

What possible changes should Salvatore Ferragamo make to the actions outlined in the Diversity, Equity & Inclusion (DEI) report to align more with its corporate culture?

Business Management HL

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1 INTRODUCTION

Salvatore Ferragamo is an Italian family-owned business from the luxury goods industry, manufacturing and selling various textile goods, shoes, and accessories¹. The company has been engaged in the development of a more inclusive and diverse work environment to follow recent changes regarding Diversity, Equity, & Inclusion (DEI) policies from luxury brands, where this matter went from sidelines to center-stage in this industry.² However, Ferragamo's progress with its DEI objectives is not aligned with its corporate culture and employees' outlook on it in the workspace. Ferragamo needs to understand this issue and find solutions to it, as is the objective of this research.

In this context, this assessment aims to answer the research question: **What possible changes should Salvatore Ferragamo make to its actions outlined in the Diversity, Equity, & Inclusion (DEI) report to be more aligned with its corporate culture?** Using change to create a workspace with DEI policies more aligned with its corporate culture.

2 METHODOLOGY

To perform the research, a corporate culture analysis using Handy's Gods of Management theory will be done- because it fits better with the organizational structure of the company- to determine what culture Ferragamo has, a comparison with their DEI objectives, and McClelland's acquired needs theory to evaluate the workers' motivations, since this theory aligns more with Ferragamo's culture. Afterward, recommendations will be made on what should change to these aspects, with an evaluation of the company's current DEI policies.

¹ "Overview." Ferragamo Group. Accessed May 02, 2024. <https://group.ferragamo.com/en/group/group-overview/>.

² [SUPPORTING DOCUMENTS 1] MAGLIERI, JOSEPH. 2022. THE STATE OF DEI IN FASHION TODAY. <https://cfda.com/news/the-state-of-dei-in-fashion-today>.

3 SALVATORE FERRAGAMO'S DIVERSITY, INCLUSION, AND EQUITY (DEI) PRACTICES AND OBJECTIVES- ANALYSIS AND RECOMMENDATIONS

Salvatore Ferragamo aims to foster DEI & B policies towards a cultural change process to integrate and show commitment to employees from different ages, genders, nationalities, and cultures to create a workspace with opportunities and self-expression. This is being developed through strategies such as recruitment policies ensuring DEI, the digital training “Breaking Bias” that helps employees and managers create a diverse and inclusive workspace, and an Employee Resource Group to ensure DEI & B objectives at a corporate level. Finally, Ferragamo is committed to gender equality, with a high inclusion of women in the company (65% of its workforce).³

Although Ferragamo is engaged in changes, the development of their actions to achieve those is slow because of resistance that occurs due to DEI not being considered the company's most relevant objectives, especially for stakeholders, where factors like social responsibility are regarded more importantly, which is indeed essential, but DEI & B should have the same relevance (Figure 1).⁴

³ Ferragamo, Group. n.d. “Annual Report 2023.”
<https://cdn.ferragamo.com/cdn/investor-relations/financial-documents/2023/en/Annualreport2023.html#>.

⁴ Ferragamo, Group. n.d. “Annual Report 2023.”
<https://cdn.ferragamo.com/cdn/investor-relations/financial-documents/2023/en/Annualreport2023.html#>.

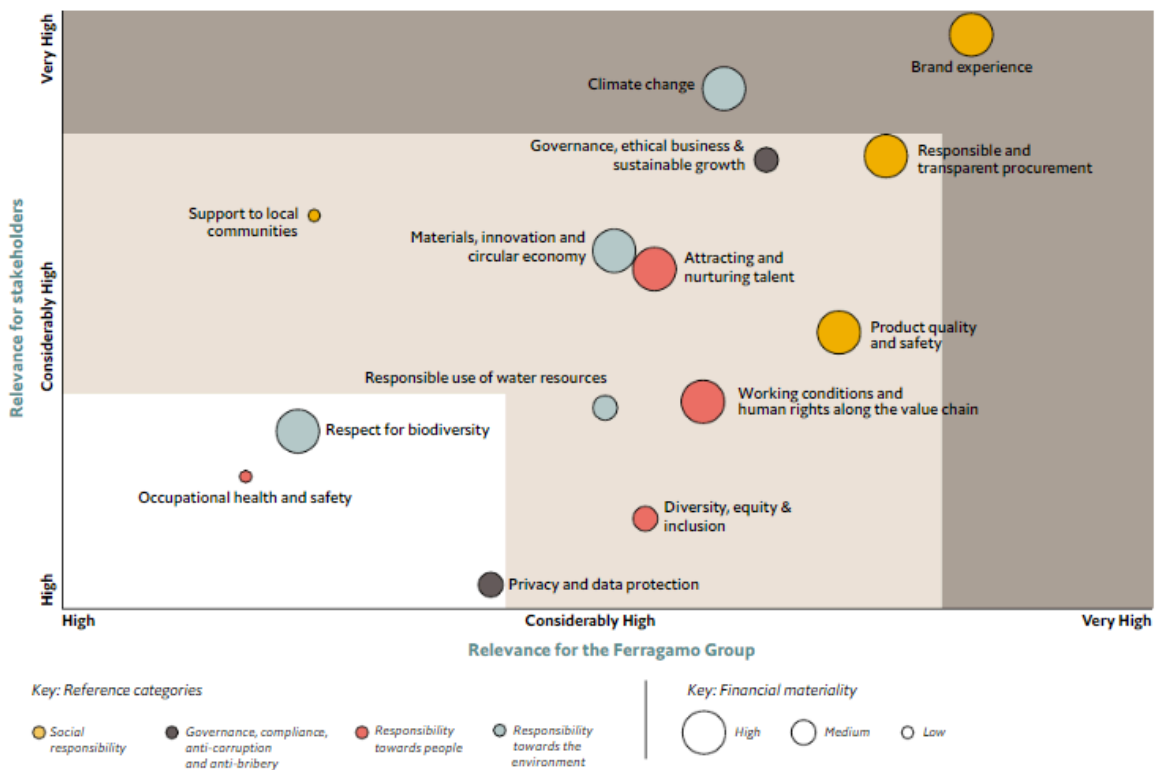


Figure 1: The relevance of the company's objectives for the Ferragamo group and its stakeholders
Source: Ferragamo annual report (2023)

The resistance to DEI & B incrementations is due to the high uncertainty avoidance of the Italian culture⁵ - something present at Ferragamo- and because of employees' perspective regarding DEI at the workspace. They reported that the business is “old-fashioned”, and resistant to change or accept different opinions, contributing to lack of diversity and incrementation of it in the workspace, since most workers are bullied, unprotected, and not treated fairly, like it happens with black employees. The close-mindedness of Ferragamo also affects this since the company is not very willing to change significantly because of their slow execution of DEI & B objectives, creating a toxic work environment (Figures 2, 3, and 4).⁶

⁵ “Country comparison tool.” n.d. Hofstede Insights. Accessed May 3, 2024.
<https://www.hofstede-insights.com/country-comparison-tool?countries=italy>.

⁶ Salvatore Ferragamo Reviews - Glassdoor. Accessed May 02, 2024.
<https://www.glassdoor.com/Reviews/Salvatore-Ferragamo-Reviews-E8671.htm>.



Figure 2: Employee reviews regarding bullying and unprotection of black workers at the work environment
Source: Glassdoor (2024)

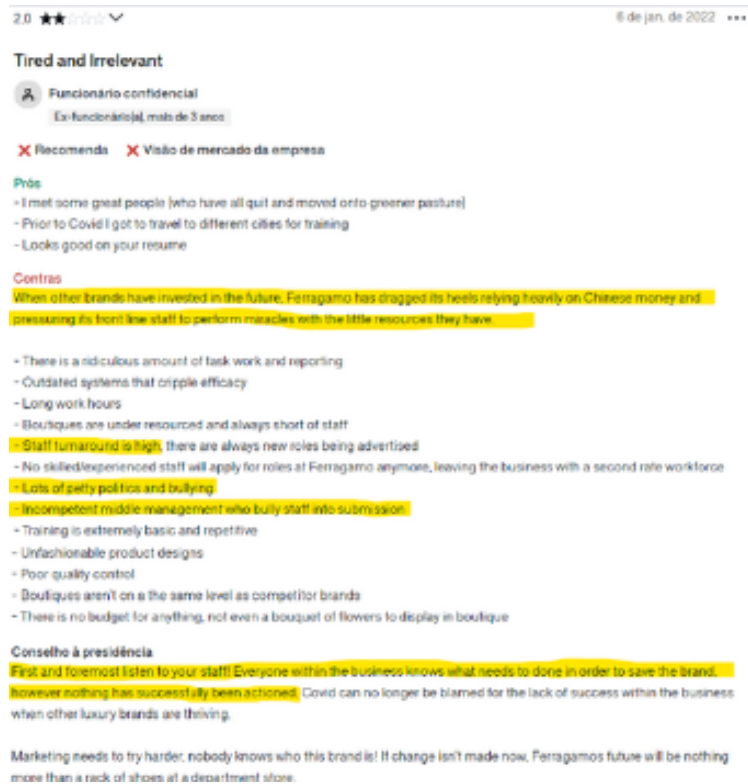


Figure 3: Employees reviews about the lack of change by the company and oversaturation of the brand
Source: Glassdoor (2024)



Figure 4: Employees review the toxicity of the workspace regarding its ethics and the unwillingness to change or accept new voices

Source: Glassdoor (2024)

Ferragamo needs to update their DEI because of the high employee dissatisfaction and competitive advantage for them, seeing that competitors- like Burberry- are already employing more diversity into their workforce⁷, in an industry that lacks DEI, especially in higher positions from businesses⁸, as the board of directors of Ferragamo evidence, which has mainly Italian people (Figure 5 - page 9), emphasizing the uncertainty avoidance the business has on bringing higher diversity into those positions.⁹ This inclusion of more representation needs to come from

⁷ [SUPPORTING DOCUMENTS 2] Finamore, Emma. "Disproportional Representation: Why Is Fashion Still Failing on Diversity?" *Drapers*, May 10, 2023.

<https://www.drapersonline.com/insight/is-fashion-still-fighting-for-diversity>.

⁸ [SUPPORTING DOCUMENTS 1] MAGLIERI, JOSEPH. 2022. THE STATE OF DEI IN FASHION TODAY.

<https://cfda.com/news/the-state-of-dei-in-fashion-today>.

⁹ [SUPPORTING DOCUMENTS 1] MAGLIERI, JOSEPH. 2022. THE STATE OF DEI IN FASHION TODAY.

<https://cfda.com/news/the-state-of-dei-in-fashion-today>.

the top of the organization since it has a greater impact on the rest of the company¹⁰, and how Ferragamo strategically applies those policies could ensure opportunities for them to take competitive advantage in their market.¹¹ Such transition needs to be performed with emphasis on the importance of these policies to stakeholders, to ensure less resistance to change.¹²

3.1 SALVATORE FERRAGAMO IMPLICATIONS WITH DECISION-MAKING

Most of the company's decision-making is concentrated on the board of directors, where subdivisions separate different decision-making aspects, like the control and risk committee-responsible for transactions with related parties and corporate sustainability. There is also the nomination and remuneration committee and the auditing company- intermediates between the decisions of the CEO and other committees.¹³ Those have Chairmans, showing some power division at the board of directors, and also the presence of the Ferragamo family inside it (Leonardo and Giacomo Ferragamo), emphasizing the company's family orientation (Figure 5).¹⁴

¹⁰ [SUPPORTING DOCUMENTS 2] Finamore, Emma. "Disproportional Representation: Why Is Fashion Still Failing on Diversity?" Drapers, May 10, 2023.

<https://www.drapersonline.com/insight/is-fashion-still-fighting-for-diversity>.

¹¹ [SUPPORTING DOCUMENTS 3] Rana, Nirbhay. 2023. "Corporate Governance challenges in Family-Owned Luxury Businesses: Balancing Tradition and Modernization."

<file:///C:/Users/Usuario/Downloads/CorporateGovernanceChallengesinFamily-Owned.pdf>.

¹² [SUPPORTING DOCUMENTS 3] Rana, Nirbhay. 2023. "Corporate Governance challenges in Family-Owned Luxury Businesses: Balancing Tradition and Modernization."

<file:///C:/Users/Usuario/Downloads/CorporateGovernanceChallengesinFamily-Owned.pdf>.

¹³ Salvatore Ferragamo. n.d. "Corporate Governance Report 2023."

<https://group.ferragamo.com/wps/wcm/connect/bb1e2c04-5842-410e-aac8-c02610969494/Corporate+Governance+Report+2023.pdf?MOD=AJPERES&CACHEID=bb1e2c04-5842-410e-aac8-c02610969494>.

¹⁴ Ferragamo, Group. n.d. "Annual Report 2023."

<https://cdn.ferragamo.com/cdn/investor-relations/financial-documents/2023/en/Annualreport2023.html#>.

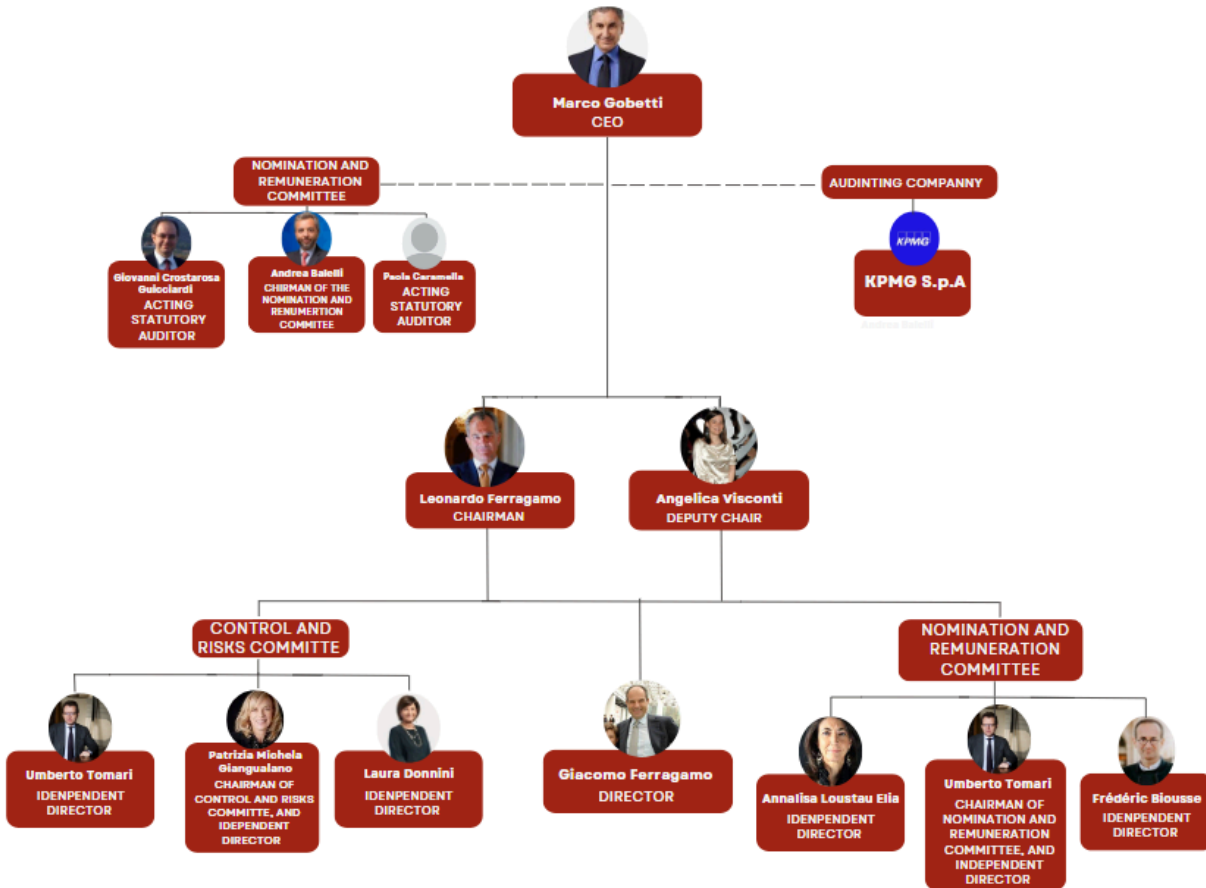


Figure 5: Organizational chart of Salvatore Ferragamo's board of directors
Source: Developed by the author based on Ferragamo annual report (2023)

The division of different chairmanships on the board is a power-driven motivation for members of the committees to achieve a chairman position. This contrasts with the rest of the workforce, which has a lack of career progression, mainly because they feel stagnated on their positions, showing their obligation to obey corporate board and their superiors' orders, causing limited opportunities to grow inside the company (Figure 6 and 7), and demotivating intrinsic factors.¹⁵ Due to the value applied to specific individuals, it can be argued that Ferragamo has a Zeus culture (Power).¹⁶

¹⁵ Salvatore Ferragamo Reviews - Glassdoor. Accessed May 02, 2024.
<https://www.glassdoor.com/Reviews/Salvatore-Ferragamo-Reviews-E8671.htm>.

¹⁶ Ferragamo, Group. n.d. "Annual Report 2023."
<https://cdn.ferragamo.com/cdn/investor-relations/financial-documents/2023/en/Annualreport2023.html#>.

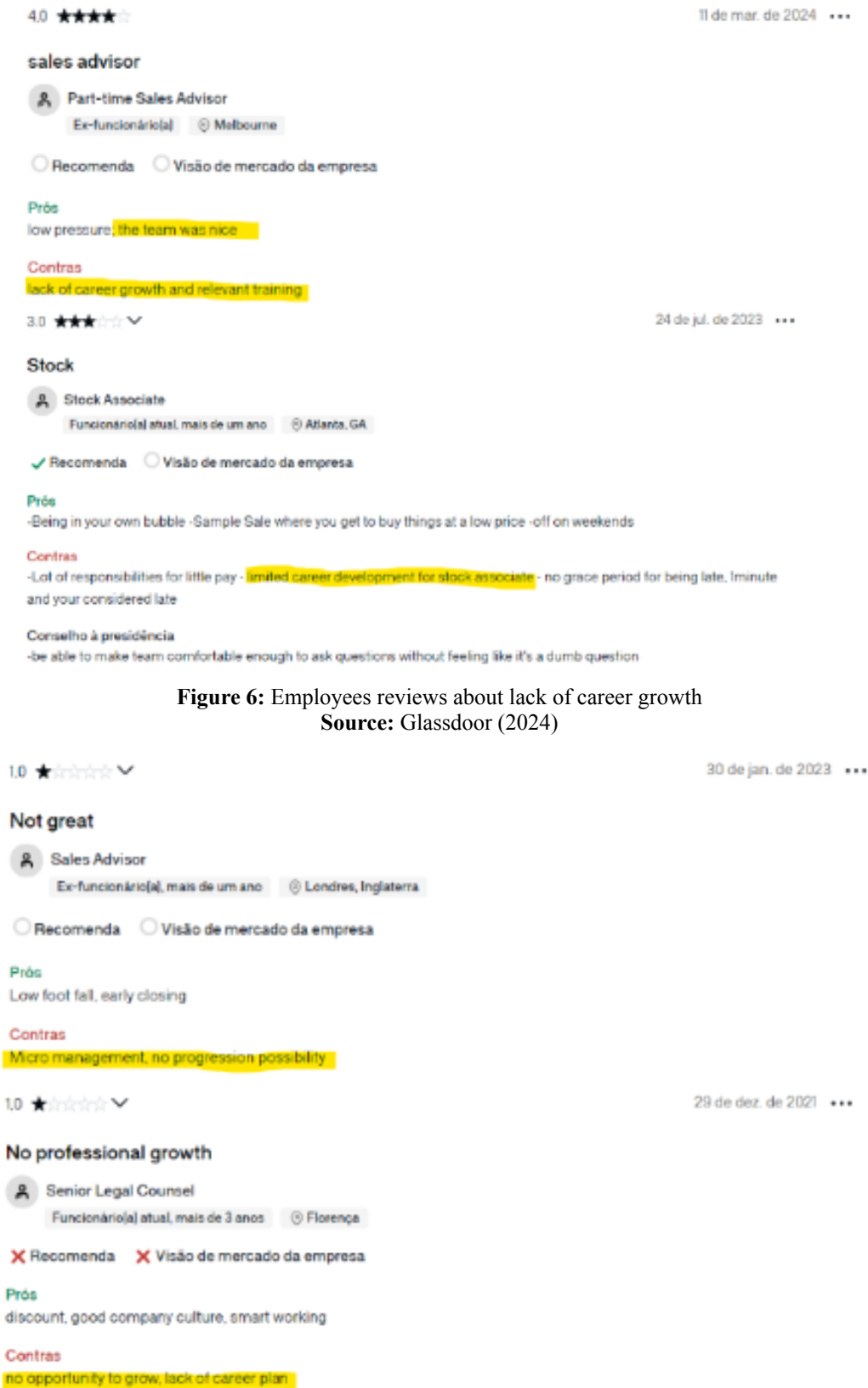


Figure 7: Employees reviews about lack of career growth
Source: Glassdoor (2024)

At the rest of the organization, delegation and separation of powers are not very present, resulting in a flat organizational structure, divided into the CEO, the board of directors, and the rest of the workforce (Figure 8).¹⁷

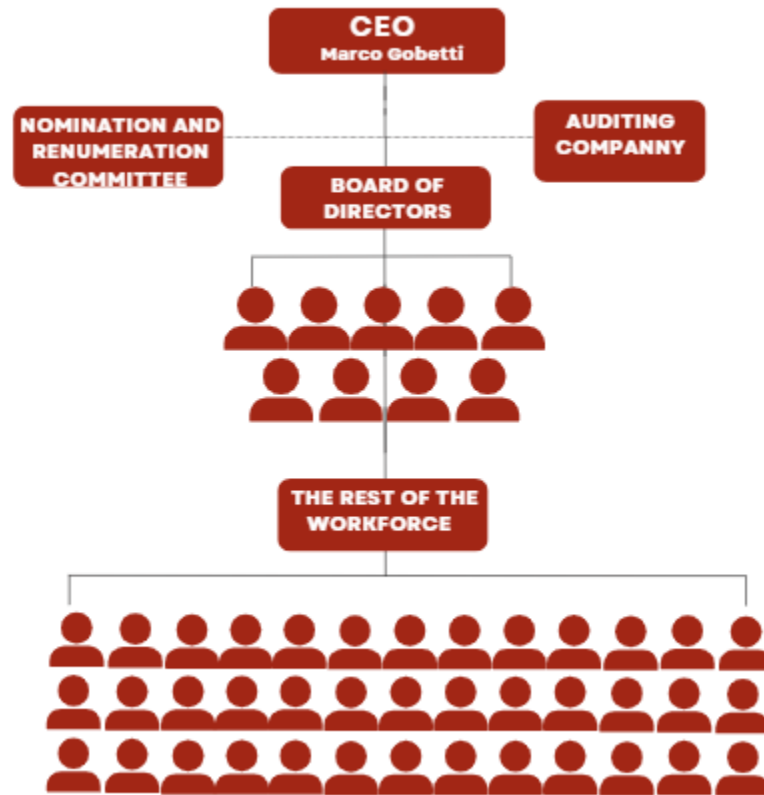


Figure 8: Salvatore's and Ferragamo's flat organizational chart

Source: Developed by the author based on Glassdoor (2024), Corporate Governance- Ferragamo group

3.2 IMPACTS ON EMPLOYEES MOTIVATION

Those factors impact the motivation of the workers- which is probably based on extrinsic factors and affiliation- since they feel good about benefits, like health insurance, the prestige of working for a renowned Italian company, and mainly the workforce relationship (Figure 9, and 10). This clashes with Ferragamo's culture, since there should be a presence of power and achievement as motivators. Even extrinsic motivations are not that well fostered at the company

¹⁷ Salvatore Ferragamo. n.d. "Corporate Governance Report 2023."

<https://group.ferragamo.com/wps/wcm/connect/bb1e2c04-5842-410e-aac8-c02610969494/Corporate+Governance+Report+2023.pdf?MOD=AJPERES&CACHEID=bb1e2c04-5842-410e-aac8-c02610969494>.

(Figure 11), with not very high salaries and abstinence of raises for employees despite them working well for a considerable time.¹⁸

Moreover, other extrinsic demotivators include lack of communication between upper and lower powers, resulting in delayed decisions and actions, little value towards employees' actions, limiting their workspace growth, and micromanagement (Figure 12), which creates a bad work-environment. Those issues are caused by the centralized power in Ferragamo's culture and a more autocratic leadership style, which is more aligned with a power culture due to centralized decision-making.¹⁹

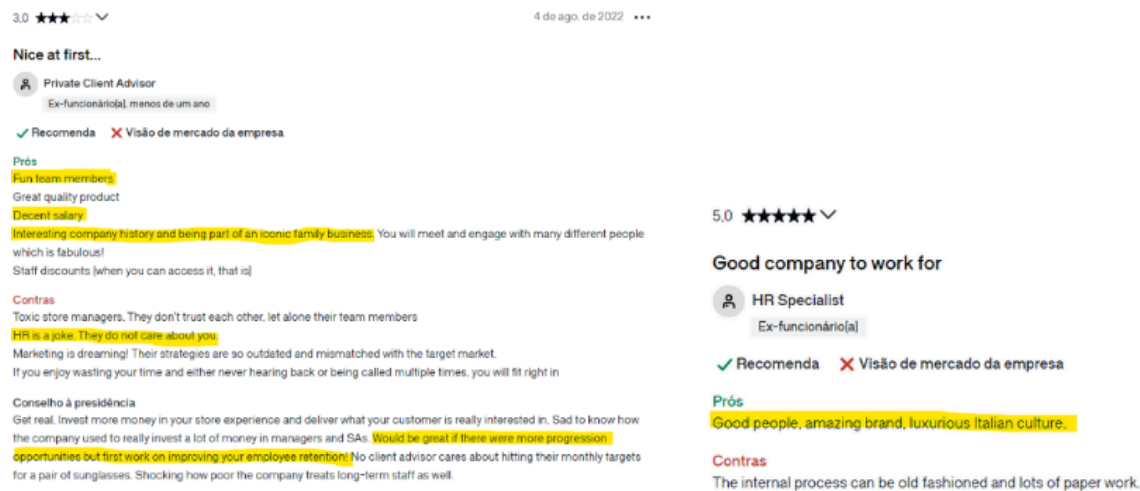


Figure 9: Employees reviews regarding extrinsic motivators
Source: Glassdoor (2024)

¹⁸ Salvatore Ferragamo Reviews - Glassdoor. Accessed May 02, 2024.
<https://www.glassdoor.com/Reviews/Salvatore-Ferragamo-Reviews-E8671.htm>.

¹⁹ Salvatore Ferragamo Reviews - Glassdoor. Accessed May 02, 2024.
<https://www.glassdoor.com/Reviews/Salvatore-Ferragamo-Reviews-E8671.htm>.



Figure 10: Employees' reviews regarding extrinsic motivators.
Source: Glassdoor (2024)

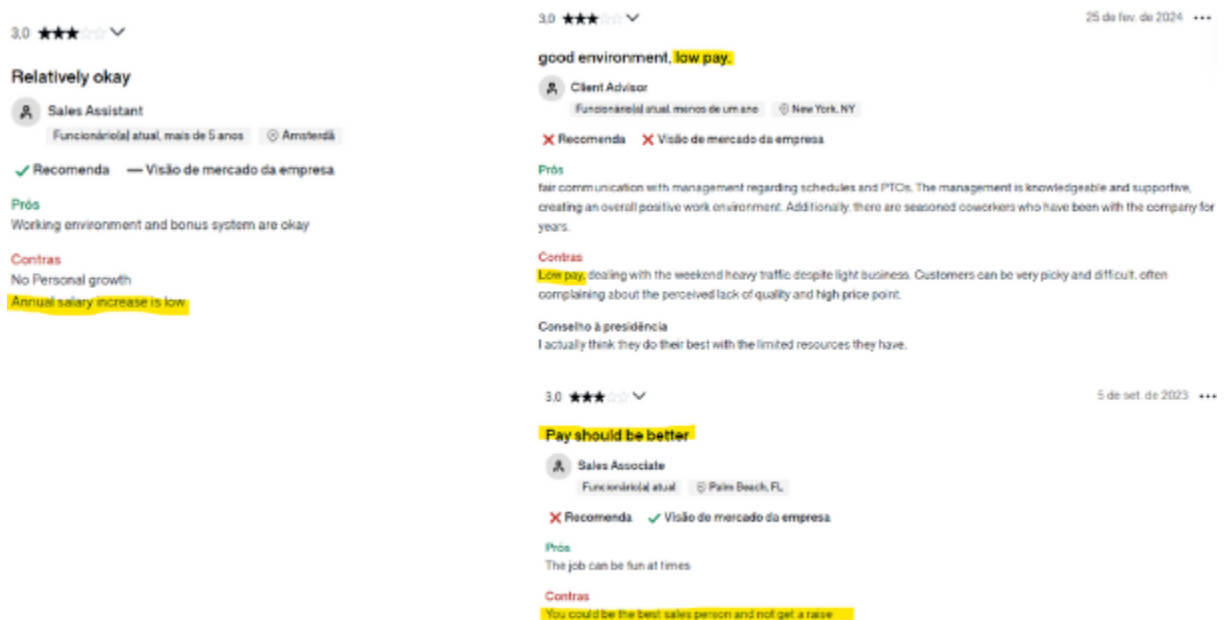


Figure 11: Employees review low payments
Source: Glassdoor (2024)



Figure 12: Employees complaining about micromanagement.

Source: Glassdoor (2024)

3.3 RECOMMENDATIONS

Those aspects show that there needs to be a change in the company's organizational structure, and how employees are motivated since the only part of the organization with some power/achievement motivation is the board of directors, where there already exists centralized power.²⁰ Essentially, Ferragamo could change its formal structure from one by region- the one the company uses (Figure 13)- to one by function.²¹

²⁰ Salvatore Ferragamo. n.d. "Corporate Governance Report 2023."
<https://group.ferragamo.com/wps/wcm/connect/bb1e2c04-5842-410e-aac8-c02610969494/Corporate+Governance+Report+2023.pdf?MOD=AJPERES&CACHEID=bb1e2c04-5842-410e-aac8-c02610969494>.

²¹ Ferragamo, Group. n.d. "Annual Report 2023."
<https://cdn.ferragamo.com/cdn/investor-relations/financial-documents/2023/en/Annualreport2023.html#>.

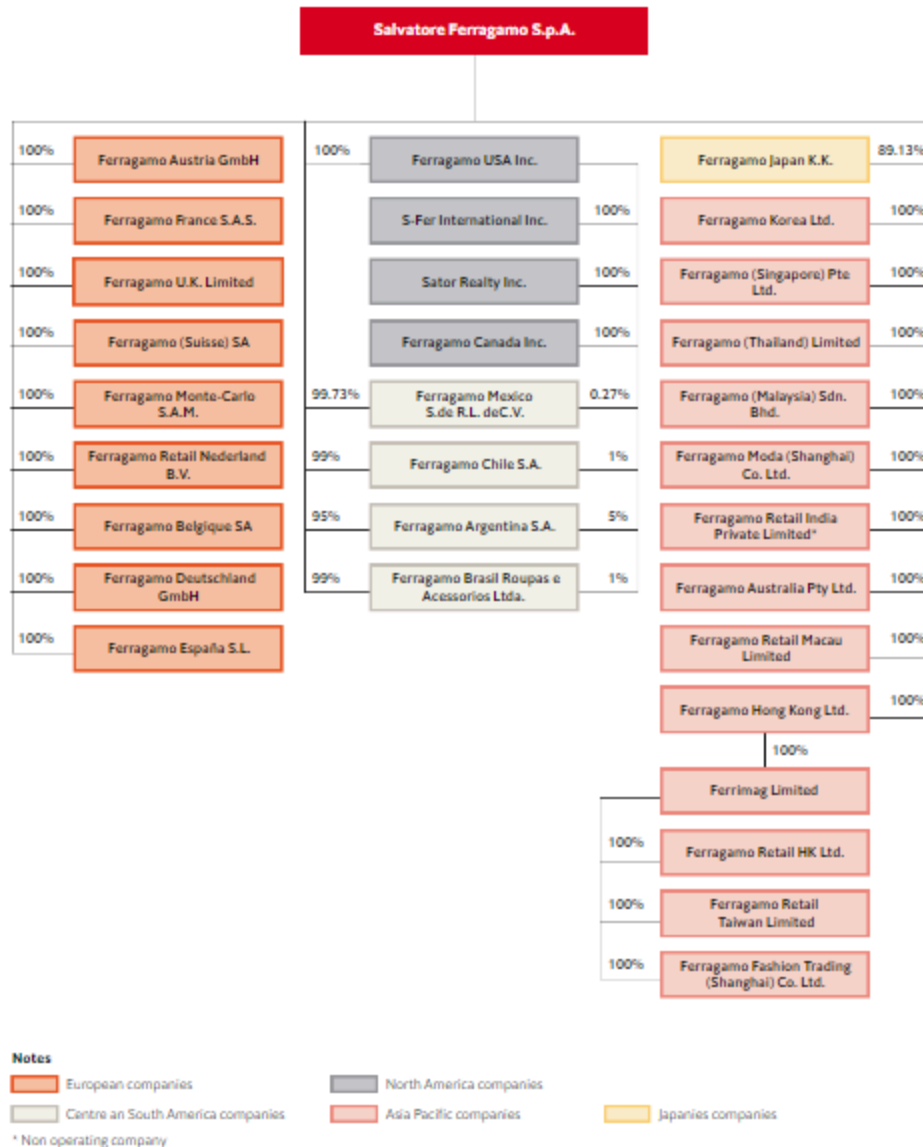


Figure 13: Salvatore Ferragamo's formal organizational chart by region.

Source: Ferragamo annual report (2023)

The change on the chart could create a sense of progression for the employees like they could achieve higher positions and avoid stagnation, something a region chart does not have, as it gives the sense that the company is focused on its own “power”- showcasing the countries they operate- and not much on the worker's progression and opportunities for power and achievement

at the organization, something a chart by function could create, consequently aligning Ferragamo more with Zeus culture.²² The company could follow the structure in Figure 14.

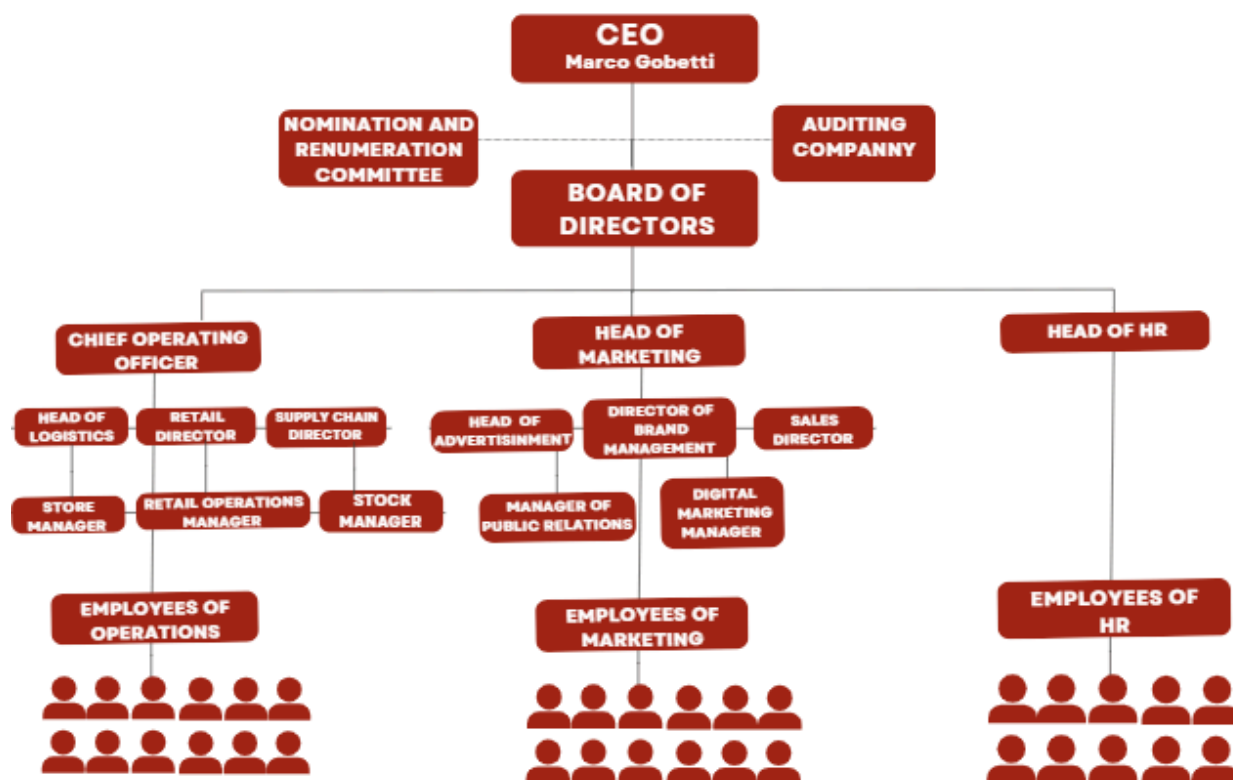


Figure 14: Recommended organizational chart by function for Salvatore Ferragamo
Source: Developed by the author based on: the org- Salvatore Ferragamo, and Glassdoor (2024)

The chart breaks down the company into multiple functions from different sectors, separated on the hierarchical order of: CEO, board of directors, head of a specific segment, directors from specific functions inside this segment, managers within the same logic, and employees from this sector.²³

The chart was based on functions that the company made available online. It shows the lack of information regarding specific managers or directors in HR, showcasing that if

²² Salvatore Ferragamo Reviews - Glassdoor. Accessed May 02, 2024.
<https://www.glassdoor.com/Reviews/Salvatore-Ferragamo-Reviews-E8671.htm>.

²³ "Salvatore Ferragamo Group." n.d. The Org. Accessed May 3, 2024.
<https://theorg.com/org/salvatore-ferragamo-group>.

Ferragamo made that information more available, it could show its commitment to HR, like the company does in other sectors.

Additionally, actions like delegation, higher decision-making inclusion, and providing more opportunities to the employees could make them feel more a part of the company, as well as a way to evaluate their capability of rising to higher positions, resulting in more power and achievement motivators, rather than affiliation based.²⁴

This motivation change could be a way to achieve different benefits, like more alignment with Ferragamo's culture, stronger equity, and a supporting environment for the workers to grow, objectives the company wants to achieve with its plan to foster DEI and belonging (DEI & B)²⁵. Those actions could also be ways to improve communication and decision-making inside the business because a higher inclusion of the workforce would ensure better communication to the employees, resulting in a faster course of action.²⁶

Another change could be in the company's leadership style, where instead of a more autocratic style, there could be situational leadership based on autocratic, democratic, and paternalistic styles to achieve belonging and equity objectives. Democratic could aid in making employees feel they could achieve more in the company and create the desire to participate more in decisions, aligning the business more with achievement and power-focused motivators. But this needs a concise application since this leadership delays decision-making.²⁷

The paternalistic style could make employees feel important at their workspace since it helps to create an environment of care and belongingness, which could be a way to increase the

²⁴ Salvatore Ferragamo Reviews - Glassdoor. Accessed May 02, 2024.
<https://www.glassdoor.com/Reviews/Salvatore-Ferragamo-Reviews-E8671.htm>.

²⁵ "Our People: Salvatore Ferragamo CSR." Our People | Salvatore Ferragamo CSR. Accessed November 27, 2023.
<https://sustainability.ferragamo.com/en/people#diversity>.

²⁶ Salvatore Ferragamo Reviews - Glassdoor. Accessed May 02, 2024.
<https://www.glassdoor.com/Reviews/Salvatore-Ferragamo-Reviews-E8671.htm>.

²⁷ Salvatore Ferragamo Reviews - Glassdoor. Accessed May 02, 2024.
<https://www.glassdoor.com/Reviews/Salvatore-Ferragamo-Reviews-E8671.htm>.

workers' urge to work and grow more in the company because of this positive workspace (power and achievement motivations). Finally, autocratic leadership is vital to preserving centralized authority, an important part of the organization's culture.²⁸

Moreover, although Ferragamo is taking action to change, including independent directors, as they bring more diverse and impartial viewpoints to decision-making, it's not enough. What could help the company transition to be more in line with its DEI & B objectives is introducing modern governance practices, like having DEI specialists in the workforce to guarantee more diversity and representation while not excluding the company's past and values. Those are focused on innovation, creativity, and bonding to the local culture, so updating it, maybe with a new mission statement, adding: "ensure that our company fosters a sense of belonging and representativeness through creative and innovative goods," could be an alternative²⁹ Is essential to make sure that during this transition, members of the Ferragamo family are involved, as mediators to maintain the brand's legacy for a smooth transition.³⁰

4 CONCLUSION

Salvatore Ferragamo has well-defined DEI & B objectives, but they still have to change the application of those. The recommended actions outlined are valid for this application and ensure alignment with the business power culture. However, some potential problems can arise with those actions, like significant resistance because it changes established aspects of the company, and the costs of applying this change to the organization, like training the workforce to

²⁸ Salvatore Ferragamo Reviews - Glassdoor. Accessed May 02, 2024.
<https://www.glassdoor.com/Reviews/Salvatore-Ferragamo-Reviews-E8671.htm>.

²⁹ Miletti, Wanda. n.d. "Mission." Ferragamo Foundation. Accessed May 3, 2024.
<https://fondazione.ferragamo.com/en/mission>.

³⁰ [SUPPORTING DOCUMENTS 3] Rana, Nirbhay. 2023. "Corporate Governance challenges in Family-Owned Luxury Businesses: Balancing Tradition and Modernization."
 file:///C:/Users/Usuario/Downloads/CorporateGovernanceChallengesinFamily-Owned.pdf.

these changes, or even market research to ensure that Ferragamo is following market trends regarding DEI.³¹

Finally, to answer the question “What possible changes should Salvatore Ferragamo make for actions outlined in the Diversity, Equity & Inclusion (DEI) report to be more aligned with its corporate culture?”, there should be changes based on the company’s organizational structure, motivation, and an update of the company’s values, switching from traditionalism to modernization.

³¹ [SUPPORTING DOCUMENTS 3] Rana, Nirbhay. 2023. “Corporate Governance challenges in Family-Owned Luxury Businesses: Balancing Tradition and Modernization.”
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2024. <https://sustainability.ferragamo.com/en/people#diversity>.

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Rana, Nirbhay. 2023. “Corporate Governance challenges in Family-Owned Luxury Businesses: Balancing Tradition and Modernization.” (10).

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