Case study: Pastas Capri  
Venezuela  
September 2008  

Aramis Rodriguez (aramis.rodriguez@iesa.edu.ve)  
Rebeca Vidal (rebeca.vidal@iesa.edu.ve)  
IESA - Instituto de Estudios Superiores de Administración  

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1. Executive summary

Pastas Capri, a pasta producer and distributor, was established in 1953 by the Di Maio brothers. Two years later, in 1955, the company was acquired by Andrés Blas Olivo, his brother Pascual Olivo and a brother-in-law, Emilio Nobile, whose descendants have led the firm for over half a century.

Pastas Capri has focused exclusively on making pasta, undertaking its own milling and other upstream processes to reduce dependence on third parties and improve its competitive position in Venezuela’s pasta industry.

In 2008 the firm was led by Simón Nobile, son of Emilio Nobile. Shares were owned by 36 individuals and two business groups. Of the 36 individual shareholders, 31 were related directly or by marriage to the Olivo-Nobile family and the rest were unrelated. 85.7 percent of the shares were held by the Nobile-Olivo family and descendants.

The company welcomed managers not related to the family. In 2008, only three family members worked in the firm: Simón Nobile, Héctor Olivo and José Alejandro Olivo.

The entrepreneurial performance of Pastas Capri may be expressed as follows:

- Product innovation: from the start, considerable effort was made in terms of quality and variety, always focused on pasta exclusively for the Venezuelan market.
- Vertical integration: a new plant was opened in a second city (Barquisimeto) and a flour mill installed to ensure supply of raw material. Additionally, a packaging and stamping business was acquired to attend to growing market needs and pack their own goods. These moves enabled Pastas Capri to perform more efficiently and overcome social, economic, and political changes that periodically impacted Venezuela’s business context and affected supply of raw material.
- Organizational renovation: Despite difficulties in formally structuring a family council, an important step was to professionalize the organization. Both the Board of Directors and management were modified to fulfill targeted goals.

In examining the outcome of factors associated with entrepreneurial action and family resources on the company’s transgenerational potential, it was found that the most developed aspects were a proactive approach in growing the pasta business, a local and international network assembled by company leaders in the pasta industry, and knowledge acquired over half a century of success in the pasta business.

On the other hand, factors that least contributed to transgenerational potential and offered room for improvement were decision-making, autonomy, and governance. These three issues are interrelated because the large number of shareholders has slowed the process of reaching accords and provided company leadership with limited autonomy and capacity for decision-making.

1. Introduction and general information
Pastas Capri was launched early in the 1950s by Pascual and Andrés Olivo, together with their brother-in-law Emilio Nobile. From the start until this writing, in 2008, the firm was run by these families.

The company has remained in the pasta business, developing its own milling processes, thus reducing dependence on third parties and improving its competitive position vis-à-vis Venezuelan pasta firms. Product lines represent a mix of high technology and tradition. Limited output machinery in use for over 40 years continue in operation alongside new equipment with a capacity exceeding 3,000 kg. per hour. Older machines in good condition enable Capri to produce low volume pasta specialties, granting the firm flexibility and versatility to meet demand for a wide variety of products by Venezuelan consumers.

a. Company profile

Table 1 summarizes key aspects that distinguish Pastas Capri.

<table>
<thead>
<tr>
<th>Name</th>
<th>Pastas Capri</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size (No. of employees)</td>
<td>400</td>
</tr>
<tr>
<td>Sector (industry)</td>
<td>Foodstuffs - noodles</td>
</tr>
<tr>
<td>Main products</td>
<td>• Long pasta: spagetti, vermicelli, linguini, noodles and bucatini</td>
</tr>
<tr>
<td></td>
<td>• Short pasta: screws, feathers, shells, elbows, thimbles, macaroni</td>
</tr>
<tr>
<td></td>
<td>• Special pasta: lasagna, canelone, pastina, whole wheat, tricolor &amp; premium</td>
</tr>
<tr>
<td></td>
<td>• Nests</td>
</tr>
<tr>
<td>Time in business</td>
<td>55 years</td>
</tr>
</tbody>
</table>

Table 1: Pastas Capri company profile

b. Organization chart

Pastas Capri in 2008 featured a number of organizational units that reported to the president, Simón Nobile, a family member belonging to the second generation. Two units comprised operations at plant locations. The remaining units attended to administrative and support as shown in Figure 1.


c. Family profile
The Olivo-Nobile family spans four generations as of the time Pastas Capri was established. Until 2008 family member participation in business ownership spanned three generations. Figure 2 shows the family's genealogical tree, noting those who own company shares.

Figure 3 shows the Board of Directors and notes whether or not they are family members.
Figure 2. Olivo-Nobile family tree.
d. Company ownership structure

In 2008, Pastas Capri shares were in the hands of 36 individuals and two business groups. Of the individuals, 31 were family members (direct or by marriage) and the remainder were from outside the family. As shown in Figure 4 shareholder concentration among Olivo-Nobile family members reached 93.9 percent.
Individual shareholders with large holdings included Simón Nobile, president, with 10.6 percent of shares, Rosa de Yamin, with 8.6 percent, and Nobile Investments, 8.3 percent.

c. Profile of those interviewed

<table>
<thead>
<tr>
<th>Position</th>
<th>Shareholder</th>
<th>Board member</th>
<th>Interviewer(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simón Nobile</td>
<td>President</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Ítalo Olivo</td>
<td>Family Director</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>José Alejandro Olivo</td>
<td>Accounts receivable</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Argelia de Olivo</td>
<td>Family Council</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Jorge Menendez</td>
<td>External Director</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 2: Profile of those interviewed

2. Industry and market

a. Production and world demand

In 2005, annual world pasta output was about 11.4 million tons.\(^1\) Of this amount 3,22 mT were produced in Italy, 2.0 mT in the US and 1.0 in Brazil. Venezuela annually produced 0,335 mT, ranking this country as the 7th world pasta producer (see Table 3.)

\(^{1}\)International Pasta Organitation

In terms of demand, the three countries showing largest pasta consumption were Italy, Venezuela and Tunisia. In Italy annual per capita consumption was about 28 Kg per capita, in Venezuela about 13, and in Tunisia 11. (See Table 4).

Producing countries thousand tons Italy US Brazil Russia Egypt Turkey Venezuela Argentina Mexico Germany France Peru Spain Canada Poland Greece Japan Chile Colombia Tunisia India Portugal Hungary Dominican Rep. Romania Czech Rep. Switzerland Bolivia Guatemala Austria UK Ecuador Slovakia Sweden Jordan Costa Rica El Salvador Syria Lithuania Panama Latvia Estonia

<table>
<thead>
<tr>
<th>País(es) productores</th>
<th>Toneladas x 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 ITALIA</td>
<td>3.225.000</td>
</tr>
<tr>
<td>2 USA</td>
<td>2.000.000</td>
</tr>
<tr>
<td>3 BRAZIL</td>
<td>1.000.000</td>
</tr>
<tr>
<td>4 RUSIA</td>
<td>858.000</td>
</tr>
<tr>
<td>5 EGIPTO</td>
<td>614.000</td>
</tr>
<tr>
<td>6 TURQUIA</td>
<td>400.000</td>
</tr>
<tr>
<td>7 VENEZUELA</td>
<td>335.000</td>
</tr>
<tr>
<td>8 ARGENTINA</td>
<td>291.000</td>
</tr>
<tr>
<td>9 MEXICO</td>
<td>285.000</td>
</tr>
<tr>
<td>10 ALEMANIA</td>
<td>285.000</td>
</tr>
<tr>
<td>11 FRANCIA</td>
<td>239.000</td>
</tr>
<tr>
<td>12 PERU</td>
<td>230.000</td>
</tr>
<tr>
<td>13 ESPAÑA</td>
<td>227.000</td>
</tr>
<tr>
<td>14 CANADA</td>
<td>170.000</td>
</tr>
<tr>
<td>15 POLONIA</td>
<td>150.000</td>
</tr>
<tr>
<td>16 GRECIA</td>
<td>145.000</td>
</tr>
<tr>
<td>17 JAPON</td>
<td>144.000</td>
</tr>
<tr>
<td>18 CHILE</td>
<td>139.000</td>
</tr>
<tr>
<td>19 COLOMBIA</td>
<td>130.000</td>
</tr>
<tr>
<td>20 TÚNEZ</td>
<td>110.000</td>
</tr>
<tr>
<td>21 INDIA</td>
<td>100.000</td>
</tr>
<tr>
<td>22 PORTUGAL</td>
<td>71.000</td>
</tr>
<tr>
<td>23 HUNGRIA</td>
<td>70.000</td>
</tr>
<tr>
<td>24 REP. DOMINICANA</td>
<td>65.000</td>
</tr>
<tr>
<td>25 RUMANIA</td>
<td>52.000</td>
</tr>
<tr>
<td>26 REP. CHECA</td>
<td>48.000</td>
</tr>
<tr>
<td>27 SUIZA</td>
<td>47.000</td>
</tr>
<tr>
<td>28 BOLIVIA</td>
<td>43.000</td>
</tr>
<tr>
<td>29 GUATEMALA</td>
<td>38.000</td>
</tr>
<tr>
<td>30 AUSTRIA</td>
<td>37.000</td>
</tr>
<tr>
<td>31 GRAN BRETAÑA</td>
<td>35.000</td>
</tr>
<tr>
<td>32 ECUADOR</td>
<td>32.000</td>
</tr>
<tr>
<td>33 REP. ESLOVACA</td>
<td>22.000</td>
</tr>
<tr>
<td>34 SUECIA</td>
<td>20.000</td>
</tr>
<tr>
<td>35 JORDANIA</td>
<td>20.000</td>
</tr>
<tr>
<td>36 COSTA RICA</td>
<td>20.000</td>
</tr>
<tr>
<td>37 EL SALVADOR</td>
<td>13.000</td>
</tr>
<tr>
<td>38 SIRIA</td>
<td>9.000</td>
</tr>
<tr>
<td>39 LITUANIA</td>
<td>5.000</td>
</tr>
<tr>
<td>40 PANAMÁ</td>
<td>4.000</td>
</tr>
<tr>
<td>41 LATVIA</td>
<td>1.800</td>
</tr>
<tr>
<td>42 ESTONIA</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Table 3: World pasta output in 2005
Source: International Pasta Organisation
Country Consumption (Annual Kg. per capita)

<table>
<thead>
<tr>
<th>País</th>
<th>Consumo (Kg per cápita)/Año</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 ITALIA</td>
<td>28,0</td>
</tr>
<tr>
<td>2 VENEZUELA</td>
<td>13,0</td>
</tr>
<tr>
<td>3 TÚNEZ</td>
<td>11,7</td>
</tr>
<tr>
<td>4 GRECIA</td>
<td>10,0</td>
</tr>
<tr>
<td>5 SUIZA</td>
<td>9,4</td>
</tr>
<tr>
<td>6 SUECIA</td>
<td>9,0</td>
</tr>
<tr>
<td>7 EEUU</td>
<td>9,0</td>
</tr>
<tr>
<td>8 PERÚ</td>
<td>8,5</td>
</tr>
<tr>
<td>9 CHILE</td>
<td>8,1</td>
</tr>
<tr>
<td>10 FRANCIA</td>
<td>7,5</td>
</tr>
<tr>
<td>11 ARGENTINA</td>
<td>7,2</td>
</tr>
<tr>
<td>12 ALEMANIA</td>
<td>7,1</td>
</tr>
<tr>
<td>13 HUNGRIA</td>
<td>7,0</td>
</tr>
<tr>
<td>14 PORTUGAL</td>
<td>6,7</td>
</tr>
<tr>
<td>15 REP. CHECA</td>
<td>6,5</td>
</tr>
<tr>
<td>16 CANADÁ</td>
<td>6,5</td>
</tr>
<tr>
<td>17 RUSIA</td>
<td>6,0</td>
</tr>
<tr>
<td>18 TURQUÍA</td>
<td>5,8</td>
</tr>
<tr>
<td>19 BRASIL</td>
<td>5,7</td>
</tr>
<tr>
<td>20 AUSTRIA</td>
<td>5,6</td>
</tr>
</tbody>
</table>

**Table 4: World demand for pasta – first 20 consuming countries in 2005**  
*Source: International Pasta Organisation*

At the start of 2004, the leading Latin American pasta exporters included Mexico, Argentina, Peru, and Chile, in that order.

The European Union by itself represented more than 50 percent of total imports. Leading importers were France, 15 percent; Germany, 15 percent; UK, 11 percent; Japan, 8 percent; Canada, 5 percent; and China, 4 percent.

b. Venezuela’s pasta market
Venezuelan pasta demand rose sharply following Italian immigration following the Second World War. Over the years pasta became a favorite foodstuff, after rice and traditional cornmeal bread (arepas).

Pasta consumption grew rapidly from the mid-fifties until 2007. By early 2008 it appeared the Venezuelan pasta market had matured, and specialists agreed it was unlikely consumption would decline. Rice remained the leading local foodstuff, favored by 66.8 percent of consumers, followed by arepas (61.1 percent) and pasta (51.2 percent).  

A factor that influenced the growth of pasta consumption early in the new century, in addition to the Italian influence, was its low price under government regulations. Pasta prices in Venezuela were lower than world levels, thus providing an incentive for consumers to acquire a wheat-based product in order to offset the country’s high rate of inflation.

Until the end of the 20th century Venezuelan pasta output was largely artisanal. Automated output gradually replaced previous methods, allowing for production levels to rise from 400 to 1,000 kg. per hour, to more than 3,000 kg. per hour under the newest high-temperature drying equipment.

Increased automation raised the scale of operations, lowered costs and reduced the number of firms competing for the market, for the high level of investment required a correspondingly higher sales volume. According to those interviewed, on the average each line of production and packaging required investment exceeding USD 10 million, a level small producers could not afford; moreover, the size of Venezuela’s market could only accommodate a small number of high capacity firms. Investing in new technology entailed considerable risk, insofar as the equipment could only be employed to produce pasta.

Wheat, a commodity available to large industrial buyers, was the chief input required to produce pasta. US and Canada, the main suppliers, imposed strict contract conditions on buyers. Access to prime quality wheat offered a competitive advantage to pasta producers.

Wheat also accounted for the highest cost component. Depending on the mix employed, overall cost and consumer price could vary significantly. Leading producers offered several brands varying in quality depending on the market segment targeted.

Large pasta producers milled wheat to yield semolina (durum) flour. Mills also required high investment and were thus limited to companies with significant market share. Small producers purchased seolina from local competitors.

Leading pasta producers located their plants at locations close to the country’s major ports in order to facilitate import logistics. Pastas Capri located its Barquisimeto plant at a distance of 300 kilometers from Puerto Cabello, planning to use rail transport once construction is completed.

Once the wheat was on hand at the plants, it was graded, cleaned and milled to extract semolina. The quality of the final product depended largely on the quality of the wheat. Consumers could seldom tell the difference between brands featuring similar durum content. The process employed to produce, package, and market pasta is shown in Figure 5.

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2 “Venezuelan socio-economic profile”, Datanálisis, October 2005
Some pasta producers operated storage centers at different locations across the country before dispatching shipments to retailers. Others dispatched by means of small distributors who purchased the product at the plant and were assigned a territory to deal with small retail outlets.

Less integrated producers depended on wholesalers that handled much of the distribution and owned storage facilities in several cities, from which local retailers were served.

Large chain retailers, including the Makro and Éxito hypermarkets, were served directly by leading pasta producers.

Other channels emerged in recent years, especially government-subsidized Mercal. Leading local pasta brands were carried together with low-priced products sold at prices up to 37 percent less than ordinary channels.

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3 Mercal was a government-subsidized chain of small supermarkets carrying consumer staples, established in April 2003, catering to low-income consumers.
Mercal was supplied by the state-owned Agricultural Supply and Services Corporation (CASA), the largest pasta industry buyer in terms of volume; it was also the chief competitor of leading chains that sold products at levels 15-20 percent higher than CASA subsidized prices. The use of public subsidies for both CASA and Mercal distorted retail prices for pasta.

In the first quarter of 2008, 40 percent of the 30 million Kg. of pasta produced in Venezuela was distributed by Mercal.

Certain small retail outlets organized associations to pool food purchases and qualify for higher discounts, generally based on nationality – such as Chinese.

The channel of distribution mix was determined by each producer depending on economic capacity, needs, tradition, and strategy. Options were wide enough to allow producers considerable room to deploy the most efficient mix in terms of negotiating market coverage.

Pasta industry leaders that produced other foodstuffs such as rice, cooking oil, and salt negotiated the distribution of their products together. Companies that could do so spread distribution costs across brands spanning several products. Transnational companies such as Cargill, together with large local producers such as Capri, Sindoni, and Allegri, featured different characteristics in terms of tradition, structures, methods, and competitive practices, but most considered that both product quality and advertising expenditures were key market factors.

The Venezuelan Association of Pasta Manufacturers (Avepastas) grouped most producers. Members included Allegri, America, Cairoli, Cirigliano (Molinos Oriental), Comisana, Eduardo, La Sirena, La Parmigiana, Milani-Mimesa-Ronco-Fiorentina (Cargill), Primor (Promesa-Polar) and Sindoni (See Figure 6).

Competition in Venezuela’s pasta industry had always been centered on prices, product quality and service. Multinational companies employed the “traveling salesman” approach, whereby salesmen called on customers, taking orders for goods to be shipped subsequently. Local companies such as Capri handed over the product once it was sold.

Figure 6: Market shares for Venezuelan pasta, 2000
Source: Avepastas

4 El Nacional, 25 January 2006
In the first quarter of 2008, pasta producers focused on cost reduction to improve returns or at least avoid imminent losses triggered by regulations. 70 percent of the pasta market was price regulated; the remaining 30 percent – not price regulated – was free to price competition. According to José Alejandro Olivo:

“In light of raw material shortages, competition had come to the point where producers would borrow wheat… instead of competing, producers were subsisting.”

For pasta producers the market centered on the final consumer despite the existence of a small industrial market (restaurants, hotels, etc.). Pasta producers did not offer special packaging for the industrial market, that sometimes featured their own artisanal pasta making.

Consumers were offered three types of packaging: 1 kg., ½ kg. and ¼ kg. The first represented more than 60 percent of the market and ½ kg. about 30 percent. These presentations were dispatched to points of sale in bundles of 6 to 12 units packed in thermally shrunk poliethylene bags, thus avoiding use of higher cost cartons.

In 2007 the following assortment was on the market:

- Long pasta: spaguetti, vermicelli, linguini, noodles and bucatini
- Short pasta: screws, feathers, shells, elbows, thimbles and macaroni
- Specialty pasta: lasagna, caneloni, pastina, whole wheat, tricolor and premium.

These pasta products were available in both local and imported brands. Long and short pasta were subject to government price controls. Specialty formats were free of regulation with prices set by market forces.

Figure 7. Pasta consumption by type of format

Source: Avepastas, 2000

Figure 7 shows Venezuela’s average pasta consumption by type of format for early 2000. Long pasta was the leading product, followed by short pasta and specialty formats. Yet format demand
across the country was not altogether uniform. Geographical differences applied to both format and mode of preparation. In the plains, short pasta was preferred; and in eastern Venezuela, long pasta.

Consumer preferences were also related to purchasing power, both in terms of mode of preparation and accompaniments as well as brand selected. Studies of consumer preferences based on social class showed that socioeconomic strata C and D would serve pasta with proteins, such as meat, chicken or eggs. The lowest stratum (E) consumed pasta as a main dish served with margarine and cheese, or margarine and eggs.

It was estimated that about one-half the market was comprised of consumers generally not brand loyal but highly sensitive to price, whereas only 15 percent of consumers were loyal to a particular brand and showed little price sensitivity. The remainder showed intermittent buying habits in favor of one or another choice.

On the average, pasta was consumed about twice a week, with purchases made every 10 days. \(^5\) Ease of preparation, low price and nutrition features explained use of pasta as a main dish in 78 percent of the occasions it was consumed. The remainder employed pasta as an accompaniment in 21 percent of occasions and 1 percent in soup. \(^6\)

An important pasta attribute that stimulated pasta consumption in Venezuela was yield: 1kg. of pasta used as a main dish could yield as many as eight portions (125 grams per person). When combined with other foods, consumption reached 80 grams per person.

Pasta tradition in Venezuela made for demanding and knowledgable consumers who showed patterns or criteria in favor of one or another brand. Taste, looseness, color, cooking time, texture and even packaging were attributes receiving attention when buying pasta. Other determining buying factors were sales promotions at the time of purchase, formats offered, versatility of use, and price-value perceptions held by consumers.

In terms of appearance, consumers had developed a code to assess quality: yellow was considered good quality and grey, poor quality.

Pasta substitutes were determined according to how the consumer would use the product. Rice and corn, or derived products, were the chief alternatives. Yet pasta attributes were such that consumption was unlikely to be affected by substitutes, making it possible for several competitors with diverse features to share the pasta market.

### 3. Business context

Venezuela’s pasta industry experienced a change in business context derived from political, economic and regulatory forces. At the end of the 1980s, most pasta producers had to become vertically integrated upstream; they were forced to acquire their own wheat mills to ensure supply of raw material given the country’s economic, social and political conflict. Some producers withdrew from the market, and certain mills launched downstream operations to produce pasta.

According to Simón Nobile:

“In the past, we – the producers – purchased durum from mills that imported wheat. I remember that from 1984-1986 there was exchange control and import licensing, which rendered import logistics increasingly complex; the situation left us with no supply and hence no output.”

José Alejandro Olivo added:

\(^5\) Avepastas 2000
“When you lack your own mill you depend on a competitor, as several competitors had mills... had their been a downturn in supply and a raw material crisis, our competitors would have used the wheat for their own output and not sell us.”

Toward the end of the 20th century and the first decade of the 21st, the changes in business context that most affected Venezuela's pasta industry were those related to the economy and regulatory framework, resulting from the government's political decisions, together with international developments highlighted by sharp variations in the price of wheat.

A two-month civic strike that took place at the close of 2002 paralyzed most Venezuelan industry and unleashed political uncertainty, leading to economic distortions and capital flight. The government limited foreign exchange transactions and applied strict regulations, introducing price controls on foodstuffs and other goods considered basic needs.

From then on the price of pasta manufactured with wheat durum was set at 2,750 bolivars (BsF 2.75) per kilogram, 1,710 bolivars for 500 grams and 950 bolivars for 250 grams. International comparisons showed the consumer price for pasta in Venezuela was USD 1.28 per kg., whereas for similar products in Panama, Brazil, Colombia, Ecuador, Trinidad and US prices ranged from USD 3.5 to 4.5 per kg.

Beginning 2004 world wheat prices soared. The CIF price at Venezuelan ports rose from USD 233 per ton to USD 810 at the end of 2007. Soaring wheat prices, together with Venezuela's retail price controls, impacted pasta manufacturers, lowered returns, and rendered difficult the replacement of raw material.

Simón Nobile recalled that years ago, “wheat in Venezuela was imported chiefly from the US and Canada. When wheat prices rose, the government lowered the duty on wheat imports to guarantee supply for the Venezuelan market. But if wheat prices declined, the government charged wheat importers a higher duty to protect local production of other cereals such as corn, rice and sorghum.”

During the Chávez administration the subsidy for privately-owned producers was not the chief instrument to ensure pasta supply in the local market. To mitigate the impact of higher world wheat prices, the Ministry of Light Industry and Trade (MILCO) issued a “Plan to add locally produced cereals to pasta and bread” in order to force pasta producers to add rice and corn in pasta manufacturing. This plan was aimed at curbing use of imported wheat and force a change in local consumption habits by substituting wheat with rice and corn flour.

Article 9 of the decree, issued on 26 October 2007, required companies to undertake measures to manufacture pasta with cereals other than wheat, such as corn and rice, together with pasta made from wheat semolina and other locally produced cereals. Moreover, it ordered that locally produced cereal content in the manufacture of spaghetti and other types of pasta should be above 30 percent, adding that bread makers should also substitute wheat for local cereals.

Simón Nobile declared: “The government's decision affected free enterprise, for it imposed on companies how they had to manufacture and market their products. It was not a step forward but a limitation.”

The government's measures not only included the mix of rice and corn flour; it also fixed the kind of wheat to employ. Durum would now have to be mixed with wheat employed in bread making. Durum had traditionally been required for pasta making because of the consistency and quality of gluten, whereas ordinary wheat was best for bread. The government decision implied that 70 percent of output should be based on a mix of flours, and only 30 percent of pasta output made with durum – a premium product that for many was not only an imposition on producers but also on consumers, for Venezuelan consumers had traditionally preferred durum.
Prices regulated by the government failed to cover the real cost structure for pasta produced under the prescribed flour mix: a difference of over 4 bolivars (USD 1.86), about 300 percent above the retail price; and profit obtainable from marketing the unregulated premium pasta by no means covered overall operating costs. Moreover, technological adaptations required to allow available equipment to process corn or rice entailed additional investment.

Retail price controls and foreign exchange limitations were not the only issues threatening pasta producers; other government measures affected daily distribution and operations.

On January 28, 2008 an “anti-hoarding” bill was passed, known as the Special Law of Popular Defense Against Hoarding, Speculation, Boycott, and Any Other Behavior Affecting the Consumption of Foodstuffs or Products Subject to Price Controls. This law affected all suppliers regardless of their location or juridical character in the supply chain (manufacturer, importer, assembler, transporter, distributor or trader) and applied only to foodstuffs or goods considered basic necessities or subject to retail price controls.

The law established that so-called “Social Comptrollership Supply Committees” would participate in the inspection of privately-owned firms without exercising administrative functions. However, the scope, competences and authority of these committees was unclear, triggering considerable uncertainty among food producers and halting in several cases the operations and distribution of foodstuffs. Public officials charged with enforcing the law interpreted its provisions discretionally, leading to delays in sanctions, contradictions in application and numerous visits to retail outlets by supervisory authorities.

4. Family participation

As noted earlier, the Olivo-Nobile family controlled 85.7 percent of company shares and Simón Nobile was president and Board member. Yet the firm was open to non-family managers and only two family members held management positions: Simón Nobile and third generation member José Alejandro Olivo, in Accounts Receivable. Similarly, external shareholders had been brought in as minority owners.

5. Stages of firm and family

Pastas Capri was founded in 1953 by the Di Maio brothers, and two years later acquired by Andrés Blas Olivo, his brother Pascual Olivo and brother-in-law Emilio Nobile.

Blas Olivo, father of the Olivo brothers, migrated from Italy to Venezuela in 1895 and hailed from Brefaro, in Potenza. He soon opened a restaurant in the La Candelaria sector of downtown Caracas. A first son, Juan Pascal, was born in 1901; but the family returned to Italy as Blas’ wife fell ill. In 1909 was born a second son, Andrés Blas, followed by daughters Francisca, Antonieta and María. Years later, in 1926, the family returned to Venezuela in search of fortune. In 1936, Blas’ sons Andrés Blas and Juan Pascual opened a bar at the corner of Ferrenquin, in La Candelaria.

Emilio Nobile was also a native of Brefaro; he had emigrated with his father to Brazil and worked as a peddler repairing copper pans before returning to Italy where he met María Olivo, whom he married. María’s brothers, Andrés and Pascual, invited their sister and brother-in-law to come to Venezuela.

Emilio partnered with his brothers-in-law and established a kind of liquor shop in downtown Caracas, where some foods were also sold. The business was relatively prosperous. In the late 1940s the partners acquired a small pasta factory, La Libertad, subsequently destroyed by fire.
Undeterred by losses, the partners launched a wholesale food and liquor business in San Martín, a growing area of Caracas.

By the mid-fifties Venezuela was undergoing sweeping change. The wholesale food and liquor business loomed modest alongside growing industrialization. Referring to his father and uncles, Italo Olivo recalled:

“They didn’t just want to buy and sell things; they wanted to manufacture something, to produce.”

Building on their previous experience, they sought out the Di Maio family, who a year earlier had opened a small factory in San Martin, known as Capri. In 1955 the business changed hands. Only two presses were on hand – one for long pasta and one for short pasta – each with a capacity of 250 kg. per hour.

For some years Capri produced pasta with semi-artisanal methods, and in the mid-sixties the business was expanded by installing the first continuous production lines. Italo Olivo noted:

“All three contributed capital. My father, Andrés Blas, sold an apartment he had in Naples to bring funds to Venezuela and invest in the business.”

Functions were assigned to each of the three partners on the basis of skills: Pascal took on administration, whereas Andrés Blas and Emilio worked on production. Sales was not expressly assigned to any of the partners.

None of the partners had experience in pasta making – at the time considered an art – but each was determined to produce pasta of the best quality. Soon they had the vision to name as partner a master pasta-maker, Michelle Colabella, fondly called Miguelino, who worked for the company. Also brought in as partner was Donato Paladino, who had owned a pasta factory in Italy and who they knew as a customer. Not only did the new partners help with production; one was actually a pasta salesman at Caracas’ large outdoor retail market, Quinta Crespo.

In 1968, Emilio’s son Simón Nobile joined the firm temporarily to help out his father and uncles. Simón was a Mechanical Engineer and had recently left Shell Oil, where he worked in sales. Simón recalls:

“They called me in to give them a hand and I stayed 43 years. We didn’t even have an office. When the accountant came to the firm we put a board over an oil barrel to lay out the papers.”

Early in the 1970s Alfredo, son of Andrés Blas, joined the company. He had worked for the state-owned Guayana Development Corporation in eastern Venezuela following graduate study at the University of Michigan. His brother Héctor Olivo and a daughter of Pascual, Teresa Olivo, also joined the firm.

By this time four descendants of the three original partners worked in the firm. Cousins Simón Nobile and Héctor, Alfredo, and Teresa Olivo each had a specific assignment. Simón in production and operations, Alfredo in sales and marketing, Teresa in administration, and Héctor in storage and shipments. Before the cousins joined the firm, when it was led as a family business by the three original partners, there was little organization. Led by Simón Nobile, activities gradually became more structured, and functions were assigned. He recalls:

“We began implementing automated production, and started a small sideline business also at San Martin to prepare specialty pasta (lasagna, ravioli and others). Use was made of pasta that spilled over from automated output…

“My uncles and my father were concerned over the spillage from automated operations… they in fact objected to automation; each time a salesperson came to offer a new format they would order a
different one and make for problems in automated output. Once the small factory was set up to employ the spillage, they would package the pasta by hand."

Early in the 1970s descendants of the original partners took over leadership of the firm. The presidency was rotated periodically between Simón and Alfredo.

The company grew little by little, and the market responded favorably to the variety and quality of products made. This growth led the cousins, in 1975, to build a new plant in central-western Venezuela, in Barquisimeto, to broaden coverage of a growing market.

Argelia de Olivo coordinated the Family Council in 2008. She noted:

“Simón and Alfredo got on very well, alternating the presidency even when the founders were still watching over the firm... Some time later they decided this didn’t work well – rotating the top job from time to time. Uncle Alfredo then decided to move to Barquisimeto, where the new plant was being planned."

The Barquisimeto plant was opened and managed by Alfredo Olivo, while Simón ran the plant in Caracas. This arrangement put an end to the rotating presidency.

Continued growth, together with imminent expropriation of the area in San Martin where the Caracas plant was located in order to accommodate public works, led the family to search for a new location in or near the capital city. In 1980 a site was chosen at the El Corralito Industrial Park, outside Caracas.

The move to a new location was employed to introduce automated production systems, and put an end to manual methods. Additionally, the company launched a vertical integration process to stamp their own packaging, and some time later to acquire a wheat mill in Barquisimeto and produce their own semolina for pasta making.

The Barquisimeto plant was successfully managed by Alfredo, who retired in the 1980s. Adolfo Izquierdo, who was not a family member but fully trusted from having been involved in operations in Caracas, was named plant manager. Alfredo’s younger brother Italo Olivo, who had been marketing manager for two years, was also assigned to the plant. Italo took the first steps to create a Board of Directors for the company, in order to replace the former Administrative Board. Italo commented:

“The old administrative board featured a family member descended from each of the three founders – my brother Alfredo, Simón and a cousin. There were only three directors. With help from a consultant, we pushed and pushed until it was agreed to name a Board with 6 to 9 members.”

During the 80s and 90s the company expanded its professional staff. Qualified professionals were added to quality control; and those hired for sales and marketing brought experience from other food companies such as Gramoven and Nina Foods.

At this time third generation family members began to join the firm. Of three who joined, only José Alejandro, son of Héctor Olivo, remained. At one point, when professional managers were being recruited, five third generation members were separated from management. From then on it was decided that family members had to undergo a selection process in order to join the firm.

Last, the Board became comprised of several family members and some external directors such as Felipe Lemmo, Arnold Aponte, Juan Antonio Bustillo and, more recently, Jorge Menéndez.

Despite the country’s political and economic setbacks toward the end of the 1980s and 1990s, Pastas Capri continued to develop. Distribution centers were set up in Maracaibo and Valencia, and quality standards established from the start were maintained.
At the end of the 90s, encouraged by Alfredo with the support of Argelia Reyes (José Alejandro Olivo’s wife) attention turned to a Family Council in order to coordinate company and family interests.

Moreover, the experience and prestige attained by the family in Venezuela’s pasta business led both Simón and Andrés Blas to become successive presidents of Avepastas, the national association of pasta manufacturers.

By 2008 Pasta Capri production lines comprised a mix of tradition and high technology. Some machinery had been in use more than 25 years, alongside automated equipment that produced more than 3000 kg. per hour. The old machinery was employed to prepare specialty pasta that did not require high output volume, thus providing Capri with flexibility and versatility to cater to low demand products in the Venezuelan market.

### Highlights in Pastas Capri history and the Olivo-Nobile family

<table>
<thead>
<tr>
<th>Period</th>
<th>Events</th>
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<tbody>
<tr>
<td>1895</td>
<td>Blas Olivo arrives in Venezuela from Italy and opens a small restaurant in Caracas.</td>
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<tr>
<td>1901</td>
<td>Blas’s first son is born (Juan Pascual), but the family returns to Italy</td>
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<tr>
<td>1909-1925</td>
<td>In Italy, other children are born. Andrés Blas, Francisca, Antonieta and María Olivo</td>
</tr>
<tr>
<td>1926</td>
<td>Pascual and Blas return to Venezuela to work and seek fortune</td>
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<tr>
<td>1936</td>
<td>Blas’s sons, Juan Pascual and Andrés, open a bar in Caracas</td>
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<tr>
<td>1930-1936</td>
<td>María Olivo, Blas’s daughter, marries Emilio Nobile in Italy</td>
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<td>1936-1938</td>
<td>Emilio Nobile and wife María Olivo migrate to Venezuela, to join Juan Pascual and Andrés</td>
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<td>1938</td>
<td>Emilio partners with the Olivo brothers to start a food and liquor business</td>
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<tr>
<td>1940-1945</td>
<td>The three partners acquire a small pasta factory, La Libertad, subsequently destroyed by fire</td>
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<tr>
<td>early 1950s</td>
<td>The three partners open a wholesale food and liquor business</td>
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<tr>
<td>1955</td>
<td>Change in Venezuela and poor returns from the wholesale business lead partners to try manufacturing</td>
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<tr>
<td>1955</td>
<td>The three partners acquire Capri, a pasta factory in Caracas.</td>
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<tr>
<td>1955-1960</td>
<td>Pasta is produced employing semi-artisanal methods</td>
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<tr>
<td>1965</td>
<td>Capri begins expansion by installing automatic production lines</td>
</tr>
<tr>
<td>1968</td>
<td>Simón Nobile, son of Emilio Nobile, joins the firm</td>
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<tr>
<td>1970, early</td>
<td>Alfredo Olivo and Hector Olivo, sons of Andrés Blas, and Pascual’s daughter Teresa Olivo join the firm</td>
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<tr>
<td>1970, early</td>
<td>Founding partners hand over leadership to descendants. Simón and Alfredo rotate presidency.</td>
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<tr>
<td>1975</td>
<td>Sales growth leads firm to establish a new plant in Barquisimeto</td>
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<td>1975</td>
<td>Barquisimeto plant opens, run by Alfredo Olivo; Simón remains in Caracas to manage the local plant</td>
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<td>1976-1979</td>
<td>Caracas plant readies move as old location is expropriated for public works</td>
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<tr>
<td>1980</td>
<td>Capri moves to Carrizal Industrial Park outside Caracas.</td>
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1981 Caracas plant begins replacing obsolete machines with automated equipment
1981-1985 Italo Olivo joins the firm
1985-1989 Efforts begun to establish a Board of Directors, with aid from a consultant
1989 Capri begins vertical integration by acquiring a packaging and stamping plant
1980-1990 Capri begins to hire professional managers, starting with quality control, sales and marketing
1985-1995 Third generation members join firm, but only José Alejandro stays on. Others leave due to family conflicts
1990's Distribution centers are set up in Maracaibo and Valencia. Quality is maintained despite the country's political issues
1996 Capri continues vertical integration. Wheat mill acquired in Barquisimeto to ensure semolina supply
1997 Process begins to establish a Family Council, led by Alfredo and then coordinated by Argelia de Olivo
2002-2007 Capri is able to overcome government-imposed regulations on pasta industry
2007 Pasta made from corn and rice flour mix is introduced.

6. Culture

Venezuela's population is ethnically mixed. Indigenous heritage in the arts and crafts, added to musical and religious influences brought by African slaves, has over time blended with the Western legacy of the Spanish conquest. In the late 19th century and especially in the 1940s, large numbers of Italian, Spanish, Portuguese, French and other immigrants spread across the country. To these strong ties with other countries was added a strong North American influence in Venezuela's oil-producing areas beginning with the 1930s. The Olivo-Nobile family provides evidence of the strong presence of Europeans in mid-20th century Venezuela.

Development of oil and iron ore deposits had for decades made Venezuela the leading Latin American recipient of private foreign investment. But foreign investment declined following nationalization of oil and iron ore companies in 1975. Nonetheless, a strong influence by foreign nationals over business continued as immigrants had become managers and shareholders in Venezuelan enterprises. According to Naim and Piñango (1984), firms that were essentially Venezuelan-owned employed foreign processes, products, technology, advertising and management styles, areas dominated by foreign influences.

Another noteworthy aspect was the difficulty of ascertaining just how profitable were privately-owned firms. Business was generally wary of public attitudes. Politicians, journalists, trade union leaders and government officials were considered biased against a small but growing business community with few competitors, few suppliers and few clients. Returns to private investment were often judged in moral terms. Powerful reasons prevailed against releasing information concerning a company's financial performance lest they unleash unfair public attitudes and lead to penalizing government measures.

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Until 2007, family-owned firms had dominated Venezuelan business, in part because of the legal structure of property and inheritance taxes. Other financial and social factors provided incentives to maintain company ownership and management among family members. Loyalty, over and above character and technical skills, was a prime criterion for designating individuals to management positions. This practice owed to the kind of relations that had evolved between companies and other leading actors in the local business context, rendering companies vulnerable (Naím and Piñango, 1984).

For the most part, management of Venezuelan firms was highly centralized. Only top management held control over key information, and organizational units were little developed.

7. Entrepreneurial orientation

a. Autonomy

During Pasta Capri’s early stages, the three founding partners shared authority over the company’s growth. They alone accounted for whatever creativity and ideas were applied to business opportunity. This changed once the company grew.

Both company and family expanded once the founders passed on the firm’s leadership to their sons. Although the company’s structure and communication channels remained flexible and open to staff, ideas or suggestions coming from employees were carefully weighed before approval. According to Italo Olivo:

“At the start new ideas came from my father and my uncles, then from my brother and Simón, but little by little the employees proposed ideas that have been implemented… innovative contributions were made in packaging and strategy, but invariably discussed among board members.”

Shares were assigned to descendants once the family grew, distributed among a large number of cousins. Few were involved in the firm’s day-to-day activities, but each made their views known to top managers. Simón Nobile commented:

“At certain points when an investment was required to tap an opportunity, certain family groups would oppose it; they failed to see the firm’s long-term future and had a short-term outlook. This was both an obstacle and stressful. Some groups were by nature opposed to external financing in order to avoid concern, thus deterring the company to profit from new ideas and opportunities.”

Although the president’s relations with other managers and employees was open and fluid, in recent years there was little freedom to make changes in the organization; his ideas were listened to, but had to be examined and assessed before decisions could be reached. The president reported to a board that in recent years was creative and innovative, but the influence of family shareholders weighed heavily and limited Board and management decisions.

b. Innovation

Italo Olivo recalled:

“My dad taught us that every year a new product had to be introduced. If biscuits were to be made, there had to be different flavors, shapes and colors… At one point in time my father and my uncles turned Capri into the factory with the widest assortment of pasta in Venezuela… when they traveled abroad their first stop was to a supermarket, not a museum or park. They would spend hours looking over pasta brands, and bring back models to be replicated in Venezuela.”
Andrés Blas, Pascual and Emilio had the skills to try out new products, as well as improve processes. This explains the shift from semi-artisanal methods to automatic equipment soon after Capri was acquired from its original owners. Simón Nobile asserted:

“From the time they arrived in Venezuela the old folks never searched for work; they always sought to open a shop, a business, until they came across the pasta factory. In each business they introduced change, hence their business evolved… they didn’t lock themselves into distribution or even production – they simply organized themselves to grow and expand operations.”

Once Simón and Alfredo joined in, the company experienced greater change – some brought on by changes in the business context and market growth, others by the new generation’s enthusiasm and passion. According to Simón Nobile:

“It’s part of the culture of the company, of the legacy of our parents. To do things on time and move ahead… one of our features is to offer a variety of products, formats and quality. We have always been pioneers – it’s what we learned from them.”

Nonetheless, the company has never featured a department or other formal mechanism to undertake research or develop new business opportunity. Most new opportunities stemmed from informal channels and were assessed by consensus. Simón Nobile added:

“From company expansion to the possibility of exporting or investing outside Venezuela, everything must be decided by consensus.”

A business experience Italo Olivo had in Barquisimeto, together with the need of Pastas Capri to expand output, led to the decision to visit the city’s industrial zone and, subsequently, build a plant. Alfredo and his family moved to the region in order to move ahead with the project.

Some years later a threat to the Caracas plant emerged. The government required the land on which the plant was located for the city’s subway system. Only then did Simón Nobile, together with his father and uncle, still active in the business, begin to search for a new plant location. They took advantage of the new plant to improve and modernize production lines.

In 1981, in light of problems emerging from supply shortages and the fact that some competitors had already vertically integrated and acquired wheat mills, the Olivo-Nobile family, after much discussion, agreed to transform the business by acquiring a wheat mill in Barquisimeto that could directly supply the pasta manufacturing plant.

Similarly, in 1989, the country’s exchange controls barred suppliers of packaging materials from importing raw material to service pasta producers. Pastas Capri undertook steps to import paper to manufacture their own packaging. Soon there was good reason to acquire a packaging plant, which was expanded in years that followed.

Although technological and operating changes were generally undertaken only when the firm was pressed by business context or competitive forces, Pastas Capri nonetheless innovated in pasta types and formats. In the specialty pasta market, Capri developed lasagna, spinach pasta, three-color pasta, noodles and even difficult to produce ravioli. Pasta made from rice and corn was also developed ahead of the competition, given process adjustments required for production.

An important organizational step was to establish a Board of Directors, notwithstanding Simón Nobile’s view that little innovation had been implemented. As he put it:

“Even if in terms of organizational structure we have evolved constantly, much remains to be done… attain a flexible structure in order to address change swiftly, and with the right persons in key positions.
“Bringing in a board with external directors has brought advances within the company... certain family problems have been mitigated, new ways of looking at things have surfaced, new visions; and the introduction of new technologies has proven more fluid... we have benefited from new support in order to move ahead in search of innovation.”

c. Risk-taking

Granted that the founders first showed evidence of risk-taking by leaving Italy and migrate to an unknown country, unaware of what the future would bring. Nonetheless, when it came to risk either family or company assets they were more conservative. Simón Nobile observed:

“The old folks stuck to the idea of self-financing, avoiding loans in order to feel safe... This view has permeated the family culture, and in some sense brought on problems when major investment was required to grasp market opportunity... some family members who are shareholders have been strongly opposed to new investment given the concern this causes them.”

In a similar vein, José Alejandro Olivo stated:

“As a family we have not been risk-takers, we have been conservative... in some respects being prudent and conservative is an advantage; but we would have done better had we assumed more risk – in my opinion we should already be building plants abroad.”

Before taking the step to acquire the wheat mill and ensure supply of semolina, all the pros and cons this could bring were thought out. José Alejandro added:

“After acquiring the mill, we realized that to avoid greater risk, we set it up with less capacity than demand warranted... Nonetheless, we have always had foresight and it was built with capacity for expansion.”

On this issue Italo Olivo called attention to the following:

“The first generation was more inclined toward quality and ongoing innovation, whereas the second generation has sought stability and avoiding risk to the firm’s assets... Many thought it strange this company never sought loans. We have always been careful; we are sober entrepreneurs, and know how to control and avoid capital risk.”

Despite turning out to be more conservative than their parents, at certain points the second generation assumed significant challenges and risks. Notwithstanding the time and considerable thought given to the purchase of new and costly machinery, the family took on the risk of manufacturing new lines such as those required to make pasta from rice and corn.”

In 2008 Simon Nobile reflected:

“At this uncertain time prevailing in the country we are investing more than ten million dollars to build a corn and rice pasta manufacturing plant, knowing these cereals are not available in the country. We are well aware everything will change in Venezuela and must prepare for it, with technology and production capacity on hand... in taking risks we rely on experience and feeling; but in going ahead with the rice and corn plant we weighed risks carefully. If demand for rice and corn pasta fails to materialize we are nonetheless prepared to produce our ordinary lines – but should demand surface we will profit from a great opportunity.”

d. Proactiveness

According to Simón Nobile:
“We strive to be ahead of the curve, to foresee world trends in planning our product strategies… we are aware of what’s going on elsewhere… I’ve had the opportunity of visiting pasta factories in Europe and the US and try to remain informed of what is going on. This way we keep up to date.”

Although the family showed itself conservative whenever making an investment to take advantage of a given opportunity, the presence of individuals such as Simón Nobile and new deliberative bodies such as the Board of Directors provided the company with foresight to pursue future business. Simón had long-term vision and frequently proposed new ventures to the Board.

José Alejandro Olivo pointed out in 2008:

“For some time back we watched the government’s interest in including endogenous content to food produced in Venezuela – in the case of pasta, flour from cereals produced here such as rice and corn. The government did not propose we manufacture such pasta; but we went ahead and were the first to offer this product in the Venezuelan market.”

Although the decision to produce pasta from corn and rice flour had to be approved both by the Board and the Assembly of shareholders, which took up time to determine whether the idea was viable, in the end the decision was favorable; moving ahead of business context trends provided Capri with considerable advantage.

José Alejandro Olivo recalled:

“When competitors react, we already will have on hand sanitary permits, packaging, and government approval.”

Moreover, Simón not only showed long-term vision as respects the technical opportunities linked with the business; he also showed capacity to anticipate and fight against government decisions.

According to External Director Jorge Menéndez:

“Simón has been a very creative entrepreneur, he gets around and knows what has to be done so as to avoid being strangled by the government's legal policies… I’ve seen on the Board how he considers new options, either in machinery or new technologies… This shows how entrepreneurial spirit and proactive behavior are present in the company’s president.”

**e. Competitive aggressiveness**

On some occasions the company failed to challenge its competitors directly, waiting instead for them to take the first steps before acting. This became clearer at the time of transition from the first to the second generation. At that point the pasta industry underwent major change, with many firms initiating upstream operations to ensure supply of raw materials. According to José Olivo:

“History tells us that in general we are slow and conservative. Our competitors have been very aggressive at certain points… While we debated over the possibility of setting up a wheat mill, several of our competitors including some with less production capacity had already done so.”

In the 1980s, most pasta brands in the Venezuelan market competed on price, whereas Capri remained in the “premium” category – aiming for customers who sought better quality and service more than price.

Simón Nobile reviewed company strategy recalling:

“Competition was always aggressive – competing on price whereas we competed on the basis of product quality and service… international companies employed traveling salesmen, sending them
out to take orders that would later be dispatched. We sold differently: offering service at retail outlets, the salesperson took the order and unloaded the goods from the truck then and there."

Price controls were introduced in 2002. Thereafter several large firms that sold other goods together with pasta, such as Polar, sometimes sold their product at cost. This hit hard firms like Capri, for we only produced pasta. At that point Capri had to defend itself by selling a number of unregulated “premium” products.

Capri has shown aggressiveness when it came to launching several pasta formats and types on the market, but without exploring new products.

8. Family resources

a. Leadership

From the start, Capri’s leadership was shared by Andrés Blas Olivo, Juan Pascual Olivo and Emilio Nobile. Each performed a given task in the firm in accord with their respective skills and interests. In turn, all three had considerable influence over work teams, employees, shareholders, and parents.

José Alejandro Olivo put it this way:

“My grandfather (Andrés Blas) was in charge of production, Pascual managed accounting and brought a sense of easiness to the team. Emilio ran accounts receivable and oversaw market developments. All three had considerable influence over employees; although aware of employee needs, these were treated at arm’s length. There was one employee who generally failed to show up on Mondays, always with an excuse; one Monday he arrived late, complained of a toothache and couldn’t work, requesting that he be allowed time off to see a dentist. I’m told my grandfather grabbed a pair of pliers, took him to the office and removed the tooth; thereafter, the employee never came late nor asked for time off.”

According to several of those interviewed, the influence of the three founders not only set the pace of ordinary activities but laid out the company’s values: responsibility, honesty, quality and a sense of unity both in the company and the family.

In the 1970s the founders began to delegate company leadership in their sons, especially Simón and Alfredo, who following graduation from the university had a few years of work experience. Simón had worked in the oil industry and Alfredo in the state-owned Guayana Development Corporation. Once they joined Capri there was no sign of individual leadership; in fact, they shared the presidency; first Simón, for a year or so, then Alfredo – but both were involved in everyday management. Simón dominated production and Alfredo, sales and marketing. Top management included only three persons – Simón and Alfredo plus Irma, who informed other cousins about the firm’s activities. Irma acted as a director until the company and the family began to grow, but was little involved in operations.

When the Barquisimeto plant opened, Alfredo moved there and Simón became company president, based in Caracas. Shortly afterwards Alfredo became company vice president, and Simón assumed individual leadership.

Once Alfredo retired, Simón became the absolute leader, remaining as president. His style of management and company performance earned him the trust of employees, shareholders and family members.

According to Argelia Reyes:
“When Alfredo retired, Simón became the absolute leader of the company; he was always very respectful of his cousin, asked for his opinion in making a decision, never imposed himself – even having the power to do so… Simón is very conciliatory.”

Simón took on the company’s leadership as of 1980, but company and family growth rendered decision-making increasingly complex. Everything had to be approved by the families; many family members owned shares in the company, but few were involved in day-to-day activities.

In 2008, Simón Nobile stated:

“Pastas Capri became a company with a very extended family. Shares were distributed to each of the generations and the company shifted from being owned by offspring to one owned by cousins. Already we are 33, without counting in-laws. At the pint of investing, undertaking a new business or anything that may involve risk-taking, problems emerge – for many family members seek to avoid any danger to their interests.”

Nonetheless, despite the family’s strong influence over the company’s strategic decisions, Simón knew how to handle the situation and succeeded in pushing through many of his ideas in the organization.

Argelia Reyes noted:

“Simón knows very well how to sell his ideas, he ends up persuading others… Besides, thanks to him the firm has done well. That has helped a great deal.”

Meanwhile, Simón defined himself as a very influential leader:

“I’ve had a good deal of influence over the company. I believe my leadership has been strong, sometimes I’ve had to push decisions through… of course my management style has brought on some detractors, but given results obtained those detractors have had to yield to my judgement.”

b. Networking

Networking was not a key priority for the Olivo-Nobile family. Hence little profit was drawn from their personal contacts and relations.

Simón, on the other hand, paid attention to the issue. Little by little, he built social capital by working closely with pasta industry leaders, bringing reputation and recognition to Capri. In 1978 he led efforts to establish the Venezuelan Association of Pasta Manufacturers (AVEPASTAS), and has remained president from the start. As he puts it:

“It has been up to me to develop contacts and relations that benefit the firm; in that respect the family has been of little help.”

According to José Alejandro Olivo:

“Simón knows how to get around. He’s been president of industry associations and chambers, such as AVEPASTAS and the Venezuelan Food Industry Chamber (CAVIDEA), as well as a very active member of the Venezuelan Industrialists Federation (CONINDUSTRIA). His networking has helped the company: access to information on market trends, updates on the pasta industry, upcoming regulations that could affect the industry and many other matters.”

Simón not only built relations across the country but also abroad. From 1995 onwards he was active in the world pasta producers association in Rome, Italy. In 2008, he was elected president of the International Pasta Organization (IPO), which speaks for his capacity for networking.
Simón reflected:

“Although networking takes a lot of time and effort, at the end it benefits the company. Not only does it lead to opportunities; it provides access to knowledge and information that can bring day-to-day advantage to the company.”

The time Simón spent on networking for the firm was on occasion a matter of concern for some members of the family who felt he ought to focus on operations. Others also felt that the company could be endangered and rendered vulnerable by being too closely identified with associations and chambers.

c. Decision-making

The company’s decision-making process was centralized and very formal. Most issues required analysis and approval by the family, which made the decision process take more time than was expected.

Italo Olivo remarked:

“At the beginning it was the three founders. They got together and made decisions. Then decisions came to be made by the administrative board, comprised of one son of each founder. Once that board made a decision we were informed but offered no opinion. Today decisions are made by the Board of Directors, with greater balance because of the presence of three external directors. Often we try for meetings not to turn into family discussions, and seek to focus on solving problems… nowadays the Board requires everything to be clear and in writing, which makes for more professional decision-making.”

Little by little the company developed a discipline whereby if anyone had an idea, they had to transform it into a project and present it to Simón, who would in turn meet with managers to examine it. Were the project considered of interest it would go to the Board; if an investment was required, it would be reviewed by the shareholders.

d. Culture

Simón Nobile stated:

“The culture established by our parents holds great influence here. That culture is expressed in values such as commitment, integrity, and respect.”

Italo Olivo considered that because the firm was founded by Italian immigrants, the company was imbued by tradition:

“In Italian families generally the elder brother holds sway, leadership is first transferred to the eldest. Moreover, in Italian families mothers don’t get involved in the business, and seldom do sisters or other women… We have inherited much of the culture of our parents. Always seeking to remain united and not break our ties is a value we were instilled with… although sometimes Simón wanted to part relations with me, or viceversa, we never broke off. There’s something that keeps us together despite our differences. We will always remain together.”

Additionally, the founders imbued the family with little predisposition to borrow money. They preferred to finance projects with their own earnings in order to rest easily. This kind of thinking sometimes brought on problems at times decisions entailing large investments were to be taken.

e. Internal relations
The company’s internal relations were very open and fluid. Staff at any level could speak out and express their opinion to the president. The climate was warm; hence many employees felt comfortable and identified themselves with Pastas Capri.

Argelia Reyes argued:

“Internal relations at Capri are very open, warm and direct... If the cleaning lady wants to speak with Simón, she can do so directly. I think this has helped a great deal in motivating employees.”

For his part, Simón stated:

“Relations with employees are very easy. Older employees call me by my nickname... I grew up with many of them – they have been with the firm for thirty years – hence relations couldn’t be otherwise.”

Such an open structure and fluid communication with employees conceivably might lead some to exceed their bounds, but the company’s code of respect and courtesy functioned as a moderator.

In the first stage of the firm, under control of the founders, relations among brothers and cousins were easy enough; a climate of union and harmony prevailed, objectives were aligned, and there was little difficulty in making decisions and communicating with each other.

A growing family made for more complex relations. The family was numerous but only a very few were involved in company operations – except for José Alejandro Olivo (third generation), Ítalo Olivo (second), Simón and Alfredo (second generation). The vast majority of family members were simply owners and their representatives attended board meetings when these were announced. Not all family members had the same interests and expectations from the company, which made for complex decision-making.

Alfredo, who was patient and very conciliatory, was concerned over the family’s growth. At the time of his retirement he made considerable effort to lead the move toward a family council where family issues could be discussed.

Simón Nobile recalled:

“When Alfredo and I managed the firm, it was he who had the most patience, he was more of a diplomat, more conciliatory... he knew how to handle the other side of the family... In 1998 we took the first steps to implement the family council, but had our ups and downs. Sometimes enthusiasm was expressed, then disappointment when expectations were unfulfilled. Alfredo, already retired but still a shareholder, led the initiative, but even now it doesn’t function; we are aware that it’s needed, but haven’t given it the right support.”

f. Government

The company always featured a property structure concentrated in family members. Similarly, company leadership was always in the hands of a family member.

By 2008 Capri employees numbered 400, of whom only 7 held high-level operating positions; of these, only Simón was a family member. In that year 85 percent of property ownership was in family hands, but few members participated actively in company operations.

The structure of the organization was always hierarchical, which limited somewhat the flexibility and speed of management to deal with a changing business context.
The highest hierarchical level was the Assembly of Shareholders, a body that influenced many of the company’s strategic decisions. Then there was the Board of Directors, which according to those interviewed provided support for the design of strategies, analysis of business opportunities and assessing management. The Board was comprised of nine persons: three were external to the organization, three represented the second generation, and three the third generation. Board decisions were implemented in the organization by the president.

In 2008, the family had only begun efforts to get the family council to function; hence there was still no organ that could pull together family rules and procedures. Moreover, there were no firm plans for succession. Simón Nobile had held the presidency for about 35 years, yet no thought had yet been given to begin preparing potential successors, nor had anyone been identified as capable of assuming leadership following Simón.

Although company structure was hierarchical, its culture allowed for informal communication channels between managers and employees, making for fluid rapport within the firm.

g. Knowledge

Experience and business insight were key resources for developing Pastas Capri. Both first and second generation family members had to demonstrate skills to negotiate and foresee new opportunities.

Simón Nobile’s networking skills brought considerable benefit to the firm. Following 1998, Venezuela’s pasta industry suffered continual regulation and the institutional context turned hostile. At the time technical knowledge was not a priority for success. Simón’s skills in networking and his capacity for negotiation enabled Capri to handle the regulations and overcome threats from the business context.

Technical knowledge was transmitted from one generation to another. At the outset, the founders knew little about pasta manufacturing, and decided to surround themselves with persons who knew the business. From the start they recruited two master pasta craftsmen, who shared their knowledge of best quality pasta. Thereafter sons Alfredo, Simón, Italo, Héctor acquired knowledge of pasta manufacturing processes.

Italo Olivo noted:

"From a technical standpoint we know quite well everything related to pasta making… from the time wheat is stored and processed until pasta enter the production line… if you have a pasta factory it’s good to know the entire process. Moreover, if you don’t have on hand someone who is very good, first rate in production management, quality, drying and temperature changes, everything can go wrong."

Negotiation and technical skills were not the only ones required to run a pasta company. Marketing was a key area in the Venezuelan market – especially advertising, distribution, image and sales. Capri had a good command over distribution and sales; but those interviewed stated greater marketing and advertising knowledge was lacking. Italo Olivo put it this way:

“We didn’t feel strong enough in marketing, a key area; so we brought in support from Jorge Menendez, now on the Board. He has vast experience in both business and teaching in that area.”

9. Entrepreneurial performance

Results that allow inferring ways by which the Olivo-Nobile company has survived in the pasta industry for as long as it has, include the following:
Product innovation:

From the outset, Capri founders made considerable effort to ensure the company made best quality pasta, with the largest assortment. The company offered the largest variety of formats and styles on the market.

When company leadership passed on to the second generation the path remained the same. Several innovations in shapes and types of pasta were successfully launched. This philosophy served the company well following 2000, when pasta prices in the Venezuelan market became subject to controls. Long and short pasta had their prices frozen, but other formats were free from regulation. Hence Capri could maneuver; it offered a large assortment of unregulated pasta, enabling the company to survive and earn income that regulated formats could not have provided.

New internal activities:

By opening a new plant in Barquisimeto, the company pursued vertical integration, acquiring a wheat mill to ensure raw material supply and avoid dependence on pasta market competitors. The company also acquired a packaging plant. These moves allowed Capri to respond more efficiently to growing market demands, and protect itself from political, economic and social change that continually impacted the business context, interrupting company output.

The company modernized and updated production lines to broaden product offerings. Moreover, equipment was installed capable of producing 3000 kg. of pasta per hour.

Organizational renovation

Despite current difficulties from not having structured a family council, the company took a key step in professionalizing the organization. Both the Board of Directors and organizational structure were improved to fulfill company goals.

Despite progress, the family has been notably cautious in exploring new and complementary ventures that could have served to diversify products, enter new markets, including international operations that could have diversified risk.

Social performance has proven effective in terms of employment generation outside the family. Also, Capri acquired influence over the pasta industry as company leaders participated in industry chambers and associations that benefited all producers.

Pastas Capri has available ample opportunities for developing a corporate social responsibility strategy that could expand the company’s impact on communities surrounding its facilities.

10. Transgenerational potential

Entrepreneurial orientation

Risk aversion displayed by Capri family shareholders has had a negative influence on the company’s otherwise entrepreneurial orientation. The family seeks to ensure that favorable results can be obtained before making decisions on new investment. Risk taking is thus highly cautious, and a factor that could serve to inhibit the company from developing autonomy and competitive strength.

On the other hand, there has been some innovation and the president is highly proactive, thus enabling the company to face up to the challenges brought on by the business context.

According to Jorge Menéndez:
“I understand autonomy as the capacity of the president or even the Board to develop their own strategies; at Capri it could be said this is somewhat limited. The president has autonomy, but limited by the approvals and authorizations required from the Board, and the Board considers itself responsible before the shareholders... The threat that I see is the distance between the chief shareholders and the company’s realities. There are more property owners by the day. In general when a company has few owners everyone is more or less informed; but at Capri there are many shareholders and few are aware of day-to-day activities. But they are moving ahead by bringing in members of one or another family branch as alternate directors. This could help spread information... Perhaps there's another information channel I am not aware of as I've been on the board only a short time: family reunions, luncheons, christenings, etc."

Risk taking is in the hands of the Board within bounds; if risk is considered high, shareholders are directly involved. Moreover, the fact that shareholders are not involved in day-to-day activities means they are unaware of the company’s capacity for risk-taking, thus generating a generally reluctant position vis-à-vis new projects. They opt for continuity, given historic evidence of good results.

An exercise undertaken by the researchers to identify the level of development of factors that define entrepreneurial orientation at Pastas Capri, shown in Figure 8, found that all factors hold potential for improvement: the proactiveness, innovation and competitive capacity shown in the pasta business could readily be transferred to other markets in order to grow the business. In this sense, risk-taking could fuel the organization’s development. The greatest limiting factor is autonomy, restricted by the large number of shareholders unable to reach accords, and deterring the implementation of new ideas in the organization.

![Figure 8: Level of development of entrepreneurial orientation factors at Pastas Capri](image)

**Family resources analysis**

Figure 9 shows Olivo-Nobile family resources influence the company’s transgenerational potential as follows:

Factors such as networks developed by the family in the national and international pasta industry, and knowledge of the business accumulated over half a century, are favorable for developing the...
business in the future. Networks can be tapped to develop new markets. A family culture centered on responsibility, commitment, integrity and respect is also a basic factor that could favor Pastas Capri over time.

Other favorable factors, albeit in lesser degree, relate to the kind of leadership available in the family and organizational structure; up to the time of the current review, successive family leaders have proven highly influential and efficient, as reflected in business performance. Nonetheless, this aspect could become affected by the absence of a clear outlook as respects upcoming leadership succession, and further delay in identifying and preparing the company’s next leader.

Internal relations, highly favorable for members of the organization who are not family members, hold a potential for development for the inclusion, preparation and professionalization of family members who, little by little, take on running the business.

As respects governance, the inclusion of large numbers of shareholders who are little involved in day-to-day company activities could be a factor that limits flexibility, autonomy, and innovation within the firm; hence this also is a factor that potentially can be improved to favor the capacity of Pastas Capri to survive over time. A closely related matter is that decision-making must be improved in order that Pastas Capri expand its capacity for diversification in new products and markets. To the extent the governance system limits decision making, the transgenerational potential of the company could be negatively affected.

**Figure 9: Level of development of family resources at Pastas Capri**

*Summary of Pastas Capri transgenerational potential*

Figure 10 summarizes the foregoing by comparing the level of influence of each of the entrepreneurial orientation and family resources factors on transgenerational potential.
Figure 10: Impact of factors analyzed over Pastas Capri transgenerational potential

Most favorable factors for transgenerational potential – Productivity Networks Knowledge – Innovation Leadership Culture – Risk taking Aggressiveness Internal relations – Governance – Autonomy Decision making

Least favorable factors for transgenerational potential