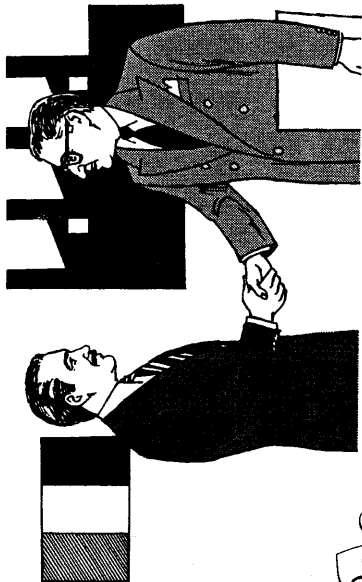


Lazio

This barren, uninhabited landscape was once the cradle of ancient Rome. At Lazio's southern end, where the Tiber River passes through on its way to the sea, the city of Rome itself — the country's capital and most sprawling metropolis — stands in vibrant contrast. Rome is a collage of neighborhoods, buildings and *ponti* (bridges). *Trastevere* (literally "across the river") is the quarter that was old medieval Rome; the area known as *Bocca della Verità* ("the mouth of truth") was named after a manhole cover in front of its church. Not far from the Ghetto (a lively Jewish community) stands the Roman Forum and Circus Maximus (an ancient Roman amphitheater similar to the Coliseum). The seat of government and the Papacy, Rome is populated by diplomats, civil servants, and clerical workers going about their business among architectural wonders. Most of them walk, as relentless traffic snarls make driving in Rome a Felliniesque experience.

Sicily

The largest Mediterranean island and perhaps the most gorgeous one, Sicily looks as if it's being perpetually kicked by Italy's boot. It was founded by Phoenicians and later colonized by Greeks, Romans, Spaniards and Arabs. Sicily is particularly notable for its Greek temples, which are more abundant here than in Greece. (In the eighth century B.C., the Romans called Sicily *Magna Graecia* or Great Greece, due to its plenitude of Greek towns.) Ruins include the acropolis at Selinus, the Temple of Athena at Syracuse and the Greek theater in Taormina. Overripe with ancestry, vegetation, religion and the Mafia, Sicily is Italy's most intriguing and disquieting region.



Government & Business

Entitlements & Red Tape

Since ancient times, Italians have excelled at business. The Etruscans were trades people and merchants, the ancient Romans, financiers and bankers who honed their skills handling the Vatican's vast tax network. Before the Middle Ages ended, Italians had invented double-entry bookkeeping, the bill of exchange and the insurance business. In modern times, their intrepid creativity ensures business success despite the ongoing bureaucratic nightmare of revolving and corrupt governments.

To understand the Italian approach to business (to all aspects of life, for that matter), one must realize that Italians are content with their country's socialistic orientation. They expect the government to bestow entitlements which, in essence, promulgate the red tape that Italians so creatively avoid. Free medical care, *la tredicesima* (Italy's national Christmas bonus of four-weeks paid vacation for every employee) and paid lunches for workers have helped to rocket the top tax bracket to 51 percent and Italy's public debt to 124 percent of its GDP.

La Lega

Media darling and propagandist Umberto Bossi leads La Lega, a powerful movement aimed at splitting Italy into three independent states — northern, central and southern. Supported by Gianfranco Fini of Italy's NeoFascist Party, Bossi believes that central Italy (Tuscany and Lazio) is the seat of government corruption, and that the south (from Naples down) is an unbearable weight for the north, whose higher revenues per capita and resulting higher taxes carry it. Many Italians believe that some kind of separation is inevitable.

La Bustarella

✱ Conducting business in Italy often involves *la bustarella* (literally, the envelope) — paying off someone in the government to secure a contract or permit, or to ensure that an official "looks the other way." The long-term consequences of recent efforts to end this practice (along with other aspects of government corruption) remain to be seen. In the meantime, serious attempts are being made to cut spending (in order to reduce national debt to acceptable European Union standards), to stabilize the currency, and to reduce inflation and unemployment (which currently stands at 25 percent in southern regions). The new government may also lessen restrictions on private enterprise, thereby letting the commercial market experience more of a natural ebb and flow.

Chiaroscuro

Under the umbrella of Italy's 1992 privatization program, many business sectors are shedding governmental controls. While retaining major share holdings

in the defense, energy, utility, financial, insurance and communications industries, the government is expanding its list of privatized industries to include petrochemicals, telecommunications and electricity. As Italy is dependent on foreign trade and sees it as a vehicle for increased employment as well as for economic and technological growth, its investment policies tend to be very liberal, with few regulations.

Also recently open to private investment is Cinecittà, the Rome-based film studio that produced such 1960s blockbusters as *Cleopatra*, *Quo Vadis* and, more recently, the internationally acclaimed *Cinema Paradiso*. Its facilities are considered the best in Europe, second only to England's Pinewood studios. The Italian Treasury, Cinecittà's owner, is actively seeking foreign investors. It's noteworthy that while American investors are seen as potential culture polluters, and are therefore unwelcome, American filmmakers are being encouraged.

But it's the small, family-controlled businesses that are the economy's backbone. Thanks to them, business in some northern regions is booming. You could say that successful Italian businesses have taken a cue from the 16th century painter Caravaggio, a master of *chiaroscuro*. Bringing light out of darkness, they've turned a country bound by red tape and corruption into one of the seven largest industrialized economies in the world. It might be noted, too, that Caravaggio was a maverick. Italians don't like rules, governmental or otherwise, and when necessary, they find ways around them.

Barriers to Trade and Competition

Italy produces state-of-the-art industrial equipment and products, as well as high quality consumer goods. Its central Mediterranean location also makes it a gateway to the EU. (Italy has been a

member since the EU began in 1958.) Since 1993, all commercial barriers affecting the free circulation of goods, capital or services between EU countries were abolished. As a result, other EU nationals can operate as freely in Italy as they do in their own respective countries. A French company, for example, can employ French workers and exercise French labor and social security laws.

With a work permit, job opportunities for expatriates who are EU citizens are available, as are opportunities to start a business. If you're not an EU citizen, finding an Italian business partner might be the best way to enter the Italian business community (short-term or long-term). Creating a business presence by establishing local operations is mandatory. A foreign citizen wishing to establish a temporary or permanent residence in Italy to manage a business or corporation should obtain a business visa for this purpose. All individuals and firms must be registered with the local Chamber of Commerce, Industry and Agriculture. Making selective acquisitions is the best way to expand your presence once you've become established.

International eco-labeling (seals for products whose manufacture, use and disposal are not harmful to the environment) may force Italy to raise its environmental consciousness — although some American trade officials consider eco-labeling a potential trade barrier that may, ironically, end up being *detrimental* to the environment. This controversy aside, until recently, Italy has denied its environmental problems. It's finally addressing them via several government ministries and regional authorities. These are responsible for protecting the air from industrial emissions and the coastal and inland rivers from industrial and agricultural pollutants.

Imports & Exports

There are two Free Trade Zones (FTZ) in Italy, Trieste and Venice. Numerous warehouses located in port cities throughout the country also enjoy some FTZ privileges, including deferred customs duties. Free trade agreements have also been developed with the European Free Trade Association (EFTA).

Italy's EU tariffs and duty rates range from 5 percent to 8 percent on manufactured goods and are somewhat higher for agricultural items. Many raw materials enter duty free or at nominal rates, and materials used to manufacture and distribute a product for export can enter without duties or taxes. Almost all goods can be imported without import licenses and restrictions, including petroleum products, chemicals and machinery. However, some apparel, textiles and arms and munitions are regulated. Prohibited imports include foodstuffs, food colorings, drugs, narcotics, animal products, plants, seed grains, alcohol, cosmetics and toiletries.

Italy recently eased export regulations to other EU countries, except for high-tech and gas products. Exports include the following sectors: software and services, cosmetics, pollution control, computers, telecommunications and transportation (including aircraft, parts and energy). Export controls are limited to shipping under general licenses that don't require formal approval and carry no regulations.

Export products include textiles, apparel, eyeglasses, footwear, iron, steel, chemical goods, food products and transportation equipment.

EMU & ECU

The European Economic and Monetary Union (EMU), envisioned in the Maastricht Treaty, is

expected to be completed by 1999. Designed to help empower Europe for the 21st century, its advantages include eliminating exchange rate variability, reducing interest rate premiums, and promoting the expansion of EU trade and direct investment.

As an EU member, Italy's government will be required to curb its national deficits and outstanding debts. Social unrest — a result of preliminary belt tightening — has already begun. Universal health care is already being scaled back, along with other social welfare programs.

The single currency of the EMU, the European Currency Unit (ECU), will compete with the U.S. dollar and the Japanese yen as a key currency in international trade transactions, as well as in the denomination of private investors' portfolios and official reserves.

L'arte di Arrangiarsi The Art of Getting By

The corruption that distinguishes Italian politics should have crippled the country by now (see Chapter 13). Italy's public debt is up to 24 percent of its GDP and income tax rates are as high as 51 percent. Milan's stock market is still recuperating from its 1987 crash. The local Communist Party has diminished. Yet amazingly, Italy's 1995 economy outperformed all major industrialized economies except that of the United States — despite the fact that per capita income in the non-industrial south is half that of the north.

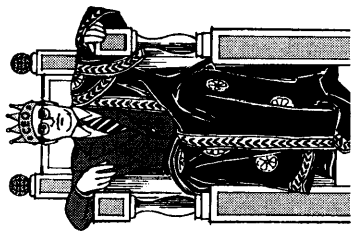
The reason? Internationally recognized quality and Old World craftsmanship are ultimately what drive the country's business fortunes.

Italians are running thousands of cottage industries, many with revenues of over 200 billion *lire* (US\$130 million); in some cases, stockmarket values have increased fifteen-fold in a decade. They produce

everything from sunroofs, racing car brakes, silverware and leather furniture to Uzis and Berettas. Their sales and profits are doubling every two or three years, and the valley of Lumezzane has one registered business for every twelve inhabitants. Belluno province is home to the largest community of eyeglass-frame manufacturers in the world. Most likely responsible for the Armani and Calvin Klein eye wear sold worldwide, these family-run businesses buy all their parts from hundreds of local suppliers, thereby keeping labor and profits at home. Larger family-run businesses currently dominating Italy's private sector include Pirelli (tires); Agnelli (automobiles), De Benedetti (computers), Benetton (clothing) and Fininvest (broadcasting and television).

Ingenuity is another factor. The province of Bergamo in Lombardy has recently experienced great success with lottery scratch-cards created by the state's finance ministry. Revenues amounted to 1.2 trillion *lire* in 1995, double the ministry's revenues from football pools. Transforming trouble into opportunity, a small Mafia-infiltrated town in the region of Abruzzi is combating its negative reputation with a proposed film festival.

To sum up, even though recent political uncertainty threatens Italy's financial markets, Italians, accustomed to setbacks, choose to conduct business as usual. Successful entrepreneurs save their money, keep their overhead lean, put profits back into their businesses, and make low-risk investments such as real estate. Immunity to political change for some means keeping more than one set of books. Since appearances are what matter, the banks and tax man might see edited versions. Many wealthy Italians believe a tax revolt is imminent anyway, so why comply to the letter of the law? The Swiss banks are just across the border.



The Work Environment

The Italian Work Ethic

Italians work to live, not the other way around. Enjoying life to the fullest with plenty of leisure time for family and friends is the most important aspect of life. (The month-long summer vacation is considered sacrosanct.) *Tanto la morte ci ha a trovar vivi*, they say. *Don't worry, death has to find us alive*. In other words, everyone dies, so don't get too stressed about living. Money allows for pleasure, but it's not an end in itself. A sharp distinction is maintained between one's work and one's private life.

Workers in the private sector work longer hours than bureaucrats, who are notorious for devoting their careers to perfecting the art of doing as little as possible — government offices sometimes open late and close early, when they open at all. The industrialized north has adopted a more "serious" work ethic and, as has been noted, considers the south to be an albatross. Most Italians work just enough to provide for their families' needs, and those who do work hard don't appear to, because they also manage to enjoy themselves. Ownership of a business is highly valued.

Mountain Climbers on a Rope

Company hierarchies are always upheld. Corporations often have a horizontal chain of authority called a *cordata* (literally, a team of mountain climbers on the same rope). A foreigner's best tact is to have a reliable contact who's familiar with a company's internal structure.

Senior members of a business are deferred to and act as mentors. (The expression *Il marcio comincia dalla cima* — *A tree rots from the top* — is a way of saying that the boss sets the tone.) CEOs don't become "familiar" with subordinates and don't feel an obligation to keep them apprised of pending upper-level decisions. Managers are expected to look and act the part. Younger members are considered apprentices.

Employees are expected to prove themselves over time before being accepted into the inner circle. Leadership is by example, not written in a business plan. Senior executives tend to be autocratic when dealing both with their own staff and with outsiders, and they don't delegate authority or responsibility freely.

Nepotism: *Giovani Imprenditori*

Italians are impressed with degrees and scholarship, especially in science and engineering. But when it comes to family businesses, Italians like to keep the power within family hands. And at the moment, a widespread generational shift is in progress.

So many young, future tycoons are inheriting (or are being groomed to inherit) high positions within their family's firms that they've formed a club within Italy's *Confindustria* (the industrialists' confederation) called *Giovani Imprenditori* — "young business

people." As of mid-1996, membership stands at 9,000 and growing; the average age is thirty-two.

Among this up and coming group are Marina Berlusconi, the eldest child of Fininvest's founder; Alberto Agnelli, nephew of Fiat founder Gianni Agnelli and member of the family that owns Piaggio, maker of Vespa scooters; and Emma Marcegaglia, who runs a 3 trillion lire (US\$2 billion) a year steel and engineering group, founded by her father, that employs 3,000 people.

Business Cards vs. Calling Cards

From members of Parliament to esteemed history professors, Italians in positions of power and authority expect to receive preferential treatment. Italians can be touchy about perceived insults and a too-casual approach. (*Ha la coda di paglia* — *He has a straw tail* — the expression goes, i.e. he's so sensitive that he could go up in flames in an instant.) Proper business procedure and protocol includes never addressing a person by their first name and using their title in all forms of address, both spoken and written.

Yet as proud as Italians are about their status, they consider it an insult to be asked their profession in a social situation. For this reason, business cards (which should be translated into Italian on one side) are never exchanged at social gatherings. Personal calling cards, containing only one's name and address, are the accepted alternative.



7 Women in Business

In previous centuries, Italian women were viewed as property and were passed along in marriage as such. There were, however, a powerful few — women such as Lucrezia Borgia, duchess of Ferrara; Caterina de' Medici, queen of Henri II of France (whose 9th-generation great granddaughter operates a cooking school housed in an ancient de' Medici summer estate in Tuscany); and Simonetta Vespucci, the great love of Pope Clement VII.

One or None

Despite the sacrosanct, omnipresent image of Madonna and child, today's Italy has the lowest birthrate in the world. Over the past ten years, grade schools have closed in some regions (Emilia-Romagna in particular) due to low enrollment. Analysts predict that if the trend continues, there'll be 20 million less Italians in Italy in the next century — almost half of today's population. There's even talk of reestablishing government subsidies to encourage the creation of larger families, an idea promoted by Mussolini during Italy's Fascist regime.

The low birthrate is attributed to the fact that

Italian women now have the freedom to choose. More than 36 percent of the work force is female. Perhaps many Italian women are acknowledging that the difficulties of maintaining both a family and career outweigh the benefits. They also know that they're expected to be the primary caretakers of both their children and their homes, regardless of the size of their salaries or the professional demands made on them. As a result, working women, especially in the north, tend to marry later and to follow a very un-Madonna-like edict: "Have one or none." This is particularly true of those pursuing careers in law, medicine and education.

Other reasons for the decreasing birthrate include the Catholic Church's dwindling influence and the Italian romance with "the good life." Working women and their husbands have grown accustomed to the higher standard of living that a double income affords, and giving up ski holidays in the Alps or summers on Costa Esmeralda to start a family are sacrifices that many couples are unwilling to make.

The changing role of women has no doubt also contributed to Italy's rising divorce rate (which remains far below the U.S. rate). In the past, Italian women remained married for the sake of their children. Today, divorce Italian-style is creating more and more households headed by women — who always get custody and often move back in with their parents.

These societal changes have come swiftly. Only fifty years ago, Italy emerged from the rubble of World War II; in 1947, women nationwide were officially granted the right to vote. While many young Italian women today are heady with newfound freedoms and affluence, older Italian women (grandmothers and great-grandmothers) tend to take the blame on themselves for having spoiled their daughters.

Madonnas vs. Working Moms

From early Byzantine mosaics to Raphael's paintings, from stained glass windows to statues carved in marble (or molded in plastic), motherhood is enshrined on high pedestals. No surprise, then, that the Italian government supports family issues vigorously. Even if a woman has been working for a short time when she gets pregnant, maternity leave (in the most loophole-exploited cases) can last five years.

Combined with free medical care, monthly payments for each child during infancy, and salaries for mothers on leave during childhood illnesses, government spending for women has peaked. Cutting these benefits may be unavoidable if Italy wants to streamline its economy along with the rest of Europe. Italians, however, object to giving up any entitlements and consider proposals to reduce maternity benefits blasphemous.

This "official" support, augmented by family support (relatives often assist), makes it easier for Italian mothers than for their counterparts elsewhere in the West — in some ways. But in other ways, it remains more difficult. Even working women are expected to cook *il pranzo* (the large, midday meal) for their families, as well as *la cena* (dinner). Many don't have modern appliances such as dishwashers and clothes dryers. Although the younger generation of men help with the house and children, the older generation doesn't. And you won't see many Italian men — of any age — pushing a baby stroller while their wives are off attending a "power" lunch.

Progress: Slow but Sure

Government support of Italian working women, however generous in theory, can some-

times backfire. Employers avoid paying benefits to women of child-bearing age by simply not considering female candidates for jobs, or by choosing part-time, contract laborers instead. Lost opportunities also result when women choose to take time off to raise their children — they're not welcome when they attempt to reenter the increasingly competitive job market, even on a part-time basis. In the south, where unemployment is especially high and where a cultural bias against women working remains strong — the few jobs available, often in the government, automatically go to men. And proud southern women often refuse to accept some of the fairly lucrative manual labor jobs that *are* available to them. These days, many live-in maids come from Poland, not Calabria, and they earn up to US\$1,000 a month, plus full benefits.

Massive immigrations of workers from the south (especially during economic expansion) increase the competition for northern jobs, a situation that's further aggravated by a recent influx of immigrants from Albania, northern Africa and eastern Europe. High paying professional jobs are at a premium, and unemployment among the country's most educated citizens is high.

Political depictions of women pursuing alternative roles are often extreme. A traveler passing a kiosk in Pisa stopped in his tracks, diverted by a sign upon the wall. He stood face to face with a woman in black pointing an Uzi at him. The message: if you want to be an independent, powerful female, you must join the Communist Party. Conversely, Italian women with career aspirations who aren't communists might have second thoughts about following their dreams if they think they'll be perceived as militants.

There are a handful of powerful women at the helm of a few large, international family busi-

nesses, including Ferragamo and Gucci. Fendi is run by five sisters and features sophisticated goods designed for working women. Benneton (a clothing design company with outlets worldwide) is headed by a brother and sister team, as is Versace. And, as mentioned at the end of the previous chapter, several young women are about to inherit the reins of major companies founded by their fathers.

Strategies for Non-Italian Businesswomen

Depending on where a foreign businesswoman travels, however, she may encounter what she considers to be sexist behavior. It should be stressed, however, that as she's visiting someone else's country, she shouldn't expect its inhabitants to share her values.

Italian business people will show their respect for foreign businesswomen by not broaching cultural, political or religious issues. Women who hold important positions will be considered competent and professional simply by demonstrating the winning qualities that influenced their professional advancement in the first place.

Today, neither Italian women nor visiting foreign females attract raised eyebrows if they're seen walking alone or unchaperoned with a man. While care should always be taken, walking around the towns and cities of Italy unescorted at night is safer than doing so in major U.S. cities. Although petty crime is common in bigger Italian cities, violent crime is not. Overly appreciative glances are sometimes annoying, but rarely threatening. To avoid trouble, it is best to travel without valuables or to check them into a hotel safe. If this isn't an option, wear a money belt inside the waistband of your clothing and under a jacket, not exposed around your waist. As thieves often work in pairs or groups, they're sometimes easy to detect and avoid.

from professional advisers regarding specific issues is a must. Such advisors are best found the Italian way — through family contacts or via friends in one's own country.

Class Distinctions

Awareness of family, regional, financial and professional status is acute, and the resulting snobbery can be blatant. Since education often determines class distinction in Italy, being cultivated, well read and well versed in the arts are seen as being especially important.

Most of this is focused internally, but depending on where you're visiting and where you come from, you may be judged for your perceived pedigree — or lack of one. In business, it's best to cultivate relationships with an equal. If you're a middle manager, approach your Italian counterpart, not his or her boss. Likewise, the CEO of a foreign company shouldn't invest time with an Italian of lower rank.

Written Introductions

Italians like to receive introductions and requests in writing, either by mail or messenger. Picking up the telephone and making a "cold call" won't accomplish much, and telephone service in Italy is sometimes unreliable. A formal letter (introducing yourself and presenting your proposals and credentials) is required for all business transactions, no matter how preliminary or small. Be sure to use the addressee's full title in your salutation.

Be aware that most firms are closed in August for summer vacation. If you write for an appointment in mid-July, you may not get a reply until September.



Making Connections

Clientelismo is the key to business success in Italy. It means bestowing a favor for a favor, "putting in a good word," or asking a family connection to do so for you. Personal relationships are essential in the world of Italian business, and they're based on honor, loyalty and trust.

Building that trust takes time. Foreigners who are used to short-term, impersonal business relationships must adjust their approach accordingly. The time invested will pay off. Favors will be granted and a level of personal commitment reached that's worth more than money, skills or experience (though these are important attributes).

Insiders and Outsiders

Foreigners may feel uneasy about doing business in Italy after reading newspaper accounts of volatile local politics. The active underground economy, which includes hundreds of small family-run businesses with tough family control, isn't visible to outsiders. How can a foreign investor forecast the true business climate? Homework and thorough research are crucial. Obtaining guidance



9 Strategies for Success

Don't expect an Italian to get straight down to business at the first meeting. They like to get to know the people they're considering doing business with, which is one of the reasons that they're comfortable doing business with family members. Only when they've been given ample opportunity to assess your character, background and purpose will they be open to your campaign, proposal or bid.

After-business socializing is an important aspect of Italian business relationships. Non-Italians should never refuse an invitation unless it's absolutely necessary to do so.

Eleven Golden Rules

1. Learn Italian.

Mastering the basics of the Italian language is crucial if you want to compete in business and a good idea if you're planning an extended stay.

2. Build personal relationships in order to gain trust.

This will take any number of meetings to accomplish. Be patient; think "long term." Don't be in a hurry to "wrap things up." Engage a strong

contact representative who can make introductions and appointments for you well ahead of time.

3. Find a go-between.

It's best to begin your business dealings in Italy through the auspices of a friend or business associate. If you know somebody who knows somebody, you're on your way. Anyone who has done business in Italy or dealt with a specific player qualifies. An invitation to one of Italy's more prestigious private clubs, where fellow businesspeople gather, would be of great value. Management consultants, the Italian Trade Commissions and Chambers of Commerce may also assist. Dealing with the last two will give you a taste of Italy's unhurried business approach before you even get on a plane.

Documents from mutual business associates and friends from your country or Italy, well-known corporate leaders or government officials (either active or retired) are particularly impressive.

4. Embark on a fact-finding mission

Go to Italy. Assess your business prospects by researching the country and its culture. Set up appointments with potential contacts or businesses of interest before you leave your home country. Schedule your visit to coincide with pertinent trade conferences and shows.

5. Be flexible and patient.

Doing business in another country means that you'll be entering a world not unlike the one in Lewis Carroll's *Through the Looking Glass*, a place where up is down and down is up. Adjusting to Italy's *adagio* (slow) tempo will help you maintain a degree of patience you never thought possible.

Once you've evaluated candidates for doing business and decided on a prospect, plan on consuming plenty of pasta and becoming a nimble practitioner of *clientelismo*.

6. Don't confuse "style" with informality.

Despite their proclivity for doing business on a personal level (kisses may be exchanged between the sexes in both business and social situations), Italian business people are quite formal. As you're getting to know one another, it's important to avoid becoming too familiar and casual in your approach and manner. Always acknowledge titles and seniority during introductions and the course of conversation.

7. Stay above the fray.

Always maintain self-control and certainty, no matter how excited the Italians get in a business meeting. Even if the Italian team disagrees among themselves about an item under discussion, you and your associates should maintain a united front. Save any debates for after the meeting.

8. Appreciate imagination and inventiveness

Italians thrive on ambiguity and risk, and they're very good at on-the-spot, creative problem solving. Rules are seen as guidelines, not strict directives. Expect digressions and loose adherence to the points you want to cover during meetings. Rather than resisting, stay open to unusual ideas.

9. Don't jump to conclusions.

Cultural and language differences can cause confusion. Before you react to a statement, gesture or change of mood, take a moment to consider that you may have misunderstood the situation or misread the signals.

10. Discover what the Italians really want.

Understanding cultural traits and learning to "read between the lines" will give you a distinct advantage. For instance, Italians don't like taking orders. If something is presented to them as a strict directive, they may resist — even if they like the idea. And make sure that your Italian counterpart

understands the specifics of a contract or agreement the same way that you do.

11. Be logical.

Italians have a way of cutting to the essence of a concept or situation. They're quick to recognize hypocrisy, insincerity and superficiality. Present your ideas clearly and rationally; don't embellish. A good idea backed by solid, logical thinking will stand on its own. And be sure to maintain an air of confidence. Since Italians are highly visual, graphics that clarify your proposals can be very effective.

A Marketing Primer

Northern Italy accounts for approximately 65 percent of total Italian imports and it has twice the per capita income of the country's southern regions. The north's leading marketing area is Milan. Rome, Naples (not considered "southern" by marketing opportunity standards) and Turin follow.

Direct marketing through mail order catalogs is an effective method for introducing foreign products in Italy. However, these ventures should be preceded by substantial research in order to ascertain sales potential and to design the best strategies for attracting a sophisticated populace.

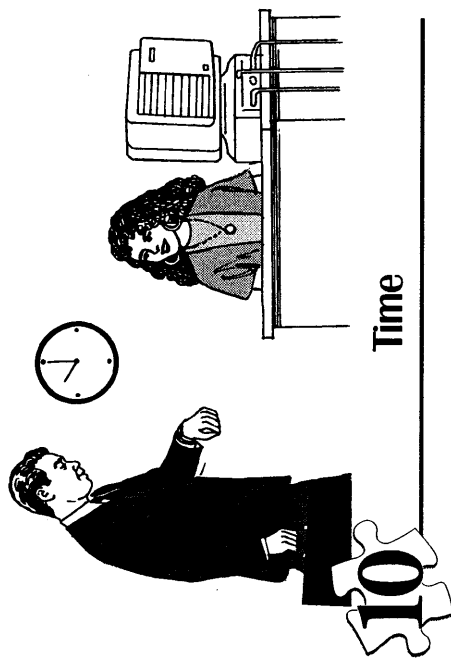
In an effort to attract foreign business, Italy's retail distribution system is currently being refurbished with more streamlined and efficient large chain stores. Trade shows also help foreign firms attract Italian customers. Fiera di Milano, Milan's large trade fair site, organizes a number of trade shows annually.

Franchising is another effective approach. Approximately 18 percent of all retail trade in Italy is franchise-controlled, with 54 percent of all fran-

chising networks concentrated in the north. Activities include housewares, apparel retailing, and fast food restaurants, service-oriented franchises include health clubs, beauty salons, and quick printing and photo shops. The most promising sectors appear to be travel and tourism organizations, management consulting firms, software and consulting services, and courier delivery services. Lesser-known franchisers who set their sights on the Italian market face the challenges of gaining local name recognition and of mastering local business practices.

Since distribution is less than efficient, especially for the sale of industrial products, foreigners would do well to engage an Italian firm familiar with the local system to help with contacts.

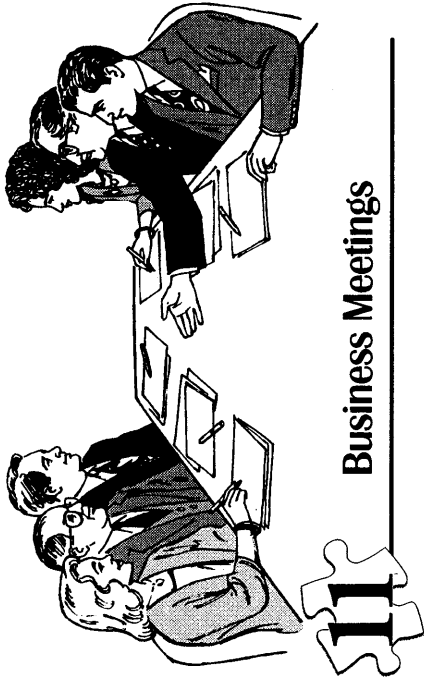
Regardless of the business enterprise, Italians expect high-caliber personalized service, and repeat business is dependent on it. All deliveries should be prompt and all deadlines met. Late delivery is one of the biggest complaints Italians have about foreign suppliers.



The Italian attitude toward time is relatively relaxed. Time isn't equated with money. On the one hand, Italians aren't particularly punctual; on the other hand, they understand that being on time is a sign of respect and consider *deliberate* lateness to be rude. They tend to cancel meetings at the last minute or postpone items on an agenda until the next meeting. The best way for a foreigner to cope is to make appointments well in advance, to reconfirm them up until an hour or two before they're scheduled to take place, and to be punctual (especially in the industrial north). It's also important to remain patient and flexible, and to graciously keep a schedule or discussion on track when it goes astray.

Deadlines

Italians will not consider a deadline to be iron-clad unless you repeatedly and firmly make a point of it. To avoid any misunderstandings, it's crucial that expectations and timelines be presented without any ambiguity, and that the consequences of not adhering to those deadlines also be made clear.



Business Meetings

Arranging the Meeting

The visiting company should make arrangements for a meeting far in advance. Do so in writing first, then follow up by fax, E-mail or telephone. Letters written in Italian get the most immediate response. Provide as much detail as possible about the issues under consideration. (Summer vacation periods and holidays are not a good time to attempt to make such arrangements.) It's generally best to schedule appointments to be held between 10 A.M. and 11 A.M. or after 3 P.M., although northern Italian business offices prefer to get an earlier start.

Preparing the Italians

Supply your Italian associates with the names and titles of your team members ranked in order of importance and seniority. Indicate the designated speaker or speakers so that the Italians will know to whom their major communications should be directed. The leader of your team should know Italy well, be flexible, patient, congenial and authoritative, and be able to work well with an interpreter.

The Italian firm may send someone to the first meeting to test the waters who isn't the decision maker, someone of middle-management ranking. Italians tend to view early meetings as a means to evaluating a situation.

Arriving at the Company

When you arrive at the Italian company, announce your name and purpose to the administrative person. You and your team will be led into the conference area. Your leader should proceed ahead of everyone else and, when the time comes, make formal introductions to the most senior person on the Italian side. Shake hands with everyone; a handshake that includes grasping the arm is appropriate. Once everyone has been introduced and seated, the Italians will want to spend some time getting acquainted. Initial small talk gives everyone an opportunity to get comfortable with each other, as well as to size up the situation. It's possible that the Italian leader will make a grand entrance after everyone is seated around the table and will give an informal welcoming speech before inviting visitors to state their business.

Telling Who's Who

Discerning who is actually in charge and who will be an ally can be a complex matter. Italians often conduct their study of proposals and important contracts behind the scenes. Business decisions are made at the top by one person, or a select few. Decision by consensus is uncommon. Yet, it's often difficult to pinpoint the decision maker. Business titles don't always coincide with levels of responsibility. Foreigners dealing with an Italian managerial hierarchy may discover that the brother or sister of

the person they've been dealing with — someone they've never met — is actually the person with final approval power.

Present your ideas with enough enthusiasm that, if there is an invisible higher-up, the comments passed along by the Italians you *do* speak with will capture his or her attention.

Italians tend to conduct business "close to the vest" and to remain vague and ambiguous, especially at the beginning of a business encounter. They'll open up when they feel comfortable with the relationship and when they think that the moment is opportune. It is important to look below the surface — what's said isn't always what's meant. Italians may say the polite thing rather than express their true opinion.

Presenting Your Business

Italians relate to and develop confidence in a business associate as a person first. They're not impressed with procedures so much as with an individual's talents. Typical meeting presentation methods, including audio and visual aids, can be used, as long as these are original and captivating — Italians value pragmatic improvisation and innovation.

Present your business as logically and concisely as possible. Be specific about applications. Since style is so important to the Italians, make your presentation elegant. Always remain calm and confident. If you're interrupted frequently, keep your focus. Bursts of tangential conversation in the middle of a presentation aren't unusual, and you shouldn't be offended. Don't, however, allow your presentation to deteriorate into an unruly debate.

Concluding the Meeting

The Italian team leader will signal the end of the meeting. Once he or she stands up and thanks everyone, you should again shake everyone's hand before taking leave. Close friends often embrace and slap each other on the back. It's best not to continue the discussion with your team members until you've left the premises.

Guidelines for Conducting the Meeting

- **Observe the Italian hierarchy.**
Formality and status are important, and neglecting to adhere to the established hierarchy will not go unnoticed. The rank of the person proposing an idea may have more influence than the idea itself.
- **Keep presentations concise.**
Elaborate, highly structured presentations aren't common in Italian companies. Stress the facts and highlight the details; keep your presentation formal, orderly and brief. Be sure to talk about any local implications. Avoid a "hard sell" approach. And don't expect your presentation to elicit an immediate decision. Consider the meeting an opportunity for both sides to "test the waters."
- **Brace yourself for emotional outbursts.**
Although disagreements will arise, don't expect to resolve them in the meeting. Often an Italian businessperson wants a forum in which to pontificate and show off his charisma. Let them say what they have to say and move on.
- **Be confident, but not arrogant.**
Italians are compassionate, but they have little tolerance for arrogant or rude behavior.



12 Negotiating with the Italians

Outgoing and charming, Italians appreciate the art of business and enjoy the process. Their informal attitude toward negotiations means agendas are loose and impromptu meetings can turn out to be pivotal. Sometimes lunch is the venue. (While an Italian business person will rarely invite you into his or her home, restaurants are often the scene of meetings because of their convivial atmosphere.) Italians appreciate "Renaissance people," those who know about food, wine, literature, opera and art. It's also to a foreigner's advantage to get to know the nuances of the region in which he'll be working — its particular sense of humor, revealing vocal intonations — as these can offer invaluable insight into an Italian counterpart's way of thinking. Although Italians tend to negotiate diplomatically, they're more subtle and less open than Americans.

Opening Protocol

Protocol for negotiation meetings is no different than for regular meetings, Italians always shake hands before and after, and good friends hug. Friendly, warm-up conversations go on longer in

Italy than other countries, although in the north business gets underway more quickly.

Ideally, negotiations should take place between executives of equal rank. Preliminary negotiations usually involve middle managers, with the top level staff getting involved only during the final negotiation stages. Treat these middle managers as you would the CEO — use their professional titles when addressing them and demonstrate respect for their position. Although Italians are casually formal, they display and expect courtesy and good manners at all times.

Negotiation Techniques

- An air of urgency is considered a sign of weakness. The "soft sell" is much more effective than a direct, high-pressure approach.
- You may not get what you want until you've attended a number of negotiation meetings. If you've reached a point where you know that an agreement is not in your best interest and will never provide you with what you want — walk away.
- When Italians refuse a proposal, they manage to do it with such charm that you may not realize at first that you've been turned down.
- A dramatic change in demands often takes place at the last minute. Stay calm. Chances are that the Italians are close to coming to an agreement with you and are just making one last attempt to unsettle your bargaining position.
- Italians are notoriously good businesspeople. Don't let the Italian flair and relaxed manner distract you; Italians take business seriously.
- Italians can get emotional during negotiations, appearing more volatile than they actually are.

Again, don't be distracted.

- In spite of their demonstrative manner, Italians present their ideas rationally and clearly, but they may try to argue points as a way of weakening your position. Italians also like to bargain about price, and this can delay the proceedings.
- Vagueness is another Italian technique. Italians introduce information on a need-to-know basis, guarding it until it can be utilized for a transaction. Letting such "nonchalance" inspire a sense of urgency will put you at a disadvantage.
- Be aware that Italians will often interject opinions and ideas spontaneously. This sometimes makes them appear as autocratic, manipulative and disorganized to outsiders. Anticipate this behavior and allow extra time for it; don't expect the Italians to adapt to *your* country's way of doing business.
- If you say "no," mean it. Italians don't always re-extend an offer once it's been firmly rejected.

Interpreters

Even Italians who are fluent in your language aren't likely to put themselves at a disadvantage by having to speak a foreign tongue during serious negotiations. (While the study of English is common in schools, few Italians speak it regularly.) One member of the Italian delegation will probably act as an interpreter, but it's not advisable to depend on that person for communication. Although there's little risk that he (or she) would intentionally try to mislead you, the chances are good that he won't understand all of your nuances and inferences, and he is, after all, a member of their team.

And even if you're fluent in Italian, using interpreters gains you more time to think about your responses while the translation is going on.

Having an interpreter of your own can be expensive, but it's as essential to high-stakes negotiations as engaging an attorney. Your interpreter should be multilingual as well as multilingual, and able to pick up on feelings and intonations in both languages. Ideally, you should locate an interpreter in advance, but even after you've arrived in Italy, the business center staff of your hotel can refer you to companies that provide competent interpreters and translators.

Tips on Using Interpreters

1. Establish Guidelines

Before a meeting, plan out the mechanics of how you'll work together — for example, how long you should speak before pausing for interpretation. Ideally, you should practice extensively with an interpreter — with whom you've previously established a rapport — *before* your trip. Go over any specialized vocabulary, brief him thoroughly in advance of negotiations, and provide him with as much written material as possible. You should also give him time to become familiar with your style, humor and body language, so that he can accurately convey your message.

2. Don't Exhaust Your Interpreter

During a meeting or negotiating session, stop every couple of sentences to allow for interpretation, and try to limit each sentence to one main point. Don't begin another sentence before the interpreter has finished translating the previous one.

Interpreters need to rest at least every two hours. If negotiations will continue for more than a day, you may need two interpreters. Using an inter-

preter can stretch a meeting to three times its normal length, so be patient.

3. Address Your Italian Counterpart

When using an interpreter, look toward the head of the Italian team, not at the interpreter. Italians value personal communication and may understand more English than they let on. Speak slowly and clearly, avoiding idiomatics and slang. Realize that there will be semantic and syntactic differences, and try to compensate.

4. Review What's Been Said and Anticipate What's Coming

After a meeting or during breaks, review with your interpreter the main points that both sides have made. Ask your interpreter what he observed or noticed about the other side's position or behavior. Try to get a feel for the direction in which negotiations are headed, and anticipate what will need to be said later on. This will help your interpreter to present your case to the Italians in the most favorable way possible.

5. Emphasize Important Points As They Arise

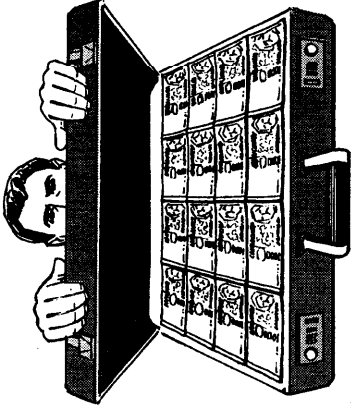
Abstract and complicated discussion is seldom directly translatable. An experienced and qualified interpreter tailors his translations to reflect your style, level of formality, tone and intended meaning.

You can help ensure that important points get across by repeating or emphasizing them and by making certain that your verbal and non-verbal (body language) messages are consistent with each other.

Contracts, Italian-style

Reaching a mutually beneficial agreement (a "win-win" situation) is important to Italians, and contracts are binding. However, they're not interested in spelling out all contingencies — remember,

Italians don't like too many rules. They can also be selective about the importance of specific terms and may consider others open to interpretation. It's important to reinforce contracts verbally, emphasizing the key elements of your agreement and underscoring your expectations. As previously noted, Italians value their personal relationships with business partners and associates and will dedicate themselves to those more so than to any written contracts that exist between them.



13 Business Outside the Law

Black Work

An estimated one quarter to one third of Italy's economic activities are carried out "off the record." This hidden economy, known as *lavoro nero* (literally, black work), parallels many types of legitimate businesses and is responsible for the fact that, while the country is reportedly falling apart, some of its citizens are among the most affluent in Europe. It's not unusual for an Italian to hold two jobs — one official, the other underground.

The beautiful leather coat you purchased at such a fabulous price in Florence's open-air market, or the rare coins for your collection, might well be Black Market items. Some enterprising Italians excel in marketing counterfeit and stolen works of art. Many citizens consider the labor and social security regulations untenable, and the Value Added Tax (VAT) can reach as high as 19 percent. So rampant is tax evasion that the government established the Guardia di Finanza (Financial Police), who roam the country in grey jeeps randomly searching cars and trucks for unreported goods.

Mafia

The family is the structural paradigm for the Mafia or *cosa nostra* (literally, "our thing"). Formed in Sicily many centuries ago as an underground organization to protect villagers from the corruption of invading Arabs and Normans, it grew to international proportions in the form of powerful, often rival, families. Over the years, the Mafia became corrupt; extortion rings, sex and drugs became means to power and money and have been ever since. (Sicily's location makes it a natural focal point for drug distribution between Europe, Africa and the Middle East.) Today, Mafia involvement often means manipulating votes and laws or granting huge contracts (such as those for highways and roads) in return for favors. (In Calabria, the Mafia's known as '*ndrangheta*, meaning to surprise or grab someone from behind.) The Mafia is also to blame, at least partially, for the continuing disparity between Italy's rich north and poor south, as it keeps legitimate business and investment away from the large regions of Sicily, Campania and Apulia.

The "Clean Hands" Revolution

The *tangentopoli* (a.k.a. Bribesville investigation) began in early 1992 as an effort to eliminate the Mafia's power and influence once and for all. Within eighteen months, the courts had charged 447 members of parliament (over half the total number) with bribery. High-level businesspersons and members of the ruling class were also exposed. Two former prime ministers are currently behind bars, one for Mafia collusion and arranging the murder of an inquisitive journalist, the other for various corruption charges. A third, convicted for accepting bribes, is hiding from the authorities in Tunisia. Such *tangentopoli* successes have resulted in the retaliatory

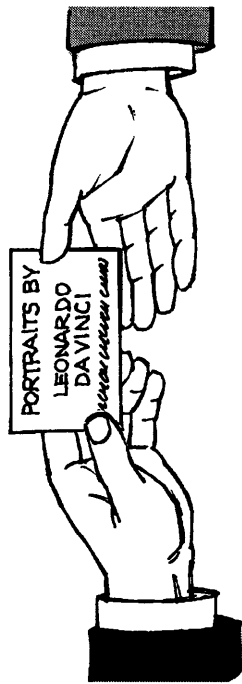
murders of law enforcers. The 1993 car bombing of two important Italian judges — with enough dynamite to blow up a village — is an example of the Mafia's trademark use of symbolic gesture.

Eliminating an organization so intrinsically linked to Italy's culture will be a long and difficult task — especially since breaking *omertà*, the code of silence, is the worst thing a Mafia member can do. Italians are quite used to living with the problem. In a recent reply to criticism of his small town, the mayor of mob-ridden Aversa proclaimed, "We have very high-quality criminality." Still, hope exists that the younger generation will ultimately succeed in diluting the Mafia's strength, and that the organization itself will invest its substantial energy and talents for efficiency and effectiveness into legitimate business.

The Red Light Debate

In 1958, when Italy abolished its state-controlled brothels, there were 200 official "houses" and approximately 4,000 registered prostitutes, most of them native-born Italians. Today, the number of "ladies of the night" is estimated to be at least 45,000, with the large majority being from Albania and Nigeria. And as most of them solicit business in daylight — on streetcorners, park benches, railway stations and commuter trains — they've become the subject of heated debates.

Attempts at reinstituting legalization are being fought by both the Catholic Church and the political left. As in all things, Italians tend to take a regional approach to the problem. Lombardy has voted to reopen the brothels. Brescia's mayor has implied that the sex trade should be legal, but kept behind closed doors. Rimini has set up a *parco d'amore*, an official red-light zone to accommodate them.



14

Names & Greetings

Family names, like everything else in Italy, vary by region. For example, Montovani and Ferrari are common last names in Emilia-Romagna. Two of the most common surnames in all of Italy are Rossi and Bianco, Paolo Rossi being the equivalent to John Doe in the United States. Fellini is uncommon, and most Italians with that surname are from the same village and are related to the famous director. If an Italian carries a last name derived from the name of a town such as Modena or Ancona (towns most likely named after Jewish families who settled there), he or she is probably Jewish.

When Italian women marry, they adopt their husband's family name and no longer use their own. In general, Italians don't have middle names.

Common Italian Titles

Always address an Italian by his or her title and surname. If someone has an aristocratic title, use it, at least at first; it's best to err on the side of formality. The most common title is *dottore*, widely used by all levels of university graduates with

degrees in medicine, engineering, finance, law, etc. Other common graduate titles include *Ing.* (Engineer), *Avv.* (lawyer), and *Arch.* (architect). *Cap.* (*Capitane*, literally "knight") and *Comm.* (*Comendatore*, or "commander of the order") are public-service honors. *Professore* is reserved for middle school teachers and up; *maestro* for elementary school teachers and musicians, although orchestra members are called *professore d'orchestra*.

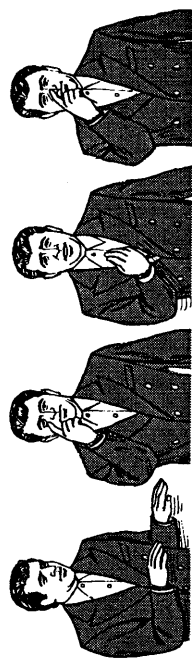
If you don't know a person's title, address them as *Signore* (Mister or Sir), *Signora* (Mrs. or Madam,) or *Signorina* (Miss), if the woman is not married or a young lady. Women in business are usually addressed as *Signora*, regardless of their marital status.

Greetings and Protocol

Men shake hands when meeting or departing, even if the encounter is brief. The handshake may include grasping the arm with the other hand. Male friends may embrace and slap each other on the back. However, in both business and social situations, they tend to be conservative and stand on ceremony — asking *permesso* even upon entering the home of an old friend or every time they light a cigarette.

Men meeting women shake hands on occasion, but more often they kiss the woman's hand. Women either shake hands or kiss the cheek of a man in greeting; it's best for a man to take the woman's cue. When exchanging business cards, be polite; be sure to read the card before tucking it into your briefcase or jacket pocket.

Don't address someone using the personal pronoun *tu* (you) unless you know them well. The less familiar pronoun *lei* is considered appropriate in all situations.



Go Slow.

Smart.

What do you really want?

Friendly Warning.



Communication Styles

Italians like physical contact. They'll grab your arm, tap your shoulder or pat you on the back during conversation. Male friends often hug each other, and it's not unusual to see a businessman conversing while holding his counterpart's elbow — a gesture meant to underline the confidentiality of the discussion. During encounters, Italians will stand close to you (even if the two of you are standing alone in a football field) and look you in the eye.

Guidelines

- **Remember your host's status and social standing**
Your body language should reflect respect for your host, client or business associate and your position as guest. Laughing and a general loosening up should be reserved for social occasions only.
- **Remember that Italians are proud**
Italians generally stand tall, dress well and project an air of pride and confidence, and they feel comfortable when their guests do the same. It's considered poor taste to remove your shoes in public, such as when visiting someone's home.

- **Listen and watch carefully**

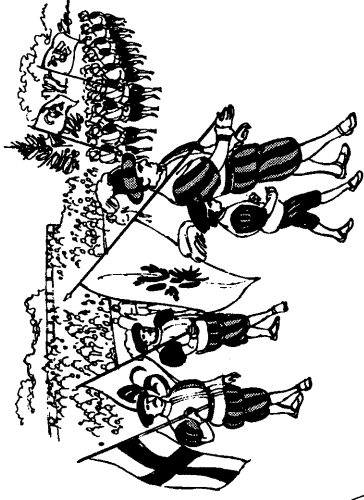
Italians like to monopolize conversations. They love to argue and often interrupt. *Apri la bocca per rinfrescare i denti*, they say, both of others and of themselves. *He's so full of hot air that he has to open his mouth to cool off his teeth*. In business situations, it's best to let them have their moment in the spotlight before making your remarks. Use this silent time to study mannerisms, observe nuances, and make sure that what you *think* is being said is really what's intended. *Ha più lingue della Pentecoste: He has more tongues than Pentecost* (there were twelve flames, one for each Apostle).

- **Don't use your hands**

Unless you know the meaning of Italian hand gestures, it's best to avoid using your hands when speaking. You may inadvertently communicate something you didn't intend.

- **Be prepared for emotional outbursts**

In stressful situations, Italians can become emotional. Their gestures may become broader and more dramatic and their voices louder. If a negotiation isn't going their way, they may not hesitate to express their great disappointment. Even if it appears that the other side is being offensive, it's essential to maintain a calm demeanor. *La minestra della vendetta va mangiata fredda: Vengeance is a soup best eaten cold*.



16

Customs

Feast Days & Festivals

Every Italian city, village and town celebrates its own saint's day, or feast day — St. Peter for Rome, St. Gennaro for Naples. Special days are also dedicated to local and prominent luminaries, including politicians, saints, artists and poets. On these occasions, Italians gather in the *piazzas* and streets for exuberant food and wine celebrations that can last all afternoon and into the evening. Don't expect to conduct any business. The days preceding Ash Wednesday, the onset of Lent, are devoted to Carnival (most lavishly celebrated in Venice), which culminates on *Martedì Grasso*.

Regions, cities and villages also hold annual cultural celebrations. These include the Venice Film Festival, the Festival at Spoleto (which showcases avant-garde theater productions and music) and the Venice Biennale (held every two years), an important art exhibition featuring the work of internationally acclaimed contemporary artists.

Christmas

St. Francis of Assisi (1182-1226) began the tradi-