

Managers of ex-Mafia assets

A new cadre of leaders in Italy is being trained to run properties seized from organised crime, writes **Eric Sylvers**

If running a large hotel in the middle of a financial crisis and a shrinking market sounds difficult, try pulling it off when the 14-storey building has been confiscated from the Mafia.

"Call it fearlessness or perhaps stupidity, I'm not sure which it was, but I took this on as I would any other job," says Luigi Turchio, the soft-spoken court-appointed administrator of the San Paolo Palace hotel and conference centre in Sicily.

Intimidation from the local crime boss and finding that the crime boss's mistress was on the staff are just a few of the challenges Mr Turchio has faced in the 19 years since a court appointed him to manage the 283-room hotel on the edge of the Mafia-infested Brancaccio neighbourhood of Palermo, the Sicilian capital.

His job has included weeding out employees still answering to the jailed crime boss and renegotiating contracts formerly made with the mafia.

That Mr Turchio is still in charge of the San Paolo is an indication of the leisurely pace of Italy's judicial system. It is normal for a decade to pass between when an asset of someone charged with being part of an organised crime group is confiscated and

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the final court verdict that passes the assets definitively to the state. Often, as with the San Paolo, it then takes many more years before the government finds a buyer, while businesses languish or fold, leading to job losses and social unrest.

"I have grown attached to the hotel but I shouldn't, because sooner or later the government will sell it and I will have to move on," says Mr Tur-

chio, as he walks through the sprawling hotel with its sea views, an auditorium seating 900 and a rooftop pool with spectacular panoramic vistas of Palermo and the coast.

The more than 1,600 confiscated businesses in Italy include construction companies, healthcare providers, mines, castles, manufacturers, villas, vineyards, hotels and supermarkets: they all suffer from a lack of access to credit. However, there is a dearth of managers such as Mr Turchio with the skills to take on some unusually challenging situations.

To meet demand, a group of business schools and business associations this year launched a postgraduate course offering formal, practical training for would-be managers of ex-Mafia concerns. The course, which included visits to see Mr Turchio and the San Paolo, aims to train a cadre of experienced managers to be deployed across Italy.

"We need professional managers to come in not only to keep a business from closing but to develop it so we can demonstrate that when the state takes over from the Mafia, that doesn't mean job losses," says Marella Caramazza, director-general of Fondazione Istud, a business school located near Milan, which is leading the course along with two other business schools, Bocconi in Milan and Luiss in Rome. "We must show that when managed legally these can be profitable businesses that bring employment to the community."

Mafia-run businesses tend to be generous in handing out jobs locally to build consensus in the neighbourhood. Mr Turchio acknowledges that his 71 full-time employees are probably more than he needs, but only those who have been implicated in dealings with the Mafia have been dismissed.

Istud received 250 applications for the 63 places on the five-month course, which is funded by Aldai, an association representing managers in Lombardy, and Assolombarda, a regional employers' association.

"The chance to be able to contribute in some way to help these companies survive and flourish is very appealing and is why I applied," says Antonio Pardo, 49, a marketing and auditing consultant who took the course.

Twelve days of classroom work, with lecturers including an anti-Mafia magistrate from the organised-crime ridden Calabria region, were com-

bined with 30 days visiting businesses. Mr Pardo says: "We have all read how money-laundering works, but with our on-site visits and case studies we were able to see first-hand how it takes place."

The students, ten of whom were female, studied the financial peculiarities of confiscated assets, such as unwinding Mafia contracts with suppliers and alternatives to the Mafia as sources of funding.

These were skills that Mr Turchio had to learn on the job.

"I arrived at the door of the hotel with my briefcase and the court document showing I was in charge, and nobody here had any idea what to make of me," he says. He was 30 when he took over in 1994, just three years after the hotel had opened. "I received some threats at the beginning, including people telling me to take my hands off their money, but on the whole I have not had any problems."

At first sight, the San Paolo resembles any of the other mid-range business hotels that dot cities from New York to Sydney. It has the same smiling receptionists, leather couches in the lobby and a local touch – in this case paintings of tuna fishing, a once-important local industry.

Yet the dated wood panelling and excessive use of mirrors evoke a bygone era, and with no credit lines to call on for remodelling, the San Paolo is showing its age. A record year for revenue in 2007 has been followed by steady declines.

Fifteen kilometres east in the town of Bagheria, Andrea Dara, another accountant working as a court-appointed administrator, has invested and turned the Villa Santa Teresa radiology and nuclear medicine clinic into a thriving business. This is thanks to a mortgage and a competent manager who took over as chief executive.

"Not everybody appointed by the court is lucky to have a good manager so it is important to have trained managers who can come in with clear ideas," says Mr Dara, speaking in the shade of lemon trees outside the clinic. "My manager could leave and then what do I do if there aren't properly trained people ready to step in?"

Like Mr Turchio, Mr Dara found he had too many employees when he took over. Estimating that 40 of the 120 staff were not needed for the jobs they had been hired to do, he paid for retraining, including for 11 drivers to become medical technicians.

Marcello Laccisaglia, another course participant, says he is ready to help Mr Dara and other administrators, but is unsure whether he will get a chance. "Until there is a law mandating that a professional manager should be sent in to flank the court-appointed administrator, there is the risk that we won't actually be able to apply what we have learnt," he says.

So far none of the 63 newly trained managers has been hired by the government but Ms Caramazza says she expects that to change. Last week she presented the course at a conference attended by top government officials.

"The course has shown that something can be done to fight the Mafia but if we don't get these managers inserted into a job we won't have succeeded," says Romano Ambrogi, chairman of Aldai.

Taking over

Luigi Turchio, court-appointed administrator of a number of state-confiscated assets, including Palermo's San Paolo hotel, right, on running such businesses:

- Know exactly who you are working with – both that they are competent in this very specific sort of work, but also that you can trust them. "When I take over something that has been confiscated from the mafia I have a lawyer I work with who knows exactly what to do including how to structure the contracts," he says. "It's hard to imagine that even the best lawyer in Milan would know how to do that. Even in Palermo there are only a few that can do it."
- Understand the nuances of the business. "Just because you have run a hotel in Milan doesn't mean you have the knowledge or competences to do the same thing well in Palermo. You must have the local knowledge and have people you can turn to."
- Everything must be in perfect order – "or else you're going to get into trouble. You don't have the luxury of cutting a few corners here and there. If you do you're finished because at that point you can be blackmailed and that's the end of you".

