

FOREWORD

Having a clear, defined and focused strategy is critical for any type of organization, especially in current markets, in which competition is insistent, globalized and dynamic. Without a well-defined strategy, companies may stall or even fail. In this context, it is truly important for organizations to have a plan for day to day business along with a long-term vision. Nevertheless, it is necessary to spend time evaluating the changes happening in the business environment, for adapting strategies accordingly.

Scholars and practitioners alike have tried to deepen the knowledge on what strategy is and what it implies in a real context. Planning is a core aspect of strategy, whereas organizations should define where to go (strategy formulation) and how (strategy implementation). Understanding corporate strengths and weaknesses is another core part of strategy. Related to this, an assessment of internal skills, resources and competences is an important part of strategy, as strategy implementation is grounded on what the company possesses in terms of assets and resources, both tangibles and intangibles. Lastly, environmental scan is the key to adapt strategies in times characterized by dynamism and changing trends. Seldom the intended strategy of a company is successful as many variables can change the course of action. As a consequence, strategists must be able to understand, and even forecast, what will happen to the economy, technologies, politics and society at large.

To sum up, succeeding in strategic management is a hard task for companies. It takes time, resources and competences. Understanding the real nature of strategy from a theoretical perspective is even harder. The book of Dr. Gabriele Santoro tries to shed light in this regard, by outlining the foundations of strategic management with a specific focus on companies of the new millennium, which is a real strength and originality of the work.

These companies have been successful and have established themselves as market leaders through innovative business models based on features like sharing, collaboration, scalability and user-centered value propositions. In this book we see that many of the old traditional approaches to management need to change and new approaches need to be adopted. As complexity in companies increases, strategic management must be seen from different perspectives as well as old models of analysis must be adapted. Dr. Santoro's book, designed to be accessible and readable, far from proposing definitive solutions for strategic management, opens the way to new questions and paradigms. More specifically, the book revisits classic theories and models in the field of strategic management, but offering an original and innovative perspective. This is achieved by proposing cases and examples of contemporary and innovative companies such as Netflix, Apple, Airbnb, Spotify, Uber and Facebook. These cases and examples explore how old models of strategic analysis and implementation, such as PESTLE, Porter's five forces and value chain models among others, can be used and adapted in the context of these companies. The perspectives of analysis offered by the author suggest food for thought and implications useful to management students. Rather than try to convey all that theory has to say on a subject, the book seeks to translate what theory has to say into principles and practices that students need to know in order to accomplish what that they want to accomplish. By contrast, the book is inspiring for managers and professionals willing to explore tools and models useful to formulate, adapt and evaluate strategies.

*Professor Stefano Bresciani
University of Turin*

INTRODUCTION

Strategy represents a hot topic within the management field. In fact, the strategy is about where the organization wants to go and how it wants to go in that direction. Therefore, strategic decisions affect all business functions.

This book aims to explore the strategic management field with particular reference to the companies of the new millennium. These are companies that follow new logics and business models. Therefore, it is necessary to revisit existing theories and models, adapting them to new contexts of analysis.

The book is divided into 5 chapters. The first chapter introduces the concept of strategy and strategic management, emphasising the matter pertaining strategy formulation, which includes the definition of vision, mission, goals, and values. In addition, the chapter anticipates the levels of strategy, namely corporate, business and functional. Finally, light is shed on the classic types of strategy, i.e. intended, emergent and realized. The chapter is complemented by a case of strategy statement, Airbnb.

The second chapter shows the importance of strategic analysis for strategic management. In particular, different models of analysis of the external environment are shown and explained, such as PESTLE analysis, five forces analysis, SWOT analysis. Finally, the chapter offers a model of analysis of the internal environment, i.e. the Porter's value chain. Several cases are offered, such as Apple and Uber.

Chapter 3 deals with business strategies, i.e. those that can build competitive advantages in a specific business. The chapter highlights the sources of competitive advantage, namely cost leadership, differentiation and focus. Furthermore, the chapter offers an economic analysis of competitive advantage. In detail, it sheds light on how competitive advantage

can be assessed by considering key economic factors such as contribution to profit per unit sold. This analysis is supported by a case regarding the smartphone industry.

The fourth chapter links business strategies to business models, with emphasis on how companies create, capture and deliver value to customers. In addition, the Business Model Canvas is presented and discussed, through examples of successful innovative companies, such as Netflix and Spotify.

Finally, chapter 5 discusses corporate strategies, underlining the concepts of vertical and horizontal integration, outsourcing, and diversification. Moreover, the chapter presents the portfolio matrices through examples of successful diversified companies.

Chapter 1

INTRODUCING STRATEGY

SUMMARY: 1.1. Defining strategy. – 1.2. Strategy formulation. – 1.3. Types of strategy. – 1.4. Levels of strategy. – 1.5. Who is responsible for the company's strategy?

1.1. Defining strategy

What is strategy? Many people, scholars and practitioners alike are often very confused about what strategy really means¹. It is a word we use a lot to mean a wide variety of things, both in business contexts and other contexts².

What is strategic management? If strategy is a term that has been confused, strategic management is often confused too³. One accepted definition is provided below.

¹Evered, R. (1983). So what is strategy?. *Long Range Planning*, 16(3), 57-72; Greiner, M.E., Böhmman, T., & Krcmar, H. (2007). A strategy for knowledge management. *Journal of Knowledge Management*, 11(6), 3-15; Thrassou, A., Vrontis, D., & Bresciani, S. (2018). The Agile Innovation Pendulum: Family business innovation and the human, social, and marketing capitals. *International Studies of Management & Organization*, 48(1), 88-104; Thrassou, A., Vrontis, D., & Bresciani, S. (2018). The Agile Innovation Pendulum: A strategic marketing multicultural model for family businesses. *International Studies of Management & Organization*, 48(1), 105-120.

²Biscotti, A.M., Mafrolla, E., Giudice, M.D., & D'Amico, E. (2018). CEO turnover and the new leader propensity to open innovation: Agency-resource dependence view and social identity perspective. *Management Decision*, 56(6), 1348-1364; Nicotra, M., Romano, M., Del Giudice, M., & Schillaci, C.E. (2018). The causal relation between entrepreneurial ecosystem and productive entrepreneurship: A measurement framework. *The Journal of Technology Transfer*, 43(3), 640-673.

³Johnson, G., Scholes, K., & Whittington, R. (2008). *Exploring corporate strategy: text & cases*. Pearson education.

“... the process by which the guiding members of an organization envision its future and develop the necessary procedures and operations to achieve that future ...” (Goodstein, Nolan, and Pfeiffer, 1992).

Nevertheless, there have been many definitions provided in the literature on strategic management. Key elements of strategic management often emphasised in all the definitions are: seeing the future; establishing a vision; changes; measuring performance; procedures and operations, establishing goals. As such, strategies can be taken in every contexts as they are the methods for achieving a certain purpose, and dealing with the variables that can influence the achievement of that purpose.

For example, people use a similar approach in life. People establish a goal, that can be very simple such as live as long as possible, graduate at school or university, become a manager, make a lot of money, etc. Based on the decided goal (or final purpose), a strategic approach concerns the decision of actions to make in order to achieve that final goals. For the cited purposes, examples of actions can be eating well, doing sport, studying a lot, investing in relationship etc. In addition, whether we are more or less successful in life depends on how we manage to respond to the changes in the environment we are immersed into. This means being ready to face possible inconveniences and unexpected situations⁴.

This strategic approach in people is usually less formalized and quite irrational. Very often we take decisions based on our instant feelings and emotions. Companies do the same thing but in a different way, that is formalized, systemic and rational, also because companies operate in complex and unstable environments, and because they must be very transparent to stakeholders about the decisions they make.

Whatever the person, the group, the organization, a strategic plan will take several consequential processes (Fig. 1.1): envisioning a mission; establishing objectives; developing strategies, tactics and actions/rules.

⁴Santoro, G., Bertoldi, B., Giachino, C., & Canelo, E. (2018). Exploring the relationship between entrepreneurial resilience and success: The moderating role of stakeholders' engagement. *Journal of Business Research*. <https://doi.org/10.1016/j.jbusres.2018.11.052>.