The Rise of Medium-Sized Enterprises in Europe Beyond the Dualistic Model: Small *vs.* Large Firms

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The crucial issues raised by the MSEs include their relative efficiency in comparison with the overall economy, and their role in sustainability and long-term prospects for European countries and regions, which are based strongly on the presence of manufacturing MSEs. This paper, in particular, investigates the pre-existing relationship between the growth processes of medium-sized Italian family businesses and the corresponding financing policies they adopt. The survey reveals interesting variables that could explain the financial behavior of medium-sized enterprises: objectives, preferences, past experiences, the financial culture of the entrepreneur or entrepreneurial group, time and the characteristics of the development project.

INTRODUCTION

This paper takes its cue from the transformations that have taken place in manufacturing industry since the 1980s. On the one hand, the establishment of more efficient production techniques has led to the gradual break-up of large businesses, whose organization has increasingly come to involve the outsourcing of its production phases. On the other hand, the growth in disposable income has driven demand for increasingly differentiated goods, which require highly flexible production processes favoring the emergence of small and medium-sized enterprises. All this had led to a two-way process of change in Europe: small companies have shown a tendency to grow to an intermediate size, while large firms have broken up, transferring their productive activities to smaller entities. Thus analyses of MSEs allow us to move beyond traditional approaches to economic structure, like the dualistic models which often oppose sections of the economy based on small firms to those based on large firms. The crucial issues raised by the MSEs concern their relative efficiency in comparison with the overall economy, and the sustainability and long-term prospects for European countries and regions based strongly on the presence of manufacturing MSEs. The European Union fixed the following quantitative standards to define a medium-sized manufacturing enterprise: 50-249 employees, turnover under 50 million euro, total assets under 43 million euro.

A recent survey (Confindustria, R&S, Unioncamere, 2010) shows that MSEs in Germany, Spain and Italy account for a higher share of national exports. However, these countries' MSEs have different specializations. The importance of mechanical engineering in Germany may be noted (46.1% of total MSEs' turnover), while in Italy, "the Italian style" sectors cover 62% of total MSEs' sale; in Spain mechanical engineering provides 27% of total sales, and the food and beverage sector generates 24.2% of MSEs' turnover. In the Italian industrial system, medium-sized businesses are becoming more important and more visible than small and large ones. Italian medium-sized family businesses have a clear historical identity. They developed in the 1950s and 1960s during the Italian economic boom, and consolidated in the 1970s. Today there are more than 4,000 medium-sized family businesses, mainly concentrated in the northeast and centre of Italy. Most of them are dynamic and flexible firms which operate in international markets competing on high quality market segments (Colli, 2002; Coltorti, 2008; Varaldo et al., 2010). In these types of firms, corporate governance and finance are strongly interrelated factors drawing from the family's primary goals (i.e. maintaining the control of the firm, offering employment opportunities to family members, passing on a "tradition") (Banca d'Italia, 2005; Corbetta, 2005).

However, in the last decade, this aforementioned "personal capitalism" is facing new challenges as a consequence of two main phenomena: the rising competition from new developing countries, and generational passage. Indeed, both of these phenomena necessitate a modification of corporate governance and fundraising in the "traditional" family business (Montemerlo, 2005). Thus, the aim of this paper is to present the results of an investigation into the way Italian MSEs finance their growth.

To accomplish this, the paper is organized as follows: First, the research question is presented in part 2; the theoretical framework and the literature review are then illustrated in part 3; part 4 discusses the survey methodology and data collection, and part 5 presents conclusions and addresses further research.

The Research Question

Interest concerning the preexisting relationship between processes of development of medium-sized Italian family businesses and the corresponding financial policies they adopt emerged from a close examination of the available statistics that quantitatively reveal the relevance of the medium-sized business in the European context, which at first seems to be homogenous in its productive structure. But at the same time, the unique particularities of the financial structure of medium-sized firms in Italy was also of interest .

The European productive system, in fact, presents the following articulation of economic activity (the data refers to non-financial sectors) for classes of businesses: the micro and small-sized firms represent 98.8% of all businesses, medium-sized firms 1.1%, and large companies only 0.2% (Eurostat, 2010). Focusing only on the industrial sector, medium-sized businesses account for 3.8%. The relatively large quantity of medium-sized businesses in Europe is marked by its complex and significant contribution to the value added, which accounts for roughly 21.2%.Furthermore it is important to examine the financial structure of medium-sized firms (medium-sized firms are defined as businesses with a combined sales between 10 and 50 million Euro) in the European context (See Table 1).

Financial resources are predominantly of short-term nature, concurrently with the structure of the capital invested, which is characterized by the prevalence of working capital. Trade debts are the most significant among the current liabilities. The only two countries that significantly show medium-and long-term borrowings are Germany (26.8 %) and Austria (28.4%). Italy presents the lowest grade of net worth with respect to the other European countries. Rather, it is first in both trade debts (25.8%), as well as short-term borrowing (17.8%).

TABLE 1
FINANCIAL STRUCTURE OF MEDIUM-SIZED FIRMS IN THE MANUFACTURING INDUSTRIES OF ITALY, FRANCE, SPAIN, PORTUGAL, BELGIUM, HOLLAND, GERMANY, AUSTRIA AND POLAND (2007)

	I	FR	SP	P	B	NL	D	A	PL
LIABILITIES	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Short-tem borrowings	*17,8*	*3,2*	*11,5*	-	*5,2*	-	*8*	-	-
Trade accounts payable	*25,8*	*22,9*	*19,1*	*17,3*	*16,7*	*n/a*	*10,4*	*8*	*17,1*
Other current liabilities	0,9	1,3	0,1	4,8	1,3	*n/a*	0,1	n/a	2,7
CURRENT LIBILITIES	**53,7**	**42**	**39**	**44,2**	**38**	**30,4**	**39,6**	**34**	**37,9**
Medium- and long- term borrowings	11,7	15,5	11,8	15,3	15,3	18,2	12,6	14,1	10,3
Provisions	5,6	3	1,1	0,8	3,1	2,6	14,2	14,3	2,1
MEDIUM AND LONG-TERM LIABILITIES	**17,3**	**18,5**	**12,9**	**16,1**	**18,4**	**20,8**	**26,8**	**28,4**	**12,4**
NET WORTH	29,1	39,6	48,1	39,7	43,7	48,8	33,6	37,6	49,7
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Analysis of data from Bach – European Commission, 2007

The analysis of the aggregated data affirms that medium-sized manufacturing firms in Europe show significant differences in the net worth percentage between one country and another—an expression of the completely different institutional and socio-economic contexts in which these medium-sized firms operate. The data brings these differences to light, but is not able to explain their dynamics. For this reason, the present work aims to examine the preexisting relationships between the *processes of growth of medium-sized family businesses in Italy and the ways in which financial resources are obtained.* In particular, the following questions are asked:

i. What is the logic that guides owners of medium-sized family businesses in their financial decisions?
ii. Should "*traditional*" financial resources (self-financing, trade debts, borrowings) be substituted by more "*evolved*" methods of financing (*private equity*, listing the company on the stock market)?

A Literature Review

Much of today's research on the financial structure stems from Modigliani and Miller's work on optimal capital structure (Modigliani, Miller, 1958, 1965; Miller, 1977). This fundamental theory sparked an important conceptual discussion that produced significant theories such as the trade-off theory, the pecking order theory, the agency theory, and so on. However, in the 1980s and 1990s, some authors doubted the suitability of neo-classical finance to SMEs and family business sectors because of their concentrated ownership and control in the hands of few people (entrepreneurial firms), often members of the same family (Marchini, 2000 b, 2005).

According to the main authors (Barton & Matthews, 1989; Hutchinson, 1995; Cressy 1995; Merikas, Bruton & Vozikis, 1993; McMahon & Stanger 1995; Cressy & Olofsson, 1997), the individual preferences of entrepreneurs are the primary factors that affect corporate finance. Furthermore, according to Romano, Tanewski & Smyrnios (2000); to Gallo, Tàpies & Cappuyns (2004) and to Wu, Chua & Chrisman (2007), personal preferences concerning growth, risk, and ownership control are the driving forces behind the "peculiar financial logic" of family business.

In light of the above considerations, our investigation, based on a sample of Italian medium-sized family firms, contributes to the debate on owner-managers' aversion to the loss of ownership. Thus, our main research question is: «Does the above-mentioned reluctance to open up their capital to third parties seriously restrict MSEs' growth potential?»

TABLE 2
INDIVIDUAL PREFERENCES AMONG ENTREPRENEURS AND FINANCIAL DECISIONS

Author	Year	Argument
Barton Matthews	1989	Financial decisions are influenced by strategic decisions, determined by the entrepreneur's personal factors.
Hutchinson	1995	The entrepreneur's aversion to risk and to his loss of control keeps investment and financial policies among inter-dependents.
Cressy	1995	The model reveals the connections between an entrepreneur's decisions of indebtedness and his aversion to the control exercised on the business by external financers.
Merikas, Bruton & Vozikis	1993	The proposed model reveals the existing link, in small-scale firms, between financial and strategic decisions.
McMahon & Stanger	1995	In financial decision, the utility of the small-scale entrepreneur is a function, first and foremost, by economic-financial outcomes, by systematic risk, but also by non-systematic risk and non-economic-financial outcomes.
Cressy & Olofsson	1997	The results of this empirical research confirm the small-scale entrepreneur's aversion to a dilution of control; the entrepreneur is not really inclined to let in new stakeholders.

Source: authors' own analysis

TABLE 3
FINANCE OF SMALL- AND MEDIUM-SIZED FAMILY BUSINESSES

Authors	Year	Argument
Romano, Tanewski & Smyrnios	2000	The model, which was described and empirically tested, demonstrates that the size of the firm, the industrial sector, the age of the company and that of the general director, the amount of family control, the business plan, the objectives of the owner, and the plan of growth all influence financial decisions by the entrepreneur in the context of family businesses.
Gallo, Tàpies & Cappuyns	2004	The results of this research affirmed that family businesses are characterized by a "special financial logic" when it comes to growth, risk and control of the ownership; they are determined by the personal preferences of the family members who manage the firm.
Wu, Chua & Chrisman	2007	Family involvement indirectly reduces the utilization of risk capital, through the influence exercised on the choice of mechanisms that control the costs of the firm.

Source: Authors' own analysis

Particularly referring to the Italian literature, it is possible to trace the contributions concerning finance exclusively dedicated to medium-sized Italian businesses from 1977 (Massari M.). Those who are concerned with studying the relationship between finance and medium-sized businesses have examined the financial structure of medium-sized firms to understand how its eventual or necessary growth can positively indicate their pathway to development.

It is possible to delineate two lines of inquiry. The first (Massari M., 1977, 2007; Morelli & Monarca, 2005; Ruozi & Ferrari, 2007), which was inspired by neoclassical principles of finance, starts with the argument that the financial structure of medium-sized firms in Italy is not balanced, because it is subcapitalized and unbalanced with short-term debt. It thus argues for the necessity of opening capital to third-party risk, so as to recuperate missing financial resources and to reestablish a correct balance between debt and personal capital (Franzosi & Pellizzoni, 2005; Del Giudice & Bollazzi, 2007).

The second (Corbetta, 2000, 2005; Caselli, 2005; Coltorti, 2004, 2008; Rullani, 1999; Bonomi & Rullani, 2005), however, is based on the conviction that medium-sized firms in Italy are characterized by a financial structure that is, in reality, balanced. It therefore argues that there is the possibility of taking alternative pathways: the one that utilizes "traditional" financial instruments (self-financing, trade debts, short-term borrowing), and the other that makes recourse to financial means that are more "evolved" (private equity, business angels, stock markets, innovative debt/equity instruments). Both, in fact, can adequately sustain the development of the medium-sized firm.

An empirical study conducted on eighteen medium-sized Italian firms helped Caselli (2005) propose, as a preliminary interpretative hypothesis, the existence of different pathways of financial growth that can sustain the development of this specific category of business. Specifically, the author identified two pathways to growth based on logics of financial behavior adopted by medium-sized firms: "finance-based" and "firm-based". For the companies that undertook a finance-based pathway, financial intermediaries provide financial resources in the form of debt capital and risk capital; the external resources are therefore utilized "such that they are indispensible to spark and to maintain a trajectory of growth by the firm" (p. 92). The businesses that take a firm-based pathway are distinguished by the predominant use of internal financial resources, with little recourse to bank loans. They are marked by occasional interactions with financial intermediaries, but only for the goal of resolving specific problems, and these interactions are therefore privy of any more concentrated involvement. In this case, the pathway to growth is sustained by internal resources and by occasional financial contributions on the part of the nucleus of owners, in the form of true monetary resources or loans with rates favorable to the business.

In sum, the choice between these specific pathways of financial growth finds its origins in the history of the firm and its owner, and can be reduced to several objective and subjective factors.

Our goal is to concentrate on the subjective variables, including:

- the economic subject's goals concerning development;
- his propensity to take risks and to opening ownership of the firm
- his financial culture
- the links of the entrepreneur with the surrounding financial community.

THE METHODOLOGY

In order to answer to the main research question, we deepened our investigation through case studies, which are employed to describe an evolutionary phenomenon that can be identified through a deep analysis of the firms considered. This means that the researcher should gather all information using several methods including in-depth interviews with the firms' decision makers (Yin, 1981). The following two paradigmatic cases have been analyzed: a successful medium-sized family business that has accepted financial institutions and stock market investors as partners, and another successful medium-sized family business that, on the contrary, has financed the growth mostly through self-financing.

Particular attention was given to the *selection of the industrial sector*. In this research project, attention was given to one of the four cardinal sectors of Italian manufacturing (the cardinal sectors of the Italian manufacturing industry—those in which Italy is the most specialized and presents a commercial surplus relative to other countries, can be grouped in the "4As" of the "Made in Italy" label: Alimentari-vini (food and wine); Abbigliamento-moda (clothing/fashion); Arredo-casa (housewares); Automazione-meccanica-gomma-plastica (cars, mechanics, tires and plastics according to Fondazione Edison, 2009):

the clothing / fashion sector — particularly the leather / shoemaking sub-sector. The added value of the Italian clothing/fashion industry was 26 billion Euros in 2006 (the figure higher than the total value added of the aerospace industries of France, Germany and the United Kingdom combined) while the number of employees is roughly 719 thousand; in 2008, the commercial surplus reached 22 billion Euros. In addition, for 2006, Italy placed first in the leather/shoemaking sector according to the *Trade Performance Index UNCTAD/WTO*. 167,000 were employed in this sector; the regions of Tuscany, Marche and the Veneto each had more than France and Germany. The economic relevance of the leather-making sector in Italy thus justifies its selection as an industry to analyze.

FINDINGS AND DISCUSSION

Two "ideal types" of firms from this sector were selected, which operate as successful medium-sized businesses in the Italian and international context but which utilize different financial instruments. The first (*The Bridge*) utilizes "traditional" financial instruments (self-financing, trade debts, short-term borrowings), while the second (*Piquadro*) uses more innovative financial instruments (private equity, stock market listing). For each of the two companies selected, the information collected are reported below based on the following analytical categories: company profile, the process of growth, the sources of financing.

The Case of the "The Bridge"

Company Profile

Il Ponte Pelletteria s.p.a. ("The Bridge") was founded in 1969, when five young men came together to create what was essentially a large artisan laboratory in a small village outside of Scandicci, in the province of Florence, called Ponte a Greve ("ponte" literally means "bridge" in Italian). It was a place in which the specific abilities of each founder-shareholder could amalgamate, creating high-quality leather purses and accessories with precious materials. From that time on, the primary Italian materials and artisanal craftsmanship typical of a Florentine *bottega* (workshop) combined to create the well-known "English style" aesthetic, an original Anglo-Tuscan fusion. The company's production activities are spread throughout Italy and in factories situated in Eastern Europe. The productive de-localization, a necessary decision, began in the 1990s to reduce the elevated costs of production. Its principle international markets are Germany and the United Kingdom, but the company has a presence on every continent, primarily in wholesale boutiques, which account for 22percent of its foreign income.

Today Il Ponte Pelletteria s.p.a. serves the accessible luxury market through two internationally recognized brands: "*The Bridge*" (started in 1975) and "*Wayfarer The Bridge*" (started more recently); both are part of the holding group, Il Ponte Finanziaria s.p.a.. In 2001, the company began a project of capillary expansion throughout the province and applied a uniform architectural style for all of its stores, so as to enable a worldwide recognition of "*The Bridge*". The company is legally a corporate group whose holding company is "Il Ponte Finanziaria S.p.a.". It is a family-owned group headed by three of its original five founders. The entrepreneurial group is therefore now composed of the first and second generations of these families. The owners of the first generation are artisans; they matured their own abilities in the artisanal bottegas of Florence, and have preferred to dedicate themselves to business management, particularly in the production and operation of the company. These entrepreneurs fit perfectly into the "artisan entrepreneur" category identified by Smith (1967): the "artisan entrepreneur" is one who is involved in the executive activities, privileges the consolidation of power and is strongly oriented to the short-term. But the management of a successful business for forty years has certainly stimulated the company's evolution into a style of direction of each shareholder, indispensible for creating the necessary consonance between the phases of development and growth of the business and the "life cycle of the entrepreneur" (Marchini, 2000, p. 121).

Today "The Bridge" group is a formally structured organization, with well-defined roles, and two professional managers (business director and director of production) to whom the operational decisions are delegated, so that the entrepreneurs can concentrate on strategic activities, as well as those of coordination and control. The four young second-generation entrepreneurs found themselves working in a family business, side to side, without the luxury of having specifically chosen to do so as their parents did, and therefore found themselves carving out the most appropriate roles for themselves within the preexistent organization (brand director, retail manager, product development manager, human resources manager). The objective of the entrepreneurial group has always been to create a distinctive, high-quality product, distinguished by "artisanship, informality and durability, transformed today in transversality, hedonism and eco-sustainability".

The Growth Process

Today "*The Bridge*" is a medium-sized corporate group: in 2008 its income was around 37 million Euro, with capital investments of 34 million Euro, and employing around 90 workers in their Italian offices. Its actual size is the result of a process of growth that began in 1975 to capitalize on the favorable economic conditions in the years of the Italian economic boom. In its 40-year history, the company's quantitative development is linked to a concomitant qualitative development. The competitive strategies of market penetration and market development (internationalization strategies) have produced an operational growth and internal structure that has fostered inter- and intra-business relationships. Cooperative relations (external networks) that links the company with its partners in its supply chain has ensured the benefits of vertical integration without its typical constraints: minor requirements of their own financial resources, major flexibility by substituting variable costs with fixed costs, the development of synergies combining resources and competencies, maximum productive efficiency and maximum stimulus towards technological innovation.

Its growth has even found expression in the creation of a corporate group, through which diverse styles of production and commercialization tied to its different brands ("The Bridge" and "Wayfarer The Bridge") can be opportunistically managed.

The current strategic goal is to strength its brand worldwide, valorizing the Florentine artisanal tradition that it incorporates. The human resources director has begun a project of recovering and safeguarding the Florentine artisanal leather making culture. After interviewing the leatherworkers in the firm, he began restoring the procedures and techniques of the production of leather goods so that they could survive and add value to artisans' abilities which unfortunately are being lost. Furthermore the Florentine artisan culture will have to be communicated to the clientele, through the sales managers of each store, who must therefore also be adequately trained. The priority objective is to spread the artisanal culture for which the business stewards, incorporating it in its products, and transforming it into a lasting competitive advantage.

The Sources of Financing

The company's financial structure is substantially balanced. In the 40-year-history of The Bridge group, the principal source of funding has been self-financing. The cash flow generated by the current management has adequately financed the firm's. The business has scarcely made recourse to external financial resources, neither in the form of debits nor in the form of equity, because, on the one hand, it did not have a need for it thanks to the abundant flow of self-financing, and on the other hand because of the entrepreneurial group's fear that the costs and risks connected to the external recruitment of resources would be larger than the benefits derived. The first generation of owners are still resistant to allowing their business to be open to eventual external financing or other external stakeholders (private equity operators or capital markets).

"The Bridge" Case Study Discussion

"*The Bridge*" is a medium-sized group, a family-owned business, which has successfully operated for 40 years in the made in Italy consortium (within the leatherworks field). From an artisanal laboratory founded by five young Florentines in 1969, it has transformed itself into an important player in the industry in the productive district of Scandicci that operates in the national and international contexts, serving with high-quality products the accessible luxury market segment.

The pathway to development was effectively sustained by "traditional" financial instruments (self-financing and trade debts) without the necessity of turning to external sources of financing (financial debts, private equity, quotations on the capital market). In particular, the strategies of growth were developed in accordance to the objectives of the entrepreneurial group, that is, by maintaining the ownership and control of the business and to avoid being controlled by any providers of funds.

For the future, the second-generation owners have not excluded the possibility of making recourse to external financing to sustain large investments potentially called for by future strategies of branding, capillary expansion into national and international markets, and extending the productive spectrum.

The Case of "Piquadro"

Business Profile

The company "*Piquadro*" was founded by Marco Palmieri, along with other partners from Riola di Vergato (province of Bologna) in 1987. In its early years, the firm produced leather products as a third party for the main deluxe Italian brands. Only afterwards, when it acquired experience, an understanding of the market, and the capacity to identify a niche in which it could insert itself, the company took the step to produce briefcases, suitcases and small leather articles under their own label. The brand Piquadro was born in 1998 through the will of the two brothers, Marco and Pierpaolo Palmieri, currently partners in Piquadro s.p.a.; the former is the President and Administrator delegate, while the second is Business Director and Administrator of Piquadro Holding. The two entrepreneurial brothers possess the majority of the group's social capital, often across other entities, and exert their power of control over the entire corporate group. It is a family business in every way.

The process of outsourcing its production began in the 1990s, and today their production is totally outsourced to China, where its partners, rigorously selected, guarantee their respect for a high qualitative and ethical standard. The primary materials used in the productive processes are acquired predominantly in the Italian market. In Italy, the firm's logistical and restocking activities, its research and development, design, troubleshooting, planning of acquisitions, quality control, marketing and communication, and distribution take place in its new factory in Gaggio Montano (Bo), which was inaugurated in 2006.

The Process of Growth

In twenty-two years, the "*Piquadro*" group reached its medium-size dimension with 50 million Euro in sales, an investment capital equal to 49 million Euro, and employing 570 workers (as of 31 March 2009). The firm's process of growth was rapid, but its acceleration was checked from 1998, the year in which its business strategy changed radically: the company started its own brand, it proceeded to open its first shops, and the Palmieri brothers traveled to China to outsource their production activities. The growth assumed both a qualitative and quantitative form, through cooperative relationships with select partners in the international productive chain and through the formation of a corporate group.

Growth is an objective that is consciously followed by the entrepreneurial group, flanked by specialized partners with specific competencies, whose professionalism and availability of enormous financial resources effectively sustains the firm's pathway to development (Palazzi, 2010).

The Sources of Finance

The actual structure of capital is the result of a evolved financial pathway, distinguished by the significant presence of specialized financial partners, entered into the business by the will of Marco Palmieri, who desired to interact with professionals who had a financial approach to business and financial competency that he lacked. And thus in 2002 Fineco Capital fund completely underwrote an influx of capital equal to 2.5 million Euro, arriving at 25% ownership of the organization. In July 2005, the fund BNL acquired 35% of the social capital of Piquadro Holding, taking the place of the company's former financial partner. In 2007 the company arrived at the quotation in the stock market, segmenting Expandi; the agency was valued on the market at 110 million Euro. Today a minority of the social capital of Piquadro s.p.a., 13%, is held by the market.

Opening the company's capital to third parties was seen by the entrepreneurs as an indispensible instrument for the development of the firm, in that it guaranteed an enormous amount of resources, since an abundant influx of self-financing was not able to be generated, and, above all, specialized professionalism and competence. The financial partners were attracted by an ambitious, forward-looking business model and by the entrepreneurs who were determined to leave a mark in the history of their business.

"Piquadro" Case Study Discussion

The "*Piquadro*" group is an example of a family business that has traveled the road of rapid development, successfully capitalizing on the "Made in Italy" worldwide brand. The entrepreneurship of the Palmieri brothers linked perfectly with the managerial and other specific competencies of the professionals who loaned their expertise to the company. The firm thus illustrates the model of *managerial entrepreneurship* (Marchini, 2000, vol. I, p. 87) composed of behaviors—at times more entrepreneurial and at other times more administrative according to forces from the external environment or from internal factors in the organization.

The company's financing was an indispensible instrument for the development of the business. The involvement of private equity operators, attracted by the firm's interesting and ambitious projects, has given a strong impetus to its growth process, by providing conspicuous financial resources and a high level of expertise. The "traditional" financial instruments (abundant influx of self-financing and relevant commercial debits) were effectively combined with the so-called "advanced" instruments (private equity, quotation in the stock market) to create a balanced financial structure, capable of sustaining the important pathway of development without modifying the nature of the company as a family business.

CONCLUDING REMARKS AND FUTURE RESEARCH

In the last decade, medium-sized Italian businesses have been promoters of an interesting evolution in the national production system. However, they have remained in the shadows until now; they were always associated with small-scale businesses, and the prevailing opinion noted their differences lay exclusively in the qualitative parameters (number of employees, sales, total assets) communally used for classifying businesses. Nevertheless, the essence of medium-sized firms goes beyond the value of any quantitative standards, and is found in the qualitative characteristics that distinguish them from other categories of businesses. And the challenge, for those who study them, consists in identifying the qualitative particularities of these types of firms. For this reason it is important to analyze the dynamics of development in actual successful medium-sized businesses, to understand the evolutionary pathways that have fostered their transition from a small-sized to a medium-sized firm, and helped to consolidate its position (McKelvie & Wiklund, 2010).

This research project examined the existing relationship between processes of growth and development of medium-sized family businesses in Italy and the relative methods of financing. For the two family businesses studied here, the process of growth is the result of both a quantitative and qualitative development. The dimensional growth, in the form of operational growth and structural growth, was promoted through adequate strategies of market penetration, product development, and international expansion. The contemporaneous qualitative development, cultivated through interpersonal relationships with other businesses, even at the international level, did nothing but consolidate the pathway of development undertaken.

Both of the businesses present balanced financial structures, but they represent the outcome of profoundly different financial policies. In fact, in its 40-year history, "The Bridge" group has utilized as its main financial instruments, self-financing and trade debts, and, only in a residual nature, short-term borrowings. Such "traditional" financial instruments have adequately sustained the process of business growth, which was promoted and undertaken step by step as financial resources became available; they also supported the will of the entrepreneurial group, which continues to resist making recourse to external financial resources out of fear of losing control of the family business. For the "Piquadro" group, the elevated influx of self-financing has helped cover the financial needs contemporaneously with the resources given to them by institutional investors (private equity firms) and supplied by the stock market. The influx of financial resources, notwithstanding the financial expertise provided by the institutional investors, which are attracted by far-reaching, long-term development projects of development, have effectively sustained the rapid path of development that began in the 1990s and continues today. Opening the business up to external entities, in particular institutional investors, was a response to the ownership's needs and desire to be surrounded by people with elevated levels of experience and specific financial competency during its period of growth.

To fully understand the financial logic of these two medium-sized firms, one cannot neglect considering objectives, abilities, previous experiences, motivations, and the individual preferences of the owners. These factors have influenced the companies' financial decisions, creating financial pathways that are unique and not standardized, as many of the theoretical contributions concerning entrepreneurial financing have argued (Colot, Michel, 1996; Gibson, 1992-1993; Barton, Matthews, 1989; Hutchinson, 1995; Cressy, 1995; McMahon, Stanger, 1995; Cressy, Olofsson, 1997; Gregory, Rutherford, Oswald, Gardiner, 2005; Gallo, Tàpies, Cappuyns, 2004).

In these two specific cases, the businesses have undertaken alternative financial pathways (as Caselli, 2005 had already hypothesized and empirically revealed): "The Bridge" has undertaken a firm-based approach, distinguished by the predominant use of internal sources of financing, scarce recourse to bank loans, and only occasional relationships with financial intermediaries. Piquadro, however, has undertaken a "finance-based" approach, characterized by ample recourse to external financial resources in the form of loans from banks and private equity, and intense collaboration with financial intermediaries who bring with them significant levels of experience and competencies.

The principle limit of the present work, implied in the theoretical-philosophical interpretativist approach, comes from the methodology of the research adopted, which was based on the multiple field case study, which does not allow the results to be generalized.

These cases reveal two alternative approaches to financing, undertaken with success on the part of two medium-sized Italian family businesses. They elicit interesting questions to which continuing research will respond:

- In medium-sized businesses, how much does the entrepreneur's or the entrepreneurial group's objectives, personal preferences, previous experiences, and financial culture influence the selection of the most opportune financial model for sustaining processes of growth?
- How much does the entrepreneur's perception of the variable "time" necessary to undertake growth processes influence the selection of the most appropriate financial instruments for the firm?

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