitive issues, such as the criteria to be met (as concerns experience and professional qualifications, level of

¹⁶ L'association Française du Family Office (AFFO) is an independent association founded in 2001 bringing together both mono- and multi- Family Offices, and the professional partners of the Family Office professions.

¹⁷ A family operates on values which are affective and emotional, involving attachment and filiation whereas the business world is oriented more towards results, profitability, and efficiency.



education, etc...) in order for a family member to hold a position within the business, the dividend policy, or even the methods for resolving intra-familial disputes.

The family counsel plays a pivotal role in family policy. Sometimes associated with a family assembly, especially in large families, it is the family's governing body, through which it implements the operating principles defined in the family charter.

On the business side, the term "governance" refers to the traditional rules of company law, and to the manner in which a company's decision-making bodies (board of directors, management board, supervisory board) organize themselves in order to ensure that their decisions are effective and appropriate with respect to the needs of the business, and from a legal standpoint, its corporate interests. Insofar as the corporate interest does not coincide with the shareholders' interests, a *fortiori* where they are family shareholders, it has become common practice to appoint independent board members to the company bodies, or at the very least, persons chosen from outside the family. Their presence can also present the advantage of appeasing the tensions which can exist within the management bodies if the family atmosphere holds latent or overt conflicts.

In addition, although there is no applicable legal standard in the matter, the drafting of rules of procedure for the board of directors is a good practice recommended by professional organizations such as the Institut Français des Administrateurs. In addition to the rules governing the board's composition and operation, they usually also cover the existence of attributions and the operating guidelines for any specialized committees, as well as the remuneration of board members and the procedures for regular evaluation of the work of the board.

Where the composition of the board of directors is heterogeneous, mixing family board members with independent board members, it is not uncommon to draft a board member handbook, sometimes referred to as a "vade-mecum", which sets out the obligations and responsibilities attached to the exercise of the term of office and makes recommendations to ensure that professional standards for the position of board member are adhered to.

In addition, the shareholders' agreement, unlike the articles of association which are binding on all company shareholders, present and future, is an agreement which is legally binding only on those who sign it. Its purpose is to set the procedure for the exercise of power and control of capital between the shareholders. The usual clauses concern the procedures for organizing governing bodies, the exercise of voting rights (e.g., prior consultation), clauses intended to limit the free movement of shares (such as approval and preemption clauses) and financial clauses which guarantee compliance with the dividend distribution policy in the family charter. It can also include provisions to ensure a certain liquidity of capital and stipulate the methods for evaluation of shares.

Agreements and articles of association are often the translation into the legal sphere, in company law, of the general principles of organization of the family business as set out in the Family charter.

Research does not always clearly show how the various tools work between each other and interconnect.

In order to understand this relationship, it is necessary to keep in mind that some of them, like the charter, the family assembly, or the family council exist within the scope of family governance, while others, like the articles of association, shareholders' agreements, and the governing bodies of the company, are found within the scope of corporate governance.



It is often said that family charters have no legal value and usually have only moral value.

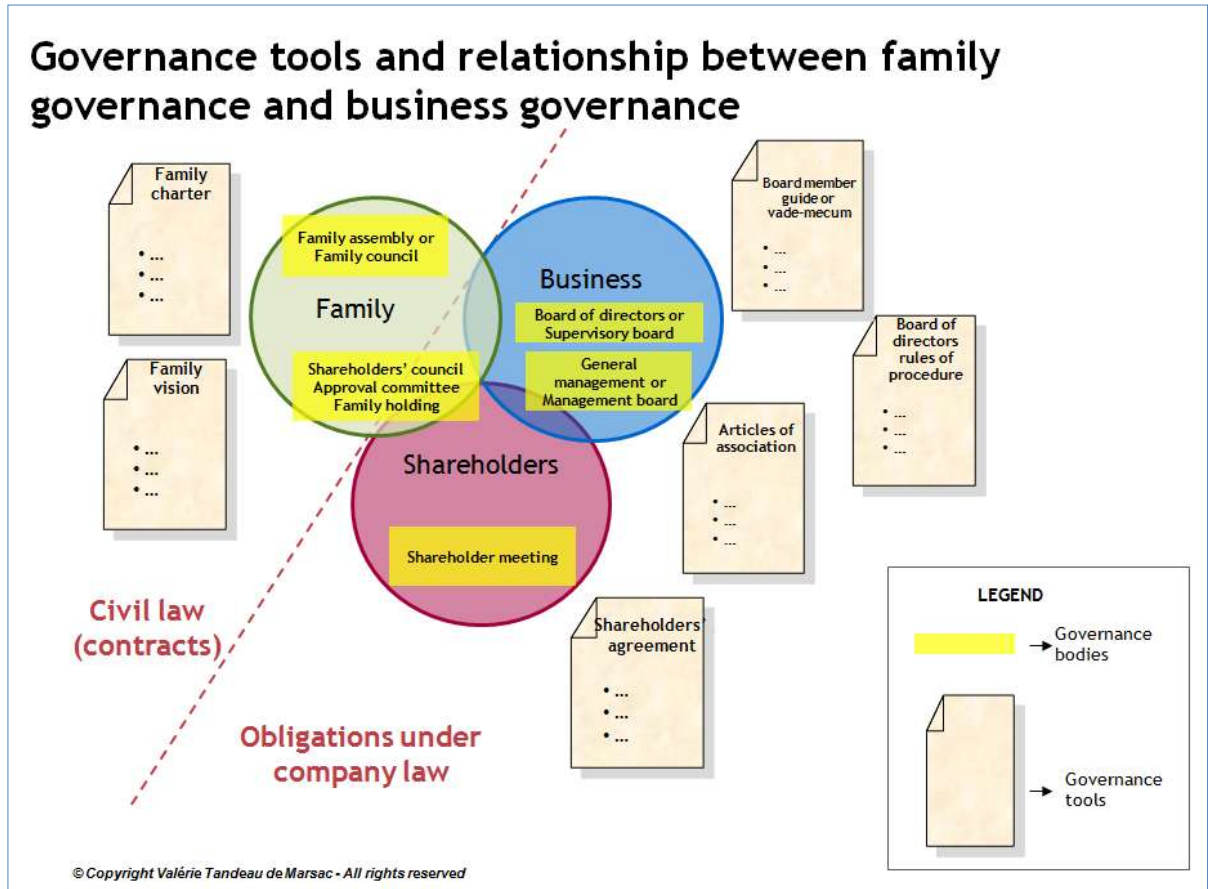
Because the charter is often drafted for the purpose of encouraging people to adhere to it, it is indeed quite rare that sanctions are provided for in the event of breach. In the family context of a charter, it is not uncommon to find that the drafting is a bit lax. Doubtless, it is difficult for those involved to imagine the circumstances which would prevent its application, and they prefer to remain on the optimistic side as they look towards the future.

However, it is possible to imagine an action before the courts if the faulty application of a charter leads to a direct loss or harm for one of the family members. For example, a "bad apple" could claim for compensation if he is refused a position with the family business but feels that he meets the criteria set out in the charter...

But this is a recent practice and thus it is too early for legal actions to have been taken on these grounds.

Nevertheless, it is indisputable that undertakings made by persons who are of legal age and legally capable are deemed to be contractual commitments.¹⁸

The following diagram shows how family governance interacts with corporate governance and also shows that the corporate governance tools fall within the legally binding scope of company law whereas the family governance tools are within the scope of civil law, which means that the commitments made by members of the family are contractually binding.



¹⁸ See article V. Tandeau de Marsac, *Lettre de l'IFA* no. 24, July 2012, p.15 : "Une charte pour mobiliser les jeunes générations autour des valeurs familiales"



Diagram 2 – Interaction and legal value of family governance with corporate governance

▪ **How do values contribute to "familiness"?**

According to a study involving 95 companies selected from a sample of 1000 businesses,¹⁹ carried out by the director of human resources for the Partouche group in the framework of his Master at HEC²⁰, the same types of values are found companies with public shareholding and in family businesses. The difference lies in the fact that family businesses are better able to practice management on the basis of these values and this has a positive impact on their performance.

The values of family businesses are not different from those with public shareholding

Values are generally considered to be at the root of the distinctive character and better performance of family businesses. 78% of the respondents to the PwC 2012 survey²¹ consider that their family business differentiates itself by the strength of its culture and values, and this belief grows stronger with time, rising to 85% for third generation firms.

Researchers traditionally focus on the quality of family businesses' values, which are more centred on human, social, or even spiritual values, than on economic or financial values.²²

Christine Blondel differentiates between the values expressed in family charters depending upon the country of origin²³:

- In the USA, family charters refer to faith, philanthropy, respect for the individual, sense of community, productiveness, and the importance of education,
- In Spain, charters focus on work, simplicity, or austerity.

The "ELISA" list of values could guarantee the success of family businesses: Excellence, Labour Ethics, Initiative or Innovation, Simplicity of lifestyle, Austerity.

Miguel A.Gallo, Kristin Cappuyns: "Characteristics of successful family businesses".

Various studies have been carried out to determine the characteristic values of family businesses or those that would ensure success. However, it must be noted that the values family businesses rely on are heterogeneous. The scientific committee of FBN France studied the question of values within companies and their role and impact on management dynamics. The results of this study were published in 2013 under the title "Les valeurs cachées de l'entreprise familiale"²⁴.

The study finds that there is a lack of originality in the values displayed by family businesses, and that these values are ineffective when used only as an element of communication.

Pascal Viénot, author of an article published in this study,²⁵ points out the importance, in order to avoid this pitfall of superficiality, of intra-familial behavior, internalization by the new generations of the values originally defined by the founders, and their implementation via workshops and seminars, to create unity between individuals and ensure the future of the business.

¹⁹ Mémoire HEC by Benjamin Castaldo, in 2014: "Le management par les valeurs dans les entreprises familiales"

²⁰ French leading business school

²¹ PwC (2012): "Family business: A resilient model for the 21st century"

²² Aronoff and Ward, (2001): "Family Business Values: how to ensure a legacy of continuity and success"

²³ Christine Blondel: "Chartes familiales, constitutions de famille."

²⁴ Hidden values of family businesses

²⁵ Pascal Viénot, Les valeurs dans les entreprises familiales : en avoir ou en parler ?



It is management by values which explains better performance

Management by values focuses on objectives rather than structures and systems. It makes it possible to go from a corporate culture based on the 3S's (Strategy, Structure, Systems) to a model based on the 3P's (Purpose, Process, People).

The above-mentioned study¹⁹ finds that management by values is more present in family businesses and that the added value it brings is better perceived. This finding would be even stronger in companies where eponymy is found.

This conclusion matches the position developed by Christine Blondel, which compares capitalism and the excesses of the financial markets to the rigor of family businesses who manage their own money and avoid taking undue risks.²⁶ The family shareholder sees himself more as one link in a chain rather than as a financial investor.

Christine Blondel highlights the importance of financial capital but also that of human or social capital (personal commitment, links with employees), emotional capital (attachment to the business), and symbolic capital (family name, reputation).

The values are permeated and influenced by family ties

As Eric Delavallée²⁷ said: "Culture is more in the walls than on the walls... and the walls have a story". And in family businesses this story is marked by the history of the family, which gives rise to particular consequences and issues.

Under the theory of the syndrome of the man with three heads proposed by Marie-José Heimendinger, at the moment of succession, the head of the company is torn between three contradictory aspirations²⁸:

- "*homo-economicus*" who puts the interests of the business first;
- "*pater familias*" who thinks above all of the interests of his child; and
- the man of power, who does not want to relinquish this power after having held it for so many years.

In order to ensure the success of the succession, the heir must make his own contribution, create his own expertise: it is not a question of eliminating the father but of bringing in a project, an added value.

Marie-José Heimendinger: "Au nom du père"

Miguel A. Gallo, Kristin Cappuyns: "Characteristics of successful family businesses".

She then notes the importance of rites of passage and sending strong messages to the various audiences of the company and the heir himself: for example the son moving into the father's office as a symbol of taking possession of the headquarters.

However, these values and strong family ties which are so important in family businesses can also have a counter-productive effect.

Marianne Bertrand and Antoinette Schoar²⁹ point out that family values can sometimes hamper the efficiency of family businesses:

- By the risk of nepotism and its negative impact on the motivation of employees who discover that they cannot move up the ladder or be promoted,

²⁶ Christine Blondel: "Les valeurs, antidotes aux dérives financières ?"

²⁷ La Culture d'entreprise pour manager autrement "Surmonter les résistances culturelles" (2002)

²⁸ Marie-José Heimendinger: "Au nom du père"

²⁹ Marianne Bertrand and Antoinette Schoar: "The role of family in the family businesses"



- By the aversion to risk that they can create, manifesting itself in a desire to preserve the legacy and ensure that family control is maintained at all costs (complete refusal of mergers or acquisitions even where necessary), which can lead to the loss of the business.
- The rules concerning succession which may govern family businesses (e.g. inheritance through the male line or inheritance of all by the oldest son) are likely generate conflict and have a negative financial impact.

▪ **Local roots, international development**

Profile of a typical family business: hidden champions, international leaders in niche markets

The economic reality in France shows that the typical family business is a European or international leader in a niche market (e.g. Thuasne, Babolat, Socomec, to mention only a few...).

Already in 2011, 62% of the family businesses surveyed in the framework of the PwC study stated that they were engaged in short-term international development strategy.³⁰

It was a German expert and researcher³¹ who, in 1989, "invented" the concept of hidden champion, popularized in a successful book published in 1996, and adapted to France in 2012.³² A hidden champion is a company (usually an SMB or middle-market company) which is a world or European leader in its sector, little known to the general public, and most often a family business.

It is no surprise that the key factors of success employed by these hidden champions are outstanding product quality, specialization in a niche, innovation, internationalization, and long term investments.

Although fears have been expressed concerning the negative impact of overseas expansion on local jobs, it must be noted that the creation of foreign subsidiaries does not lead to a loss of jobs at the national level.³³ on the contrary, national teams are expanded to meet these new challenges and coordinate them from the head office.

77% of family businesses expect to increase their international sales by 2017.
PwC (2012): Family business: A resilient model for the 21st

In addition, if they are to remain competitive, family businesses cannot forego cooperation and the logic of a network allowing them to take advantage of the best resources found in different parts of the world, as was clearly shown in the interview with Guillaume Bataille.

According to Thomas Loilier, geographical proximity does allow for better transfer of knowledge.³⁴ as the knowledge to be transferred is often tacit, this requires face to face communication. Proximity also acts to build trust: in order to cooperate, individuals must have amicable relationships, create a relational network, and get into the habit of working together.

However, the author relativizes geographical proximity as concerns three points:

- The condition of face to face communication for the transmission of knowledge only concerns tacit knowledge which can also be shared through the use of information and communication technologies,

³⁰ PwC - Family Business Network (2012): "L'entreprise familiale, un modèle durable - Family Business Survey France"

³¹ Professor Hermann Simon

³² Stéphan Guinchard

³³ Study by the Institut Montaigne and the ASMEP-ETI (2013): "Vive le long terme ! Les entreprises familiales au service de la croissance et de l'emploi"

³⁴ Thomas Loilier: "Innovation et territoire : le rôle de la proximité géographique ne doit pas être surestimé"



- Geographical proximity presents a risk of locking the network up and can be counter-productive,
- There exist high-performance multi-territory networks, in particular in the automotive and computer industries, for example.

The concept of proximity can thus be separated from that of location: cognitive, organizational, social, institutional, cultural, linguistic, and electronic proximity.

As such, internationalization does not generate a loss of identity for family businesses: this is preserved by its corporate culture and its deeply rooted values which transcend borders.

Local roots naturally lead to philanthropy and support for social entrepreneurship

According to the results of the survey by PwC in 2012,³⁵ 77% of the family businesses participating in the study feel they have a greater sense of responsibility to create jobs and make more efforts than non-family businesses to maintain their workforces even during periods of crisis.

This shows the particular attention that family businesses pay to the issues of social, economic, and environmental accountability, through positive social initiatives and their ability to avoid activities which would be negative or social consequences³⁶.

However, there are a number of arguments in favour of the idea that firms might not be socially responsible:

- lack of trust in persons outside the family,
- they could be more concerned by their own personal interests and might not hesitate to bribe public officials in order to achieve their goals.

Others, in contrast, argue in favour of the social responsibility of family businesses:

- they need to maintain a positive image, like any company, and avoid losses linked to socially compromising operations,
- a family manager identifies with his business and views it as an extension of himself: he would seek to transmit a positive image to his children and honour his family name, in particular where the company bears this name,
- all individuals identify with the group to which they belong and feel the need to receive positive feedback on the image they present to others; if the group develops a negative image, the individual will change groups; the family manager cannot change groups, at best he can sell his shares in the family business but cannot escape the fact that it is indeed his family name that has a bad reputation, as was illustrated by the Spanghero case in 2013.

The awareness by both family and non-family businesses of their social and environmental responsibility is the result of the development of the concept of public interest in France.

The concept of public interest, interactions of the State with civil society are based around three figures:³⁷

- the sovereign State: monopoly on the public interest based on the defence of a greater good, intervention in the civil sphere;
- the protector State: intervention in the social sphere; and

³⁵ PwC (2012): "Family business: A resilient model for the 21st century"

³⁶ W.Gibb Dyer, Jr. Davis A. Whetten: "Family businesses and social responsibility: preliminary evidence from the S&P 500"

³⁷ JuniorConsulting SciencesPo.: "Étude sur la rénovation de l'intérêt général en France : pour une définition évolutive et co-construite de l'intérêt général"



- the regulator/regulating State/State as regulator.

The State is no longer the only one who must act in the public interest but increasingly seeks to establish a framework for the philanthropy practiced by players from civil society.

This modification of the State's role is the result of many changes: decentralization and the emergence of local anchoring, globalization and the calling into question of the nation state, the increasing responsibility of corporations and the professionalization of associations/foundations (increase in workforce, bureaucratization, institutionalization), interaction between these two players, and measure of social impact.

France appears to lag behind the United States where philanthropy is firmly rooted in the culture and represents 10% of the economy and 10% of jobs.

Fondation IFRAP: "Regards sur la philanthropie américaine"

Due to the issues which arise concerning the definition of the concept of public interest, or the economic issues inherent to this concept (issues of financing, inadequacy of tax measures with respect to the current workings of civil society) there are numerous legal challenges (e.g., co-construction, public-private partnerships, service of general economic interests at a European level, growth of soft law to guide CSEs).

Family businesses' awareness of the role they play in terms of social responsibility also manifests itself in the intensification and professionalization of family foundations.

They have been making increasing use of the various tools made available to them to work in the public interest: endowment funds, foundations recognized as beneficial to the public at large, corporate foundations, foundations which are "under the aegis" or "sheltered" are thus adapted to family businesses and the associations who provide support to and/or represent family businesses are becoming more and more numerous.³⁸

One proof of this is the creation by the Centre français des Fondations, of a club of family foundations.

Mention should also be made of "Un esprit de famille",³⁹ an association bringing together persons who run family started funds or foundations, share the same values, and wish to work together to optimize their own practices through an exchange of ideas on strategy, governance, and organization. Acquiring new methods and skills is necessary, in particular in order to enable them to support projects and charitable associations, and encourage private philanthropy through the sharing of their experiences and support.

³⁸ V. Tandeau de Marsac: «"Fondations, l'essor d'une philanthropie familiale et professionnalisée" Lettre de l'Entreprise Familiale » January 2014

³⁹ <http://unespritdefamille.org>