

Chapter 3

Human Resources Management and the New Challenges in Family Firms: An Italian Case Study

Vittorio D'Amato

LIUC-Università Cattaneo, Italy

Elena Tosca

LIUC-Università Cattaneo, Italy

ABSTRACT

We have already entered into the so called VUCA World, a world of tumult, new technologies, and a new generation of employees. HR departments need to revise their mission, vision, strategies, and tools to answer to these new challenges. The main aim of this chapter is to evaluate, through an in-depth bibliographical analysis and an Italian case study, how HR departments can be supported in their strategic reflection by using a structured approach to becoming more effective in this VUCA World. Moreover, the chapter contributes to making HR managers and HR professionals aware of the HR Strategic Forum, a method that could help them to define in a shared way what the main pillars of the HR function are. These mainstays should never be forgotten, especially in times of constant change, such as the ones we are currently experiencing.

INTRODUCTION

The last twenty years have experienced drastic changes in the business environment. New technologies and a new generation of employees are all factors that contribute to what is often called a VUCA world (volatile, uncertain, complex and ambiguous) (Bennet & Lemoine, 2014; Millar, Groth, & Mahon, 2018).

The “V” in the VUCA acronym stands for volatility, indicating the nature, speed, volume, and magnitude of change occurring in an unpredictable pattern.

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The “U” in the VUCA acronym stands for uncertainty, or the lack of predictability in events. These volatile times make it difficult for managers to use past issues and events as predictors of future outcomes. (As a current example, just think of COVID 19). The only certainty is that future will be different from the past (Birkinshaw, 2010).

The “C” in VUCA stands for complexity. There are often numerous and difficult to understand causes and mitigating factors involved in a problem. This layer of complexity, added to the turbulence of change and the absence of past predictors, adds to the difficulty of decision making.

Finally the A stay for Ambiguity, the lack of clarity about the meaning of an event. Col. Eric G. Kail (2011) defines ambiguity in the VUCA model as the inability to accurately conceptualize threats and opportunities before they become lethal.

These new characteristics of volatility, complexity, uncertainty and ambiguity that are added to the existing competitive dynamics, combined with the typical characteristics of family firms (risk averse, resistance to change, governed by traditions, family first behavior over business), make it increasingly difficult the role of HR department in this kind of company (Schuman, Sage-Hayward, & Ransburg, 2016). Having said that, our research question can be formalized in the following way: How the HR department of a family firm must get transformed in order to become a strategic business partner and contribute in a significant way to the business and the family needs in this new VUCA world? In such a VUCA world, in which for managers and family, strategic decisions are becoming more and more difficult to take, HR department has to redefine its role. It has to change, transforming itself from a mere staff support to an unavoidable partner in building the company future and an architect of the family company where people is fully engaged (Birkinshaw, 2010; De Kok, Uhlaner, & Thurik, 2006).

The HR departments of family companies has to help the entire organization to become more and more adaptable, resilient and innovative in order to maintain a sustainable competitive advantage (Amar, Hentrich, & Hlupic, 2009).

Functional silos have no place in the VUCA world. Managers need to model participative and collaborative behaviour with the strategic partnership of the HR department (Birkinshaw, 2010). As Vlatka Hlupic 2014 says on p. 3 of her book *The Management Shift*: “In traditional managed organizations, structures distribute power and processes distribute tasks. Structures and process are about creating stability, repeatability and predictability, and this is happening in an unstable, chaotic world, which demands innovation. So, we ask people to innovate in a system that is designed to produce the reverse. We cannot then be surprised that many organizations are not utilizing their potential for innovation”. Hamel (2012), says that we need now more than ever organizations that allow human begins to do just that. He claims that an organization will never be fully capable unless it’s fully human.

Most of the old rules and management models no longer fit in with the new context, where people engagement matter at least as much as, or even more, than solid structures. (Arregle, Hitt, Sirmon, & Very, 2007; Hamel, 2009).

Family firms face an added complexity regarding human resource management in this new VUCA world. In contrast to nonfamily firms, family businesses have many overlapping dimensions and layers of complexity to navigate due to the integration of family, business and ownership systems also for the following reasons (De Kok, Uhlaner, & Thurik, 2006):

- Family businesses often treat employees – whether family or nonfamily – as family, thus putting more attention and pressure on the need to handle HR issues with great care and respect.

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