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Final Thesis

**How the company's business model
has changed as a result of external
mutations such as Covid 19 and
Russia-Ukraine conflict**

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*A me stessa,
alla mia determinazione che,
aldilà di ogni circostanza,
è stata capace di condurmi verso i miei obiettivi.*

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dimostrate durante la stesura del lavoro.*

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e di sostenermi nei momenti più difficili.*

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Introduction

We often wonder how small companies can become dangerous for large multinational and in particular how they manage to attack markets that seemed untouchable until a decade ago. It isn't because of better products, or at least not only because of this: today those who manage to win on the market are those who have been able to rethink and innovate the logic with which they create and offer value to their customers.

In short, whoever succeeds in innovating the business model of his company wins the market. More precisely, "innovating" one's business model means understanding and rethinking the company at a higher level, as if one could climb on a ladder and observe all the processes (production, distribution, commercial and so on) as a whole and in their synergies, without particularities and thus to grasp its essence, to make it unique and inimitable, performing and suitable for continuous external changes, thus enhancing its efficiency and profitability compared to competitors.

The Business Model is a relatively recent concept that has only begun to attract interest from the academic and business world in the last twenty years; defining the structure of revenues and costs, it is the economic synthesis of a company and of its functioning and its future. Despite the absence of a definitive and accepted definition to date, it turned out that the latter concerns the way in which a company organizes its activities and creates interdependent links between them, in order to be able to create not only an output that has a certain value for its final customers, but also to put oneself in a position to be able, in turn, to appropriate part of the value generated.

This work therefore aims to analyze the close relationship between product / service innovation and the company Business Model, in order to understand the dynamics of the relationship, following not only digital, but especially following the Covid 19 pandemic and Russia-Ukraine conflict, which has "unmasked" aspects unknown until now.

I tried to contribute to the discussion by analyzing two distinct cases: Fonderia SABI and Friul Intagli Industries Spa, two companies located in the north of Friuli Venezia Giulia. Friul Intagli Industries Spa, a multinational with an annual turnover of 600 million euros, with a significant international presence, which, thanks to the large company size and the rigidity that characterizes its operating system, has had great difficulty in renewing its business model.

Fonderia SABI Spa, a family business operating in the metallurgical sector, with a turnover of 60 million euros per year, with a limited presence at national level which, precisely by virtue of its small company size, has managed to change with greater speed and efficiency.

In Chapter 1, I analyzed the main aspects of the business model. First of all, the contributions of the literature on the business model, through a historical excursus of how the concept itself has evolved over time in the business environment and what approaches were used to study it. In particular, I dedicated more space to what is considered the most important contribution in the field of business model, namely the manual by Alexander Osterwalder and Yves Pigneur "Business Model Generation", in which they propose their Business Model Canvas followed by a detailed explanation of the nine components, so-called "Building blocks", in order to clarify the misunderstandings related to the use of the term itself, sometimes used by companies in an unconscious way. I focused on the important relation between business model and business strategy defined by many authors as a winning combination and on the Balance Scorecard, seen as a tool to support the business.

In the next chapter, I will explain how the advent of digital, the COVID 19 pandemic and the current clash between Russia and Ukraine that is making us more and more involved day after day, have changed the way that companies do business by dedicating an in-depth study to Business Model Innovation trying to illustrate why many companies have decided to redefine or change their business model.

In the third chapter I will define the method of analysis used for data collection and in the final chapter I will carry out a detailed qualitative analysis of two companies located in my area taken as a sample.

The objective of this study is to analyze how small and large companies have faced environmental changes over time, but especially how they are reacting to the COVID 19 pandemic and the ongoing conflict between Russia and Ukraine in order to be able to outline guidelines. that can serve as a suggestion to companies not to fail, or at least to "survive."

CHAPTER 1 THE BUSINESS MODEL

The Business Model is a term used for many years but only recently has become a strong player within companies. Abstract, concrete and linked to company strategies, it cannot have a single definition, but tends to vary depending on the company and the sector in which it is developed. Following the change of direction that the market is taking, aimed more and more at maximizing profits over time, also influenced by the digital era and, in recent years, by Covid 19, which has brought to light previously unknown aspects, the business model has become a critical factor of great importance within companies, as it is the set of organizational and strategic solutions through which the companies acquires competitive advantage and allows them to differentiate from their competitors.

1.1 Theoretical evolution of the concept: a structured literature review

In theory and practice, the term 'business model' is used for a wide range of informal and formal descriptions intended to represent fundamental aspects of a business, including its purpose, offerings, strategies, infrastructure, organizational structures, business practices, and operational processes and policies; thus it communicates a high-level view of an organization. Drawing its origins from the development and growth of the new economy, the term has become commonly used in both business practice and scientific research. It originated with the writer Peter Drucker¹ who in 1954 defined the business model as a tool to answer some questions, concerning customers, value proposition and costs, more in detail: Who is your customer, what does the customer value, and how do you deliver value at an appropriate cost? (Harvard Business Review, 1994)

The issues related to business models have been analyzed by different disciplinary sectors, with different methodologies and objectives each time. Defining the dimensions and boundaries of the phenomenon may not be easy. Increasingly, entrepreneurs and managers are grappling with questions regarding the techniques to be used to design, test and implement the business model, how to innovate it and how globalization can have repercussions on the company level and therefore on the business model.

But before we can address these issues, we need to take a step back and start with the fundamental question: What is a business model really?

¹ Peter Drucker (1909-2005) was one of the most widely-known and influential thinkers on management, whose work continues to be used by managers worldwide.

There is no universal definition on the subject and numerous classifications have been proposed over the years, sometimes complementing each other and sometimes clashing. It is possible to find simple and concise definitions but at the same times are complex and analytical. Authors often show a tendency to take a path that starts from scratch rather than continuing the development in the strands emerging from the existing literature. The research experiences to date also have difficulty in sharing common ground, making the work conflicting and incompatible. There is a lack of common basic theoretical assumptions to the extent that the literature struggles to identify a shared definition. The same term is often used to refer to different aspects of the same phenomenon: what is described as a business model by one author is instead considered only as one of its components by others.

The different explanations provided tend to highlight different aspects and thus there are abstract definitions of the business model concept, real implementations or virtual models that do not exist in the real world, varying both in structure and content. Initially the definition referred to the way in which companies, especially those with high technological content, organized themselves to exploit the great potential that the Internet was offering more and more by the day. For this reason, the first articles on the concept were born towards the end of the 1990s, a period that saw the definitive affirmation of the global network in everyday life.

1.1.1 First studies

One of the first contributions on the subject is that of Timmers P. (1998) who defines the business model as: "a product, service and information flow architecture, including a description of the various business actors and their roles; a description of the potential benefits for the various actors in the business and a description of the sources of revenue"².

From these few disjointed elements, the author deduces that the concept of the business model cannot provide those contributions necessary for the realization of the company's mission. In his view is still necessary to know the marketing strategy of a company in order to understand its business functions and competitive advantages. In addition to the business model, therefore, it is also necessary to identify the marketing model.

² Timmers P. (1998) "*Business Models for Electronic Markets*", 1998, pp .3-8

Friedman and Langlinais³(1999) are the first to approach the concept of consumer value and satisfaction which will be considered the focal point around which the business model concept revolves. Like Timmers, these authors don't propose an exact definition of a business model but outline some aspects of it that allow us to lay the foundations for a more complete argumentation on this concept. The two authors note that emerging business models are characterized by a shift of power from the seller to the buyer.

In particular their studies shows that in many industries, individual companies still offer discrete products or services through physical distribution channels to a proprietary, undifferentiated clientele. Virtually overnight, however, the Internet and user-friendly technology have empowered a new generation of consumers, who are challenging this long-accepted structure of commerce.

The result is a fundamental shift from a seller- driven to a buyer-driven world – and the onset of a new battle between business models. To succeed according them, companies will need to evaluate innovative new strategies that capitalize on both the power of the Internet and the changes in consumer demands. So, there e is a shift from a traditional seller-driven model with a low degree of product access and delivery technology but with a demand aimed at the mere product to a buyer-driven model with a high degree of product access and delivery technology with a demand based mainly on the buyer's intentions through a customer-centric model⁴.

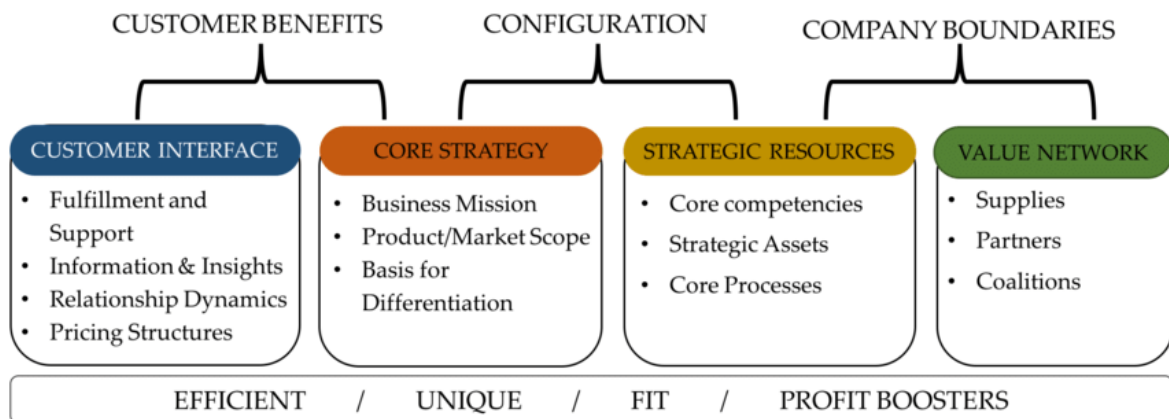
One year later, we found Hamel⁵(2000), according to him the business model "is simply a business idea put into practice".

³ Friedman J. P., Langlinais T. C. (1999), Best Intentions: a Business Model for the eEconomy;

⁴ *Customer-centric model* is a model in which value is created in the level of relationships between products and distribution channels, rather than in the products individually intended

⁵ Hamel G.,2000, Leading the revolution:an interview with Gary Hamel, Staregy & Leadership Journal, Vol.29

Figure 1 Components of Hamel business model framework



Source: Research gate.

The author, moreover, identifies four components of the business idea:

1. The purpose of the customer interface is to manage customer relations, providing information and support, and to define the price structure, thus enabling the enterprise to realize the value produced.
2. The core strategy starts from the definition of the mission and objectives of the company and goes on to define the elements of differentiation of the offer;
3. The strategic resources concern core⁵ competencies, assets and processes;
4. The value network is made up of all those external relationships (with partners, suppliers and possible alliances) that contribute to giving value to the company's products.

These four components are interconnected through three “bridging elements”:

1. Customer benefits are the practical translation of the core strategy to the outside world and therefore manifest themselves through the customer interface;
2. Configuration concerns the explication of the inward strategy which is translated into an original and specific combination of skills, assets and processes;
3. Company Bounderies are represented by the value network and depend directly on the selection of resources and the combination chosen to employ them.

One of the most comprehensive and important contributions is elaborated in 2001 by Amit and Zoff⁶, in their work “Value Creation in E-business”, they analyzed virtual

⁶ Amit R., Zott C. (2001), Value Creation in e-business, Strategic Management Journal, vol. 22, pp.511

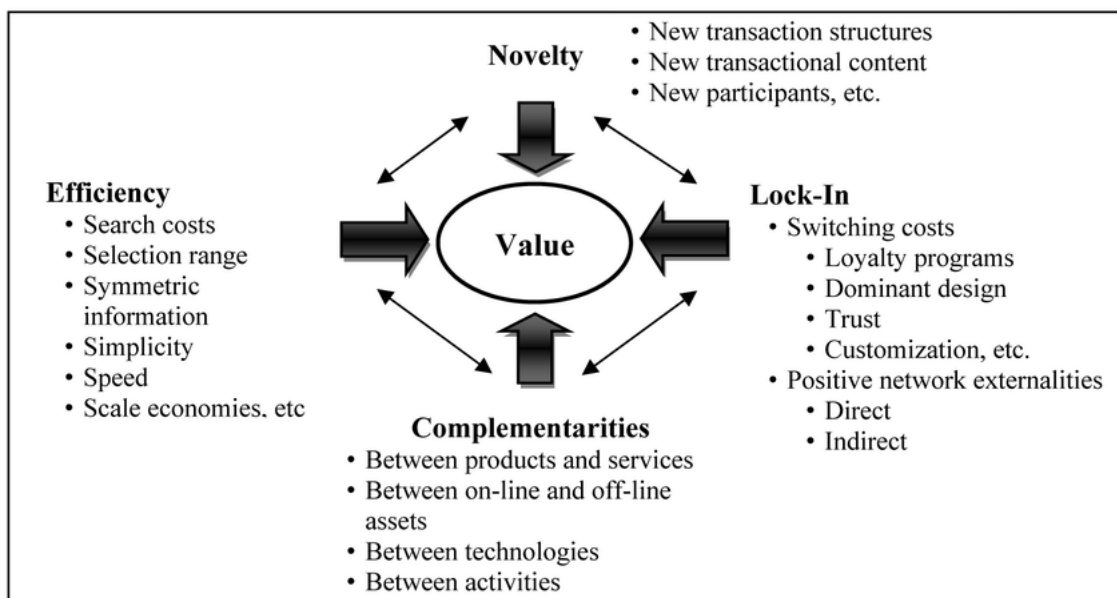
markets in order to produce a definition of business model: "the business model describes the content, structure and management of transactions designed to create value through the exploitation of business opportunities".

According to the authors, there are three elements which must be taken into account during the design phase in order to guarantee the success of the company.

First of all the content of transactions relates to the subject matter of the exchanges that take place within and between the firm and the external environment, as well as the resources required to enable these exchanges. Secondly the structure of transactions refers to the way in which the parties involved in the exchange are organized and linked to each other and the order in which the exchanges take place. Last the transaction management that concerns the system of control over the flow of goods, information and resources and the incentives that are granted to the various actors.

Finally, the authors emphasize that the concept of business model should not be confused with that of profit model, understood as the specific ways in which a business model generates income. This model is mainly composed of four dimensions or four potential sources of value creation, which are also interconnected as shown in Figure 2.

Figure 2 The four value drivers, Amit & Zott



Source: Research gate.

More in detail, we have:

- lock-in: phenomenon that occurs when an agent or set of agents or an entire industry is trapped within a choice or economic equilibrium from which it is difficult to escape, even though potentially more efficient alternatives are available. It refers to the ability of a business model to require users to perform repeated operations;
- efficiency: the Internet makes it possible to increase efficiency in several ways, one of the most significant being its ability to reduce so-called information asymmetries between buyers and sellers;
- novelty: Innovation has always involved the introduction of new products/services or processes. However, the Internet offers unlimited possibilities to innovate in the way transactions are enabled, introducing new business or revenue models;
- complementarity: companies have long known that they can leverage value creation for their own products when they bundle them with complementary products from other companies. The Internet is crucial for the creation of online virtual communities.

1.1.2 Innovation as a source of economic value

In 2002 Chesbrough H. and Rosenbloom R.S. in their study "The role of Business Model in Capturing Value from Innovation from Xerox Corporation's Technology spin-off companies" proposed the following definition:

"The six attributes of a Business Model are:

1. articulate the value proposition which is the value created for customers through the technologies that characterize the company's offering;
2. identify a Market Segment which is the set of customers for whom the technology is useful and to whom it is addressed;
3. define the structure of the value chain through which the company creates and distributes its offer;
4. estimate a cost structure and the potential economic results produced by the offering as a result in the prescribed value chain;
5. describe the position of the enterprise within the value network linking suppliers and customers, including the identification of potential competitors;

6. formulate the competitive strategy from which the firm will gain advantages over rivals” (Chesbrough H. and Rosenbloom R.S, 2002).

Thus, the two authors emphasize innovation as a source of economic value, and then investigate the role played by the business model in this logic.

The first consideration to be made is that, as we can see from the above quotation, strategy and business model are two different concepts, even though they can sometimes be used almost as synonyms and are closely interconnected. The former creates value for the consumer and for the company and is based on a limited rationality held by the company-customers-third parties; the latter creates profits and increased competitiveness, creates value for shareholders and is based on available information with which decision-making processes are brought to life. Creating value is a necessary but not sufficient condition for a company to profit from its business model. The business model is the description of how a company intends to create value in the market. It encompasses the distinct combination of products, services, image and distribution that the enterprise carries out.

1.1.3 Business model as a story

Magretta⁷ in his article published in Harvard Business Review in 2002 under the name “Why Business Model Matter”, noting how fashionable it has become to discuss the business model and how this term has been used and abused, elaborates his own definition of it. According to the author, a business model is a narrative, a story of how a business works. A good business model answers Peter Drucker's age-old questions: who are my customers? how much are they worth? how can I make money in this business? what is the logic that governs the transmission of value to customers while keeping a satisfactory profit?

A business model focuses on how to combine all the elements of a system into a functioning whole. It is a set of assumptions about how an organization will function by creating value for all the participants on whom it depends, not just customers. Essentially a business model is a theory that is continuously tested by the market. Creating a business model is like writing a new story based on existing generic value chains. It is also important to underline the relationship that Magretta believes exists between business

⁷ Magretta J. (2002), Why Business Models Matter, Harvard Business Review, vol. 80, n° 5, pp 72- 102;

model and strategy: while the former concerns, as already mentioned, the way in which the distinctive elements of a business are linked together to create value, strategy on the other hand is concerned with relating and effectively harmonizing this configuration with the competition that each company faces in its own reference market. The business model is not comparable to the business plan and should not be confused with the business strategy, which focuses heavily on competitors, unlike the business model, which analyses how the components of a system fit together and work synergistically. Strategy, on the other hand, focuses on competition and explains how the company does or will do better than its competitors. In fact, the company reaches its peak when it is unique, i.e. when it has no competitors producing and offering similar products/services. (Magretta 2002).

1.1.4 Business model as industry's core logic

Smith, Linder and Shafer⁸ (2005) , in order to draw up a definition of a business model, make use of the contributions of the various players they analyze. From the 42 possible constituent elements of a business model that they found in the academic literature, some of them (the most recurrent) are taken up and brought back to four categories: strategic choices, the value network, value creation and value appropriation as shows the Figure 3.

Figure 3 The components of a business model for Shafer, Smith and Linder

Strategic Choices	Value Network
Customer (target market, scope)	Suppliers Customer information Customer relationship Information flows Product / Service flows
Value proposition	
Capabilities / Competences	
Revenue / Pricing	
Competitors	
Output (offering)	
Strategy	
Branding	
Differentiation	
Mission	
Create Value	Capture Value
Resources / Assets	Cost
Processes / Activities	Financial aspects
	Profit

Source: S.M. Shafer, H.J.Smith, J.C. Linder (2005), *The power of business models*

⁸ Shafer S.M., Smith H.J., Linder J.C. (2005) The Power of Business Model, Business Horizon, Kelley School of Business, Indiana University, vol 48, pp. 201-207;

Theorists later came up with a new definition of the term, based on the fact that business is fundamentally related to the creation of value and the possibility of appropriating the economic returns from this value, and that a model is simply a representation of reality. Thanks to this classification, it is clear that the business model is a representation of the core logic underlying a company and of the strategic choices aimed at creating and appropriating value in a given value network. Here too, as in Magretta (2002), the emphasis is on the need to produce a model with a "story that works" and with assumptions and cause-effect relationships that are sensible and consistent with strategic choices. To these four elements that recur in the definition (underlying logic, strategic choices, value creation and value appropriation and value network) Shafer, Smith and Linder (2005) also link four possible errors, which can be made in the design of a business model, and which can compromise its validity:

- Incorrect assumptions to the underlying logic, in case the basic assumptions have not been sufficiently tested or are oversimplified;
- Limitations in the strategic choices considered, i.e. the situation in which the strategy is not considered in a global dimension but only limited to certain aspects;
- Misunderstandings concerning the creation and appropriation of value, and more precisely an over-emphasis on the creation of value which corresponds to little or no attention to the necessary and consequent appropriation of value;
- Incorrect assumptions about the value network, the configuration of which is sometimes considered immutable over time and not dependent on future changes (related to technology or consumer preferences, for example).

Finally, the authors highlight the conceptual difference between strategy and business model: while the former is understood by the authors as the set of choices made by a company, the latter reflects the consequent operational implications and allows the analysis and verification of the cause-and-effect relationships that derive from it.

1.1.5 Business model as interconnection of activity that create-transmit value

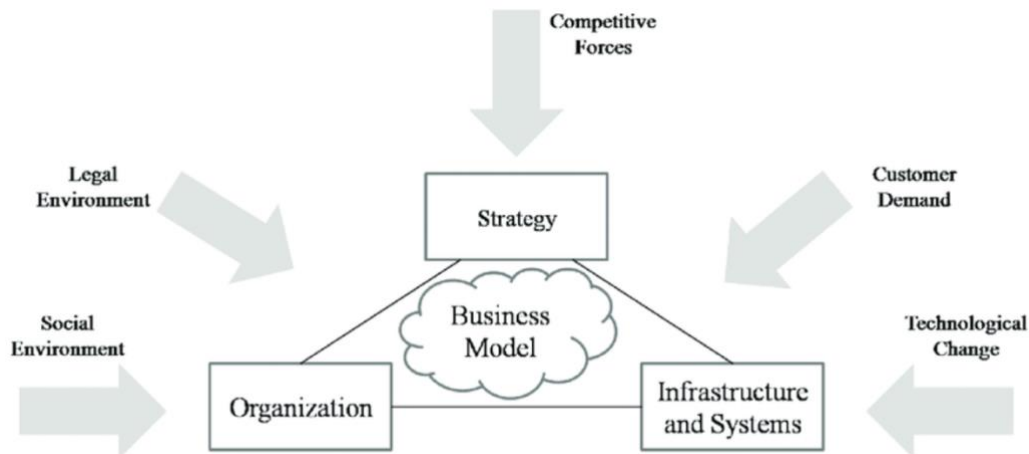
In the same year, Osterwalder, Pigneur and Tucci⁹ wanted to summarize what had previously been published by the other authors, further investigating, also from an etymological point of view, the concept of business model and publishing an article: “Clarifying Business Models: Origins, Present and Future of the Concept”. They etymologically analyze the words that make up the expression business model: a “model” is defined as a description, a synthetic representation of a complex entity or process; a “business” is an activity of providing goods or services involving financial, commercial, and industrial aspects. Combining the two definitions, they arrive at affirming that it is a conceptual tool containing a set of objects, notions, and their relations with the business objective, in order to express the business logic of a specific enterprise and concerns the creation-transmission of value to its consumers. Looking at the literature, the authors note that there are authors who use the term simply to refer to the way enterprises function and others who emphasize the concept of the model. In fact, the two visions differ because the first merely wants to describe how a firm does business while the second one wants to conceptualize the way a firm does business in order to reduce complexity to an understandable level of learning, perhaps to replicate the operation in other business contexts.

The business model is not the business model process: the former concerns how a company creates value and reappropriates it by marketing its products and/or services, the latter concerns how a new technology is implemented in business processes (Osterwalder, Pigneur and Tucci, 2005). The business model is also not a strategy, although they are two related aspects: the first is the description of how all components of a company coexist to create value, the second is concerned with how those components contribute to the competitiveness of the company itself. Interpreting the business model as a project that allows to design and implement the structure and systems of the enterprise, the authors de facto devise a business triangle as shown in the Figure 4, understood as that relationship between strategy, organization and systems that are continuously subjected to external factors such as competitive forces, social and technological changes, consumer opinions and regulatory contexts.

⁹ Osterwalder A., Pigneur Y. and Tucci C., (2005) Clarifying Business Models: Origins, Present and Future of the -Concept, Communication of the Association for Information Systems, vol 15, pp.1.16

The business model performs four functions: to understand and share the business logic, to analyze as it can be considered as a unit of measurement, to manage in order to improve the logic of the business and of future perspective i.e. it allows to understand the future dynamics of a business.

Figure 4 The Business Triangle



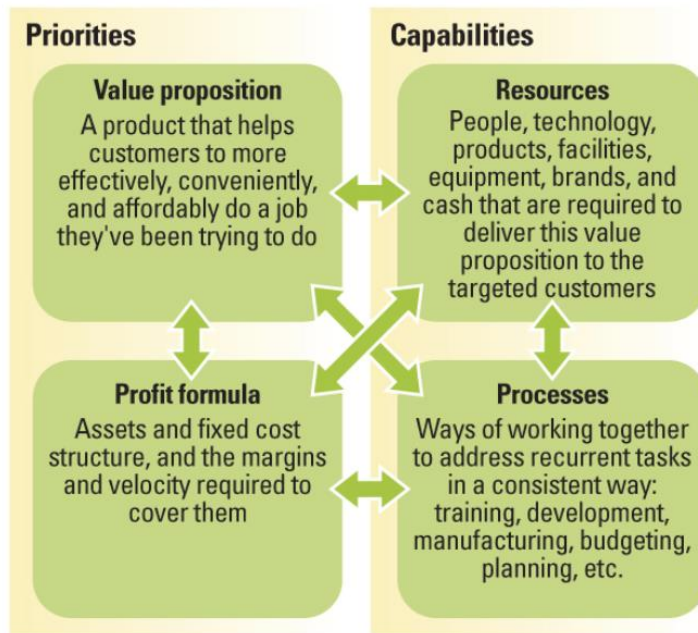
Source: *Clarifying Business Models: Origins Present and Future of the Concept*; Osterwalder, Pigneur e Tucci (2005).

Johnson, Christensen and Kagermann¹⁰ in their article “Reinventing your business” of 2008 define the BM¹¹ made up of four elements: (1) a value proposition for customers; (2) resources, such as people, money, and technology; (3) the processes that the organization uses to convert inputs to finished products or services; and (4) the profit formula that dictates the margins, asset velocity, and scale required to achieve an attractive return. Interdependencies, represented here by bidirectional arrows, describe the integration required between individual elements of the business model.

¹⁰Johnson M.W., Christensen C.M., Kagermann H., 2008, Reinventing Your Business Model, “Harvard Business Review”.

¹¹ BM: abbreviation of business model

Figure 5 The elements of successful business model



Source: Johnson M.W., Christensen C.M., Kagermann H., (2008), *Reinventing Your Business Model*

It's not possible to invent or reinvent a business model without first identifying a clear customer value proposition. The customer value proposition represents the solution that the company proposes to customer problems or needs. Customer satisfaction and positive feedback will depend on the importance of the need that is being met compared to the ineffectiveness or uselessness of previous solutions. The profit formula is the blueprint that defines how the company creates value for itself while providing value to the customer. It is divided into revenue model, cost structure, margin model and resource velocity. People often think the terms "profit formulas" and "business models" are interchangeable. But how you make a profit is only one piece of the model. Last elements are the key resources and the they processes. The first one are assets such as the people, technology, products, facilities, equipment, channels, and brand required to deliver the value proposition to the targeted customer; the second one are very important in order to create and appropriate value, may include recurrent tasks as training, development, manufacturing, budgeting, planning, sales, and service. These four pillars form the building blocks of any business. The customer value proposition and the profit formula define value for the customer and the company, respectively; key resources and key

processes describe how that value will be delivered to both the customer and the company.

In 2010, Teece¹² notes that developments in the global economy have led to a change in the traditional balance between customers and suppliers. There is thus a need both to address and capture consumer needs and to recapture value from the supply of new products and services. Teece, in his article “Business Models, Business Strategy and Innovation” proposes his definition of a business model as that which articulates the logic and information of how a company creates and transmits value to consumers and how it retains it, turning it into profit. “A business model articulates the logic of the firm in deliberating the value proposition for its customers and sustaining it through a profitable cost and revenue structure” (Teece,2010). It represents the way in which the enterprise conveys value to consumers, persuades customers to pay for the value gained and converts these payments into profits. It is therefore a kind of win-win meeting point for consumers and the company. The business model is therefore not a spreadsheet or an econometric model as it makes assumptions about consumers, earnings, and costs, changing needs and the behavior of competitors¹³. There is no such thing as a good business model; each company must design and implement its own in order to operate at its best. A good business model generally must convey value propositions that are compelling to consumers, enable the achievement of cost advantages and a robust risk structure, and allow significant value to be extracted from what it creates and sells in the marketplace. Effective design is not only needed in the company's infancy but must be constantly updated and monitored even in the more mature stage to ensure the company is always fully self-sustaining. The business model is more generic than the business strategy, but both are necessary to avoid losing or neglecting that which is a source of competitive advantage.

1.1.6 Interconnection and Interdependence of Activities

A more dynamic approach to the BM concept has been proposed by Demil B. and Lecocq X.¹⁴ (2010) in their paper "Business model evolution: in search of dynamic consistency",

¹² Teece D.J.(2010) Business Models, Business Strategy, and Innovation, Long Range Planning, Elsevier;

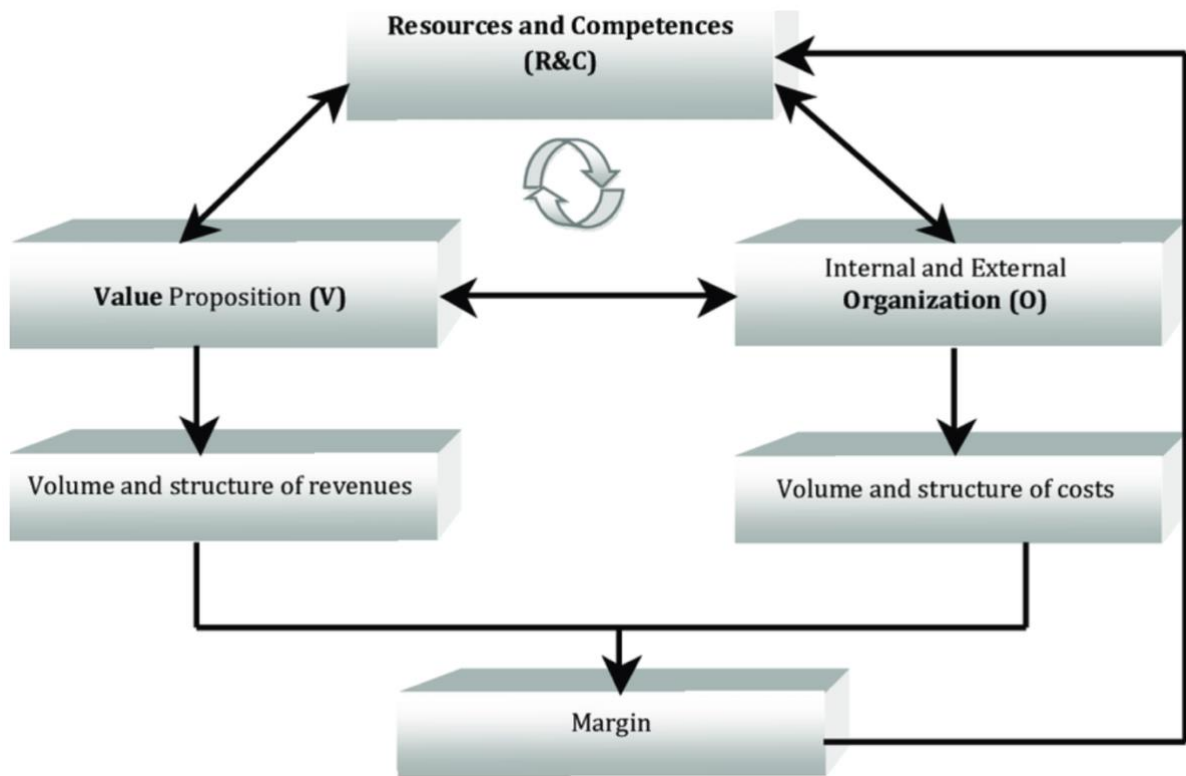
¹³ Teece D.J., Pisano G., Shuen A. (2007) Dynamic Capabilities and Strategic Management, Strategic Management Journal 18, pp.509-533;

¹⁴ Demil B., Lecocq X., 2010, Business Model Evolution: In Search of Dynamic Consistency, in “Long Range Planning (LRP)”, Vol. 43, Issues: 2-3, pp.225-248.

the aim of this work is to bridge the gap between two different approaches to the business model: the activity system perspective (called by the authors "static approach") and the Dynamic Perspective (also called "transformational approach"). In fact, the authors' attention is focused on the continuous change of business models examined thanks to the integration of the two approaches which, although proposing different points of view, are not seen as opposites, but rather as two complementary models which, by pursuing different objectives, allow for a more exhaustive vision. This is also because, while on the one hand the two approaches propose two interesting visions, they both have weaknesses that their combination can mitigate. In the "static approach", as set out above, the business model of a company is understood as the set of different activities that it carries out, the interaction and functioning mechanisms of which allow it to create value. Demil and Lecocq assert that this approach, in addition to allowing an easy description of the different types of business models according to the activities that compose it, allows to study the relationship between the business model and the performance of the company.

While this approach offers an interesting analytical view, it does not analyze the evolution of the business model over time. This is the aim of the "transformational approach" which defines the business model as "a concept or a tool to address change and focus on innovation, either in the organization or in the business model itself". The central point of this approach is therefore the change that gives movement to the model described in detail by the "static approach", by examining the actions and changes of the business model over time. The reunification of these two approaches is the ultimate goal of B. Demil and X. Lecocq, they want to explain how a business model changes through the analysis of the dynamics created by the interactions between the elements of its structure. The authors write: "We try to reconcile the two approaches to address the question of how a business model evolves, looking particularly at the dynamic created by the interactions between its building blocks".

Figure 6 The RCOV model according to Demil & Lecocq



Source: Customer-Integrated Business Model: A theoretical framework in Management vol.3, pp. 226-265

In addition they contribute with another approach on the BM, the so called RCOV(Resources and Competencies, Organization, Value Proposition)¹⁵. The basic assumption of the RCOV model is that a firm builds its BM by making various choices to generate revenues (Figure 6) in a broad sense (turnover, royalties, rent, interest, subsidies, asset handovers, etc). These choices encompass resources and competences to value (Resources and Competences), the value proposition from the firm to its customers (Value Proposition) and the internal and external organization of the business (Organization). The Resources and Competences are valued through the supply of products or services on markets. The organization refers to the choice of operations that an organization deals with itself (its value chain) and the relations it establishes with other organizations (its value network, including suppliers, customers, competitors, regulators, etc). In the RCOV model, these three basic elements (Resources and Competences, Value

¹⁵ Lecocq X.,Demil B.,2010, Customer-Integrated Business Model: A theoretical framework in Management vol.3, pp. 226-265

Proposition, Organization) determine the structure and the volume of costs and revenues of a business and therefore its profit margin (thus, the sustainability of the BM). More precisely, the cost structure is essentially driven by the organization a firm deploys. The revenue volume and structure depend above all on the products and services it offers to its customers. In the RCOV model, the customer is not an element of a BM. However, the authors mention that the customer may be a constituent of the external organization (the “Organization” dimension of the model).

Amit and Zott¹⁶ (2012) return to the topic of the business model with a new contribution, “Creating Value through Business Model Innovation”. Businesses should incur a lot of costs and investments to improve processes and products in order to achieve profit growth and maintain a certain marginality, but besides the unsustainable need for money to implement this type of prospectus, there is not always an immediate payback. The authors therefore recommend devoting that time and effort, including monetary effort, to business model innovation. Indeed, it can be a source of competitive advantage and it is often more relevant how one does business than what one produces. Business model innovation in a sense complements process or product innovation or provides a viable alternative. The real manager of a company's success is its business model, which then becomes an underused source of value and something that can hardly be replicated. More precisely, they define the business model as a system of interconnected and interdependent activities that determines the way a firm does business with its customers, partners and suppliers. Innovation of the model can solve the trade-off between innovation costs and benefits. An innovative business model can create and exploit new opportunities from existing markets and can even create a new market. There are three areas of the enterprise that are sensitive to business model innovation: content, structure, and governance. These three elements, which are essential for every company, are modifiable and constantly updated.

1.1.7 A tool to transform the business vision into reality

The most appreciable contribution in terms of completeness and guidelines is certainly that of Osterwalder and Pigneur¹⁷ who in 2010 developed the business model handbook, “Business Model Generation”: a handbook for visionaries, game charges and challengers.

¹⁶ Amit R., Zott C. (2012), Creating Value Through Business Model Innovation, MIT Sloan Management Review, vol. 53

¹⁷ Osterwalder A., Pigneur Y.(2010) Business Model Generation: a Handbook for Visionaries, Game Charges and Challengers , John Miley & Sons, Inc.;

In it, the two authors address all the issues related to this concept. They define the business model as “the logic by which an organization creates, transmits and appropriates value”. This definition is as simple as it is important, as it is considered essential that the notion be as widely shared and understood as possible: the concept must be simple, relevant and universally intuitable. The challenge faced by the two authors was to convey the concept through a representation that everyone could understand: simple but effective and such as not to detract from the complexity of how a business system works. The authors consider useful to illustrate the concept of a business model by means of a scheme defined as a "Canvas" consisting of nine separate but interdependent building blocks as shows the Figure 7.

Figure 7 The nine-building block of Business model Canvas



Source: Research gate

These nine building blocks, which illustrate the logic with which one intends to make money, actually cover the four most relevant areas for any company: customers, supply, infrastructure and financial viability. The infrastructure (internal and external organization, i.e. value chain and value network) generates costs, but makes it possible to create a value proposition (an offer) for customers as well. In this model, customers are

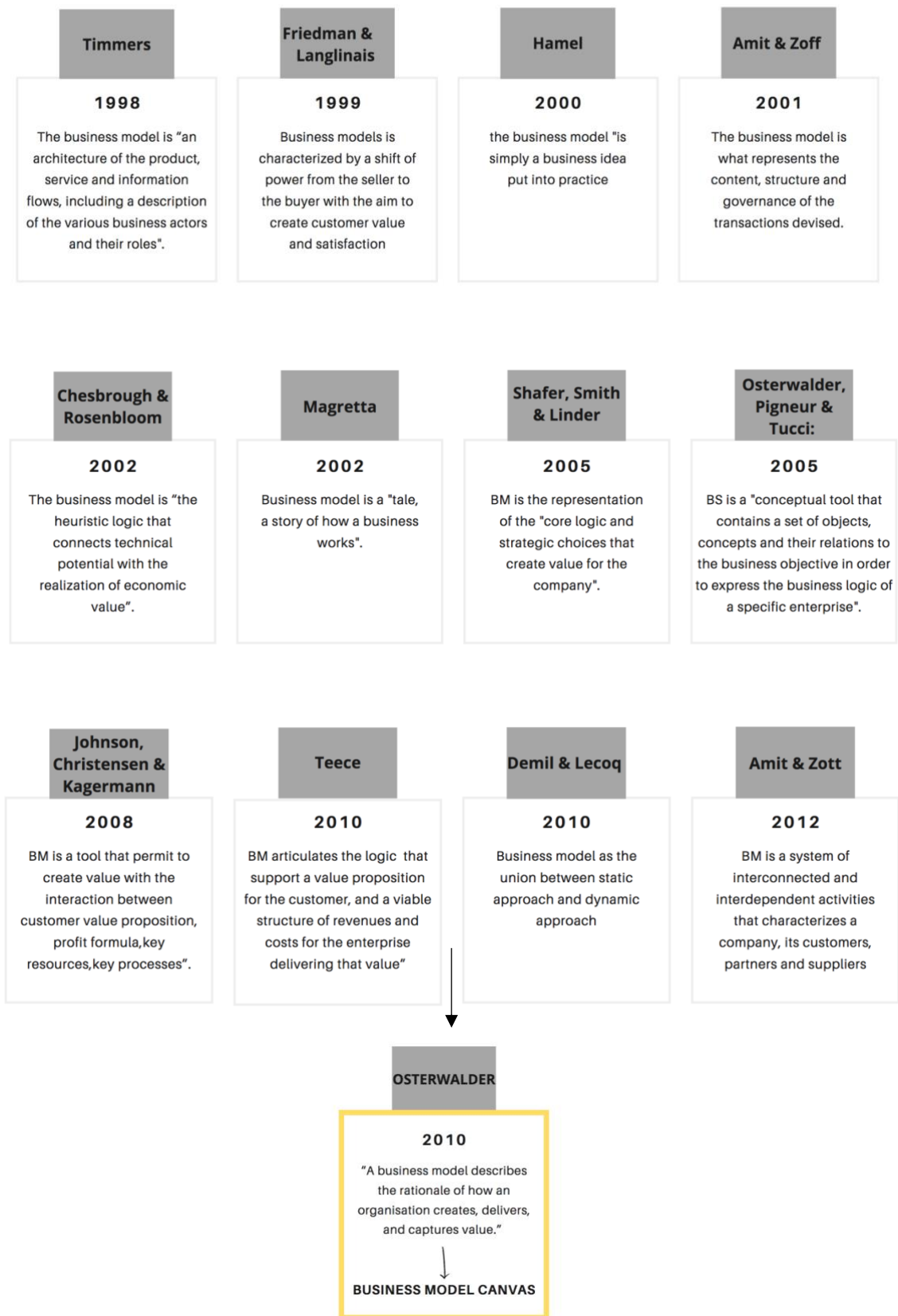
merely the target of the value proposition and the origin of revenue streams. They are neither a part of the infrastructure nor an actor involved in the definition of the offer. Simplified in this way, the business model acts as a test sheet for the company's strategy, which can then be implemented through the company's structure and processes.

In addition he published his last book "The Invincible Company" in April 2020, where he helps companies innovate and reinvent themselves the slogan is "the secret of success: "reinvent yourself every day and conquer new sectors"¹⁸ but I'll explain it in the next chapter

In the face of the countless contributions written on the subject of the business model, as many definitions have been given and various classifications of the concept have been hypothesized. The terms used in the definition of the business model have been the most varied, the main ones being statement or description, representation or model, architecture or reference design, set of management tools or method, structure or set. Alongside publications that provide a definition, there are others that do not provide a definition, even though they deal with the subject. Confusion in the definition is accompanied by confusion about the classification to be implemented of the heterogeneous business models. In the various articles, in fact, classifications are proposed which always follow different points of view and reasoning. After a historical digression we can try to define the business model, taking into account what many experts believe to be the best exposition of the concept.

¹⁸ Osterwalder A.,Pigneur Y.,Etiemble F. and Smith A.,(2020) , *The Invincible Company*, Strategyzer

Figure 8 Summary of the various contributions observed until now



Source: own elaboration

1.2 What is the Business model? A shareable vision

The Business Model is the set of organizational and strategic solutions through which a company acquires a competitive advantage. In other words, in the words of Alexander Osterwalder, creator of the Business Model Canvas:

"The Business Model describes the rationale by which an organization creates, distributes and captures value."

A company creates value for its customers when it helps them to:

- Perform an important task
- Satisfy a wish
- Solve a problem.

Regardless of what your business does, to be successful you must create value for your customers. So, the customer is at the first place of the pyramid. And that is precisely why the first document a company needs, the one that will help it in its strategic planning, is a Business Model map - not the Business Plan, which it will only be able to build correctly once it has understood and validated its business model. We have seen that a key concept of any Business Model is the value offered, but how is value measured? The value perceived by the customer is the difference between benefits received and costs incurred. Maintaining a high-quality standard and charging an affordable final price is, for example, one of the best ways to increase perceived value. We can describe the business model as the operating system of a company, as opposed to the individual processes that represent its programs and applications. In a nutshell, it is the upstream logical structure that defines the relationships and behavior of each individual element, and that allows for smooth, optimized, and productive work. Doing Business Model innovation is like updating the operating system of your computer. It is an operation we do when:

- New external threats arise (viruses in the case of the computer, new competitors in the case of the company)
- New needs arise that require different support (new applications in the case of the computer, new potential customers in the case of the company).

- The system is overloaded, and operations are slow and not very fluid (reduced performance in the case of the PC, reduced marginality in the case of the company).

The success or failure of any business depends on the company's ability to create this value for its customers. The first activity to be carried out in order to rethink, strengthen or improve a company, to launch a new product/service, or to launch a high-value start-up, is to create its business model. In this way, it will be possible to establish precisely what needs to be done, how it needs to be done and for which precise customers the company wants to create value. In other words, it illustrates what the company produces, how it produces it, for whom and with what resources; it identifies the customers it wants to address, the suppliers from whom it obtains the materials needed for the production cycle, and the characteristics of the production process it wants to carry out. The business model is designed to represent a new unit of analysis that expands beyond the traditional boundaries of analysis, be they product, company, industry, or network. Business model researchers tend to adopt a holistic and systemic as opposed to a particularistic and functional perspective not only on what businesses do but especially how they do it. Business models vary considerably not only depending on the sector considered, but also within the same sector. Considering, for example, the smartphone market, Samsung does not use the same business model as Apple: Apple only produces top-of-the-range mobile phones (above 500 euros), whereas Samsung is active in all segments of the industry and therefore also produces cheap smartphones (below 200 euros). Apple aims to create an exclusive product, a status symbol. Since the business model outlines the organization of the company in all its aspects, price is only one of the factors that can vary. The business model of Fiat differs from that of Lamborghini in that, while Fiat is aimed at the mass market and produces hundreds of thousands of cars, each Lamborghini model is produced in a few hundred units for an ultra-elite public. The business model of a company allows us to know what it stands for: the purpose of its activity, the way it intends to achieve it, the recipient of its entrepreneurial effort. The business model provides the guidelines by which the company converts innovation into the acquisition of value without disregarding an adequate strategy capable of providing a competitive advantage over its competitors, defines an organization that allows knowledge to be shared within the company and enhances the value of its human resources by fostering the ideal conditions to encourage innovation, it identifies the relationships of interaction and cooperation with suppliers and

customers, enhancing the value of its model and/or business choices, it establishes the methodologies and tools to critically and continuously analyze the results obtained by its business model, comparing them with those of its competitors. The business model is one of the main tools available to management to interpret and manage the dynamics inside and outside the company.

Many companies or individual entrepreneurs focus their efforts on the business plan while neglecting the business model to a great extent and this has often turned out to be a big mistake. The business plan indicates what, how much time and money is needed to put the business model into practice. Therefore it is a complex document, enriched by many pages of analysis and forecasts. It is a very useful document to present to stakeholders (i.e. those who have an influence on a business venture), investors and to obtain funding. Due to its complexity and nature, it does not lend itself well to its strategic planning function. Unlike the Business Model Canvas (where making changes, testing, and observing how the whole system responds is quite simple), reviewing the company strategy through the business plan is much more complicated. Therefore, it is recommended to consider it as a document to be drafted only after having validated your business model. In this way, it will play its full role, especially if you take care to adapt it to the audience that will read it. Therefore, it is advisable to first design an efficient business model and only then compile the business plan. Since a key concept of any business model is the value offered, it is good to clarify how value is measured, using a definition that helps to simplify the concept: The value perceived by the customer is the difference between benefits received and costs incurred. The business model thus becomes the way in which the company organizes itself and its offerings to create the greatest possible value for its customers! When designing a business model, it is therefore essential to use a customer-oriented approach, i.e. one that is geared towards offering solutions that provide the greatest possible value to future customers. Maintaining a high-quality standard and at the same time offering an affordable final price (through the use of technological innovation that improves processes) is, for example, one of the best ways to increase perceived value.

Business Model Canvas is a very powerful tool and looks like a painter's canvas, formatted with the nine blocks, which allow the company to provide a picture of its current or new business models. It performs four functions: to help clarify the nature of

the value proposition, to identify the elements of the business model in an orderly fashion, to check the consistency between the different elements of the business model, to reconfigure the elements of the business model. It can be mentally divided into two parts: the right one more value-oriented and the left one more efficiency-oriented. The Business Model Canvas has three possible fields of application: a company's product portfolio, a company or a sector. Thanks to the intuition of Alexander Osterwalder, this model has revolutionized the way a business model is represented. With ease everyone has the possibility to understand complex elements concerning the functioning of an entire company: this is the communicative advantage of Canvas. In literature there are different conceptualizations that describe the business model but, in most cases, the visual representation is rather complex and not very intuitive. Osterwalder's work, on the other hand, proposes a single model based on the similarities of a wide range of other frameworks that have followed one another over time, creating a functional synthesis that is decidedly exhaustive. The diffusion of the book *Business Model Generation* in the world and the power of the model has transformed the Business Model Canvas into an international standard and for this reason it is taught in the best business schools in the world such as Stanford University and Berkley University. To use the Canvas, it can be printed in a large size to facilitate group work. People can start drawing and discussing the elements of the business model with post-it notes and markers. In this way the tool encourages understanding, discussion, and analysis of the business but at the same time creativity and sharing. Web-based applications that replicate the Business Model Canvas online are also available.

1.3 Business Model Generation

The *Business Model Generation*¹⁹ according to a definition given by the same authors Osterwalder and Pigneur is a practical inspiring handbook for visionaries, game changers and challengers striving to defy outmoded business models and design tomorrow's enterprises. If your organization needs to adapt to harsh new realities, but you do not yet have a strategy that will get you out in front of your competitors, you need *Business Model Generation*; is the book that dictates the fundamentals of the Business Model Canvas.

¹⁹ Osterwalder A., Pigneur Y.(2010) *Business Model Generation: a Handbook for Visionaries, Game Charges and Challengers* , John Miley & Sons, Inc.;

The book is divided into 5 sections:

1. The Business Model Canvas, a tool to describe, analyze, design business models;
2. Business Model Patterns based on concepts developed by leading business thinkers;
3. Techniques to help in the construction and design of a business model;
4. Reinterpreting strategy through the lens of the business model;
5. A generic process to help in designing innovative business models by tying together all the concepts, techniques, and tools of Business Model Generation.

This is not the usual book of management literature, but a real operational manual with practical and effective tools that immediately lead the reader to action. The book is co-created by professionals from around the world who, by contributing as co-authors, also feel ownership. Paying customers are not just readers but co-creators and businesses who want customized books for their employees and customers. It reached the position of 4th bestselling book in the world on Amazon, in the category "Planning and Management Systems". Business Model Generation has "generated" a true international movement of experts and enthusiasts of the model. On Business Model Hub, the official network created by Alexander Osterwalder, today there are over 8,000 entrepreneurs and consultants who discuss and develop the model every day. Business Model Generation features innovative and practical techniques used today by leading consultants and companies around the world. Designed for doers and for those who are ready to move away from outdated thinking and embrace new models of value creation: for executives, consultants, entrepreneurs, and managers in all organizations.

1.4 Business model Canvas

The Business Model Canvas, described in the bestseller Business Model Generation, is a strategic tool that uses visual language to create and develop innovative business models or refine existing ones, in other words, an operational tool like a large poster that serves to visualize a business idea and transform the vision into reality.

Osterwalder says that: "The business model canvas is a very simple strategic tool, which allows you to graphically represent a company's business model, or to represent how the company creates, distributes, and collects value. A concept that applies to an entrepreneurial activity of any kind, but also to a startup, or an existing company that

wants to innovate, to make it leaner and more competitive. It is a very useful tool because it is easy to read, immediate and with a glance it allows you to immediately understand how the company in question works. It's like showing a pie chart during a presentation, rather than the Excel file filled with numbers from which it was generated. It can be used in many different ways, to map the idea and start testing it or to visualize the pros and cons of an existing business. This method has been used by millions of people around the world, and has become one of the most popular business tools”(Osterwalder, 2021).

With the Business Model Canvas, everyone in fact has the possibility to understand complex elements that concern the functioning of an entire company, in a simple and extremely intuitive way as it is presented in the form of a graphic scheme and allows to visually represent the way a company creates, distributes and captures value. It's a diagram that makes the way a company works understandable and visual. By exploiting the logic of visual thinking, it creates a sort of universal language that allows you to share and simplify complex concepts concerning the functioning of the company, making them understandable to everyone. It is an ideal tool to have a clear and schematic view of any business project, from the new product that you want to produce to the reopening of the pizzeria under the house up to the big industrial project.

Today, in the corporate world, from large multinationals to small family-run businesses, a method of extraordinary effectiveness and immediate application is becoming established, both to create new business models and to strengthen existing ones: the Business Model Canvas. The process of starting up or renewing a business therefore calls for creative skills to identify new opportunities, managerial skills to implement a new or renewed business model as well as relational and communication skills to convince and involve the company's people in the process of change. Carrying out an in-depth analysis and defining a strategy takes time with the probability of being the last to enter the market but at the same time helps to outperform competitors. A new way to accompany innovation, a simple way to transform an idea into a feasible project, an effective way to help design new business strategies: all this is possible with the use of a single tool which is precisely the Business Model Canvas. A tool that helps companies, entrepreneurs, start uppers, professionals and organizations to innovate their business model simply and effectively. In fact, it allows a strategic and entrepreneurial management thanks to which it is possible to design, describe, invent and transform one's own business model in a

simple and systematic way. It allows you to create innovative start-ups, improve existing business models, create the key prerequisites for drawing up a business plan, share complex concepts in a simple way, integrate and enhance functions within companies. It is a strategic tool, built on the logic of visual thinking and allows you to share complex concepts in a simple way and create a universal language that everyone can understand. It allows you to focus on the main business drivers, in a flexible, transparent way and on a single page. The Canvas is a graphic scheme that visually summarizes the logic with which an organization creates, captures, and distributes value. The ability to see all the fundamental elements of a business model on one page encourages the sharing of different perspectives and the generation of innovative ideas. It is a tool with which to devise new businesses or enhance existing ones by creating a strong and lasting competitive advantage over the market. It is simple but essential to support local businesses in understanding and using their full innovative potential. There are good reasons to innovate with Canvas. By following a particular working process guided by a set of key questions, innovative ideas can be created, existing business realities analysed, internal processes improved, new business strategies planned.

The main features that make it a powerful tool are:

- it is a complete and systemic method in fact you can include and represent all the components and dynamics of the business model and its relationships both internal and external;
- it uses a visual language so as to reduce complexity and give immediacy, comprehensibility and essentiality to the projects, reducing misunderstandings and errors, moreover it creates the basis for the implementation of the project in the company;
- stimulates the generation of ideas and solutions, strongly stimulates a quick, efficient and solution-oriented ideational approach;
- it concretely helps to turn an idea into a viable project, be it new products or services, alternative business models or new business units;
- it is a powerful strategic analysis tool both for your own business model and for any kind of effective benchmarking, allowing you to read and analyze your competitors, their structures and business processes with a unique lens;

- encourages and stimulates teamwork and team spirit, working together on the creation or redefinition of one's own business model leads to better sharing and greater involvement of members, reducing conflicts, increasing trust in the project and strengthening the confidence of the team involved;
- it requires, involves and activates different types of "intelligences", competences and processes including both the creative and the rational side, all stimulating the best from each type of person and individual style but considering every fundamental aspect: from the creation of a new -different- innovative value proposition to the rigor required by testing and auditing;
- has been tested, verified, and successfully applied by companies all over the world and of all sizes for example Nestlè, Toyota. In Italy, People has used it within numerous large companies, SMEs and start-ups including Poste Italiane, Bottega Veneta, Gruppo Api, Benetton, Allianz, Tetra Pak, Misura EMME, CNA and in universities such as Ca' Foscari in Venice and the Milan Polytechnic;
- is easily integrated with many of the best strategic tools, such as the Oceano Blu strategy and the Personal Biz Canvas (the version of the Canvas designed for freelancers, managers and employees);
- it is a model that is being continuously updated and deepened: thanks to an international online HUB of expert consultants who develop it continuously, a constant improvement is guaranteed, together with periodical integrations and further developments, which contribute to keeping its original effectiveness and innovativeness up to date.

Through the Business Model Canvas, creating the business model of a new company or redesigning the business model of one's own company becomes a participatory, ideational, and involving process. Innovating a business model means innovating the logic through which a company creates, distributes and captures value. The innovation of the business model canvas has the goal to:

- a) satisfy as yet unmet market needs;
- b) introduce new technologies, new products or new services;
- c) improve-change-transform existing markets;

d) create new markets.

The need to design new business models is often related to situations in which the current business model is in crisis and needs to be improved, innovated, adapted to withstand the changes of a dynamic market, or because new scenarios are to be opened up. Planning is therefore indispensable for any type of business and brings with it different challenges: finding the right business model, testing it, convincing the market to adopt it, making it capable of responding to ever-changing customer needs and managing the uncertainty associated with it. This is why everything needs to be in place before organizing a business model working session. So you need to assemble your team, download the printable version of the Business Model Canvas, stock up on post-it notes and start working. An effective way to plan is to mark this activity with some specific steps. Alexander Osterwalder, in his Business Model Generation, identifies five of them and emphasizes the importance of considering them as a starting point and then adapting the whole process to your own situation, just as you would adapt the business model to your customers. These five phases are:

1. mobilize: in this phase the company prepares everything that is needed to create the new business model. Among the things to be prepared there are also intangible elements such as the growth of awareness of the need to innovate/improve their business model and the motivation to do so. In addition to this, the right team has to be assembled and a common language shared to be able to discuss during the other phases;
2. understanding: In this phase the company has to research and analyze the elements that will be needed during the design phase. The fundamental skill to be put in place is to observe: what people do, what potential customers need, what experts say, what existing products or services are and how they work. In this phase one has to develop a knowledge of the market;
3. design: in this phase we need to generate and test different business models in order to select the best among them, we need to create real business model prototypes from the information collected previously or in a parallel way and choose, after a careful analysis, the one that seems to work best;
4. implement: in this phase we enter the market and the prototype of the business model must be tested to analyze customer reactions;

5. managing: in this phase, the prototype is adapted and modified according to the responses from the market. The skill required is always that of observation, this time on real customer reactions, combined with the ability to question the business model prototype in order to constantly transform it into an ever better one.

The phases follow each other in a non-linear way, i.e. we can have cases where some of them overlap as it could happen for example to the phase of understanding and to the one of designing, or even follow each other; in fact the design activity, during which ideas are produced, could bring with it the need to go back to the phase of understanding and so on. It is important to always adapt processes to one's own situation: innovation always starts from here first. Therefore, managers should manage Business Model Generation firstly by building a business model map to clarify the underlying process.

Maps then become a source of experimentation to consider alternative combinations of processes. Secondly by conferring authority within the hierarchy of the organization for experimentation. However, the process should not only consider the structural aspects of the formal organization but should also focus on the relational dynamics at the level of the informal organization, emphasizing the importance of the behavioral aspects that business model generation implies. Finally, companies can promote a renewal of the business model by taking part in experimentation, which is conceptualized as a discovery process aimed at learning from a series of failures before discovering a valid alternative to the business model. In a context of international crisis and low competitiveness it is essential to focus on the factors that can be governed. One of the main causes of start-up failure is the lack of a business model. A wrong strategy combined with other mistakes such as ignoring customers, targeting a market with no demand, and building the wrong team lead to the failure of an entrepreneurial initiative. The most important factors are those internal to companies, i.e. their ability to observe, reflect, undertake and create: in a single word Innovate⁴. Innovating your business model pays off seven times more than innovating products or processes. The ability to innovate is fundamental to a company. Innovation means changing the existing state of affairs. It is important to innovate one's own business model because, while product/service or process innovation is easily replicated by competitors, this is not the case for those who manage to innovate in every sector and function of the company (innovate the business model) because they acquire a competitive advantage that is not easily overcome by others.

This is because the Business Model Canvas Innovation is the most effective method to innovate the business model of a company. It allows you to differentiate yourself on the market and outperform your competitors, improve your processes, and create cost efficiencies, make yourself unique in the eyes of your customers and better meet their needs, open new scenarios, and increase own earnings.

1.4.1 The nine building blocks

The Business Model Canvas as we can see on the Figure 9 is a powerful framework divided into 9 building blocks:

1. Customer Segments (CS): the customer segments that the company targets,
2. Value Proposition (VP): the value proposition containing the products/services that the company wants to offer,
3. Channels (Ch): the channels of distribution and contact with customers,
4. Customer Relationships (CR): the type of relationships that are established with customers,
5. Revenue Streams (R\$): the revenue stream generated by the sale of products/services,
6. Key Resources (KR): the key resources needed for the company to function,
7. Key Activities (KA): the key activities that are needed to make the company's business model work company,
8. Key Partners (KP): the key partners with whom the firm can forge alliances,
9. Cost Structure (C\$): the cost structure that the firm will incur.

Figure 9 Business model canvas



Source: vectorstock.com

The elements on the left even called “the left brain hemisphere” - efficiency comes from within, determine the efficiency of the organization, while those on the right called “the right brain hemisphere” - driving forces of value creation , are responsible for the creation of value (in this case, the similarity with the Blue Ocean strategy, which is also based on the simultaneous reduction of costs and increase in value for the end client, is evident). The value proposition, which occupies the central position, represents the synthesis of these two objectives. Now I’ll explain more in detail everyone.

1 Customer segments

Customer segments define the different groups of people or organizations that a company aims to reach and satisfy through its value proposition. Consumer groups represent different segments if their needs require and justify a distinct offering; they are reached through different distribution channels; they require different types of relationships; they represent different profitabilities; they are willing to pay for different aspects of the offering.

In this building block, the company seeks to answer the following questions:

For whom are we creating value?

Who are our most important customers?

In this sense, the options facing the company are many:

- Mass market, where customers share similar needs and problems that do not require the organization to diversify its offerings.
- Niche market, in which there are needs of specific, specialized customer segments.
- Segmented market, in which various customer groups have similar needs but still require some degree of differentiation and customization of the end product.
- Diversified market, in which customer segments are disconnected from each other and have very different needs and problems.
- Multi-sided market, with customer segments that are interconnected.

An organization must therefore make an informed choice about which segments to serve and which to ignore, and then design its business model around the specific needs of its customers. Customer profiling is a key element in planning the market analysis and consequently in crafting a winning business plan.

2 Value Proposition

The value proposition describes the set of products or services that create value for a specific customer segment; it represents the reason why customers switch from one company to another. In this sense, the Value Proposition is an aggregation of benefits that the company offers to its customers.

The company, in defining it, aims to answer a series of questions, including:

What value do we deliver to the customer?

Which one of our customer's problems are we helping to solve?

What bundles of products and services are we offering to each Customer Segment?

Which customer needs are we satisfying?

The value proposition is the realistic promise about the value of products and services, based on the tangible benefits for a given customer segment. It is the reason why the target should prefer the company over the competition and therefore determines the sales force itself. In this sense it is an aggregation or set of benefits that the company offers to its customers. There is no one-size-fits-all way to create a good value proposition. It can be an innovation, i.e., offering customers something revolutionary, a price reduction that results in cost savings, or the improvement of a product's design and performance. Elements that can contribute to the creation of customer value are:

- a) Newness, in the event that the company succeeds, usually through technological innovations, in satisfying needs that even the consumers themselves did not perceive until that moment;
- b) Performance, or an increase in the performance of a given product and/or service;
- c) Customization, tailoring products and services to the specific need of individual customers or customer segments.
- d) Getting the job done: value can be created simply by helping a customer get certain jobs done.
- e) Design, an element that, although difficult to measure, can allow a product to stand out from the competition. A current example is represented by Apple products, which have always relied on a simple and essential design as a key element of the value proposition.
- f) Brand/Status is when the reputation of the brand is so high that the mere possession of the good by the customer is already synonymous of value creation.
- g) Price, that is, a proposal comparable to that of the competition from the point of view of satisfying a need but with a lower price. A classic example is that of Ryanair, which satisfies its clients' need to be taken from point A to point B, at a lower price than its competitors, which is made possible by the essential nature of the service offered.
- h) Cost Reduction helping customers reduce costs is an important way to create value
- i) Risk reduction customers value reducing the risk they incur when purchasing product or services.
- j) Accessibility making products and services available to customers who previously lacked access to them is another way to create value.

- k) Convenience/Usability, when value is created through the simplification of certain activities such as the use of a product or service or the procurement of certain resources. Famous is the combination iTunes- iPod/iPad/iPhone, i.e. software and hardware with which Apple has offered its customers an unprecedented ease of retrieval, purchase and enjoyment of content in digital format.

3 Channels

The channel block indicates all the means by which the value proposition reaches the customer, in the communication, distribution and sales phases. Channels describe how a company communicates and reaches its customer segments to convey the value proposition. The company leverages channels to inform hypothetical buyers of the existence and value of its products, to make them accessible and enable purchase, to reinforce customer awareness of products or services, to enable customers to purchase specific products or services, to convey the value proposition to customers, and to ensure adequate after-sales support. Channels can be direct (company-owned) or indirect (official distributors and partner stores). Channels can also be physical or digital. Communication, distribution, and sales channels represent the company's interface with customers. Channels represent fundamental touch points for customers and play a very important role in the customer experience.

The company seeks to answer the following questions:

Through which Channels do our Customer Segments want to be reached?

How are we reaching them now?

How are our Channels integrated?

Which ones work best?

Which ones are most cost-efficient?

How are we integrating them with customer routines?

As mentioned above, channels can be own, also called direct, and are sales force, online sales and own stores, or they can be indirect and are partners' stores or wholesalers.

We can identify "five stages" of the channels:

1. awareness, the company asks how to strengthen the awareness of its products or services;
2. evaluation, here the question is how to help customers evaluate its value proposition;
3. purchase, the company asks how to enable customers to purchase specific products or services;
4. delivery, here the question is how to deliver the value proposition to customers;
5. post-sale, the company focuses on how to provide post-purchase support to customers.

4 Customer Relationship

Customer Relationships describe the types of relationships a company has with its customer segments. This form of communication helps the company acquire new customers and retain existing ones and is therefore an essential part of a business plan that works. Questioning the interaction with your target audience helps clarify what kind of relationship you are building, support the customer experience and strengthen your company's image in the marketplace. A company should clarify the types of relationships it wants to establish with each customer segment. Relationships range from personal to automatic and can be driven by a variety of motivations: customer acquisition, customer retention, increased sales.

It is possible to distinguish between different categories of customer relationships that can coexist in the relationship a company has with a specific customer segment:

- a) Personal assistance, where the customer can communicate (directly in person or even via call center or email for example) with a person from the organization.
- b) Dedicated personal assistance, a deeper relationship that is established when the company commits to permanently assigning a specific employee to the client. This is the case with private bankers or key account managers.

- c) Self-service, where the firm ensures that all the necessary tools are available for clients to serve themselves but does not intervene directly in the relationship.
- d) Automated services, which involve a combination of self-service and automated services, and can sometimes even simulate a personal relationship. For example, on Amazon you can access your personal area, which provides all the details regarding your account (purchases, shipments, returns, etc.). In addition, there are also recommendations on purchases that are tailored to your interests (identified based on past orders, products viewed, purchases of other users with similar interests, etc.).
- e) Communities, or relationships based on building and maintaining communities of users that allow the company a high degree of interaction with customers or potential customers. They have been favored, in recent years, by the spread of social networks that have facilitated (and even forced) the creation of such relationships, online communities allow not only users to exchange knowledge and mutual problem solving, but also to be able to interact directly with the company taken in question. The company, in turn, can draw from an incredible pool of low-cost information that can be fundamental to the current and future development of its value proposition.
- f) Co-creation, also a relationship that is connected to the social trend of these years. In fact, more and more companies are attempting to go beyond the traditional consumer-seller relationship, moving instead towards the co-creation of value together with the customer. Citing again the example of Amazon, this company encourages customers to review products purchased on its platform, thus creating value for the company itself, which in turn can divert it to other customers.

In this Building Block, the company must answer several questions, including:

What type of relationship does each of our Customer Segments expect us to establish and maintain with them?

Which ones have we established?

How are they integrated with the rest of our business model?

How costly are they?

5 Revenue Streams

The revenue streams block describes the cash that a company earns from selling products or services to a particular customer segment. The revenue stream thus represents the cash that a company generates from each customer segment. The variables to consider are prices, fixed or dynamic, and payment methods, two fundamental aspects to make the business model sustainable. Revenue streams can be of a different nature and be generated from equally varied sources: from the sale of physical products to the payment of a user fee, from the sale of a license to brokerage commissions.

There are many ways in which a firm can build revenue streams:

- a) Sale of goods, the traditional way in which the revenue stream is derived from the sale of a physical product.
- b) In the case of commission on usage, a revenue stream is generated that is directly proportional to the use of a given service by customers. For example, in the case of a pay-as-you-go wi-fi network, the customer pays a certain amount to use the connection for a set amount of time.
- c) Subscription cost, revenue stream generated by selling continued access over time to a service. For example, Spotify is an online service that allows its users to access a vast music database from a variety of devices (PC, tablet, smartphone) in exchange for a monthly subscription fee.
- d) Loans, rentals, and leases grant customers the temporary exclusive right to use a certain asset for a set period in exchange for payment of a fee. The advantages for clients are that they can benefit from the use of a given asset for as long as necessary without incurring the costs associated with the actual purchase. The seller, on the other hand, benefits from recurring revenues that pay for the purchase costs of the asset and the costs of using the service.
- e) Licensing generates revenue streams that originate from granting customers the use of an intellectual property in exchange for a fee. Licensing allows the owner to generate revenue without having to directly engage in the production or marketing of a product or service. This may be the case if a company has an established brand that has no direct interest in entering an industry outside its own purview, and therefore grants a third party the right to use that brand to market products in that market. This practice is also common in the technology sector,

where patent holders grant other companies the right to use a patented technology for a fee.

- f) Brokerage fee, revenue stream generated by an intermediary activity between two or more parties. The current example is that of Groupon or other similar companies, which have created platforms in which sellers offering their products or services (at a price usually discounted, through the mechanism of the coupon) are made visible to a large number of potential buyers. For each transaction successfully concluded, Groupon retains a commission for itself.
- g) Advertising provides revenue by advertising a particular product, service or brand. Traditionally, the media industry (TV, newspapers, etc.) has based its revenue streams primarily on this activity. In recent times, Facebook has also increasingly leveraged this to generate revenue.

At this stage, it is possible to identify the payment system preferred by customers as well as the added value for which the target audience is willing to pay. A business model can involve two different types of revenue streams: transactional revenues from a single customer payment and recurring revenues from ongoing payments, whether to pass on value pro position to customers or to provide them with post-purchase support

In addition there are two different pricing mechanisms:

- a) fixed pricing i.e., predefined prices are based on static variables: list price i.e. fixed prices for individual products or services or other value propositions and dependent price from the characteristics of the product, from the customer segment or from the volume that is the price depends on the number or the quantity of the characteristics of the value proposition or from the type and the characteristics of a segment of customers or it is a function of the acquired quantity;
- b) dynamic pricing that is the prices vary in base to the conditions of the market negotiation that is the price is negotiated between two or more partners in base to the power and the abilities to negotiate; yield management that is the price depends on the supplies and the time of purchase; real-time market with price that is established in base to the question and offer; auctions that is the price is determined from the result of a competitive offer.

In this building block, the enterprise must answer several questions, including:

For what value are our customers really willing to pay?

For what do they currently pay?

How are they currently paying?

How would they prefer to pay?

How much does each Revenue Stream contribute to overall revenues?

6 Key Resources

Key resources are the most important asset for the business model to work. They enable a firm to create and deliver a Value Proposition, reach markets, engage with Customer Segments, and earn revenue. Depending on the type of business model adopted, different key resources will be required.

Key Resources can be:

- physical, such as production facilities, buildings, vehicles, machinery, information systems, distribution networks. Amazon, for example, must necessarily have a highly developed IT and logistics infrastructure.
- Intellectual, such as brands, know-how and skills, patents, partnerships, and customer databases. Compared to physical resources, these are more difficult to develop, but, nevertheless, they can be decisive in creating an effective business model that enables a lasting competitive advantage. For companies such as Coca Cola or Nike, the brand is certainly a key resource to whose development significant investments in marketing and communication are dedicated every year. Microsoft has extensive intellectual property and software development skills that have been developed over the years.
- Human, or the human resources that are part of the organization. Certainly, in any business, human resources are important, but some business models are more dependent on human resources than others. For example, human resources are

critical in firms that rely on creativity (such as a marketing and communications firm) or on the knowledge of their members (such as a legal firm).

- Financial, which includes all those means that ensure the firm can maintain the necessary balance between monetary income and expenditure to conduct its business.

In this building block the questions are the following:

What Key Resources do our Value Propositions require?

Our Distribution Channels? Customer Relationships?

Revenue Streams?

7 Key Activities

The key activities block includes all the activities required to create a value proposition. They describe the most important actions that a company must take in order for its business model to work. Alongside these are the most efficient processes for reaching the target, maintaining customer relationships and, of course, generating revenue. Each business model requires a number of key activities that represent the fundamental actions to make a firm successful. Like key resources, they are required to create and deliver value, reach markets, maintain customer relationships, and earn revenue, and obviously differ according to the business model. And just like key resources, a precise mix of key activities is required based on the type of business model chosen for McKinsey, key activities relate to problem solving, for Microsoft, to software development.

This building block answers several questions, including:

What Key Activities does our Value Proposition require?

Our distribution channels?

Customer relationships?

The revenue stream?

Key Activities can be boiled down to the following categories:

- Manufacturing, which encompasses the design, manufacturing, and delivery phases of a product. The production activity is typical of the business models of manufacturing companies.
- Problem solving, or activities aimed at devising new solutions to individual customer problems. Typically, in consulting firms, hospitals and other service organizations, the key activities relate to problem solving. As a direct consequence of this, complementary activities such as regular training of human resources and management of know-how are also necessary for the operation of the business model.
- Platforms/network, which includes all those activities of companies whose business models are designed around a platform or a network. The eBay business model, for example, is based on an online platform that allows sellers to advertise their products and potential customers to bid on them through the auction mechanism or to make direct purchases. This mechanism therefore requires the company to continually invest its resources in the management of this platform to ensure its proper functioning, on which the business itself depends.

8 Key Partnerships

The Key Partnerships describe the network of suppliers and partners that enables the business model to function. Partnerships are the foundation of the business model. Companies form partnerships for a variety of reasons, and they are the foundation of each business model. A firm is not a self-sufficient structure but rather a system that operates within a larger context supported by external actors. Forming strategic alliances responds to the company's need to reduce costs, reduce the risks of competition, acquire particular resources and activities, and optimize business models.

We can distinguish four different types of partnerships:

1. Strategic alliances between non-competitors.
2. Coopetition: strategic partnership between competitors

3. Join Venture to develop new business
4. Relationships between buyer and supplier to ensure reliable supplies.

In addition it is possible to distinguish three motivations at the base of the creation of the partnerships:

1. Optimization and economies of scale: the basic form of relationship between supplier and buyer is designated to optimize the allocation of resources and activities, it is illogical for a company to own all the resources and perform all the activities alone. Partnerships aimed at optimizing and creating economies of scale are usually used to reduce costs and often involve outsourcing or sharing of infrastructure, reducing risk and uncertainty, and acquiring particular resources or activities.
2. Risk and Uncertainty Reduction: Partnerships can be useful in reducing risk in a competitive environment characterized by uncertainty. It is not uncommon for competitors to form strategic alliances in one area while continuing to compete in another.
3. Acquisition of particular resources or activities: Firms extend their range of capabilities by relying on other firms to supply particular resources or carry out particular activities. These partnerships may be motivated by the need to acquire knowledge, licenses, or to gain access to clients.

Even in this building block, the firm must answer some questions, namely:

Who are our Key Partners?

Who are our Key Suppliers?

Which Key Resources are we acquiring from partners?

Which Key Activities do partners perform?

9 Cost Structure

The cost structure describes the set of costs that a company incurs to operate its business model. Creating and transmitting value, maintaining customer relationships, and

generating revenue all involve costs. These can be easily calculated after defining key resources, key activities, and key partnerships.

This block then defines the fixed and variable costs that the company incurs for key resources, activities, and partners. The costs can be classified according to different logics but still very important, hence the distinction between fixed and variable costs or between direct and indirect costs or between costs of the characteristic or financial or accessory or extraordinary management. For some activities, containing expenses becomes a central aspect, especially if among the objectives of the business plan is that of maintaining competitive prices. In the analysis of the cost structure, fixed costs (rents and salaries) and variable costs (depending on the volume of goods and services produced) are included. In any case, the central objective is to ensure that revenue streams exceed expenses, as this is the only way the business can be said to be truly sustainable.

In this building block, the firm, in order to operate efficiently and effectively, must ask itself a series of questions, including:

What are the most important costs relative in our Business Model?

What are the most expensive Key Resources?

What are the most expensive Key Activities?

However, some business models are more cost-driven than others. For example, low-cost or "low-fare" airlines have built their business models entirely on a low-cost structure.

In fact, we can distinguish between two broad classes of cost structures:

1. cost-driven business model oriented to minimize costs wherever possible, this approach aims to create and maintain the leanest possible cost structure using value proposition at low cost-maximum automation-extensive outsourcing (typical examples are precisely the low-cost airlines such as EasyJet, Ryanair and Southwest.):
2. value-driven business model i.e. some companies care less about cost implications in designating a particular business model and instead focus on value creation, a premium value proposition and a high degree of service

customization usually characterize value-driven business models. The most common example is luxury hotels with their highly exclusive services.

The cost structure can have the following characteristics: fixed costs that remain unchanged regardless of the volume of goods or services produced (examples are wages, rents and plants), variable costs that vary in proportion to the volume of goods or services produced, economies of scale, i.e., a cost advantage that is obtained as output increases, economies of scope, i.e., a cost advantage from which one benefits thanks to a broader scope of operations (Remaining in the air transport sector, an example of a company with a value-driven business model is Singapore Airlines).

1.5 Business model and strategy: two complementary concepts

Over the years, as we have seen in the list of contributions in the first paragraph, there have been numerous classifications and definitions of business models that sometimes complement each other and sometimes clash. One can find very simple and concise definitions or more complex and analytical descriptions. There is no universally accepted definition of a business model. Some authors simply argue that a business model tells the story of how an organization operates. Others, more financially focused, say that a business model is nothing more than a representation of how an organization generates or intends to generate money. Others, more analytical, argue simply that a business model is a description of the roles and relationships among the organization's clients, partners, and suppliers, and is intended to identify the major flows of products, information, and money, as well as the major benefits to all involved.

These definitions, which are certainly correct, however, leave in the background a very important aspect of the business model, the fundamental starting point for its composition: the link with the corporate strategy.

A business model, in fact, unites the most delicate aspects of the strategy, that is, the key resources available, the key activities that these resources are called to perform, the structure, the products and the external factors. So, a business model is nothing more than a reflection of the strategic choices made by the organization and as such allows for the analysis, testing, validation, and execution of those choices.

"If the strategy says what to do, the business model says how to do it" allowing to move the discussion from the abstract to the concrete, favoring the dialogue between the business actors and the creation of a shared language".²⁰ Strategy and business model are not two substitute concepts but two complementary concepts. The business strategy is the definition, by the top management, of a series of operations, coordinated in a multi-year plan of action, concerning the effective and efficient use and therefore rational and responsible use of available resources, whose use aims to achieve a predetermined goal.²¹ The consideration of the business model makes it possible to take into account in a systematic way the company's offer, the activities carried out to achieve it, the resources employed and the relative structure of costs and revenues. These variables should be selected and related consistently with the company's strategic positioning and the type of competitive advantage being pursued. A successful strategy is characterized by a high degree of consistency that is expressed at the level of each of its constituent elements and the relationships that link these elements into a single system. The business model is the ideal tool for verifying the presence of this alignment, which generally produces positive economic results. The ability to anticipate and meet market expectations through an effective value proposition translates into significant and growing revenue streams over time. Accurate management and continuous monitoring of key processes, together with the ability to build a network with external stakeholders critical to the realization of the value proposition, results in a reduction in operating costs. The precise identification of the resources and competences on which to concentrate the investment choices in relation to the evolution of the market in the medium-long term allows the company to gain a differentiating advantage over its competitors and achieve higher levels of profitability.

Ultimately, the business model allows to analyze, test, validate and, where necessary, redefine the strategic choices of the organization, refining the ability of the company's players to dominate the present and anticipate the future. The business model is the fundamental element for implementing corporate strategies: in the current hypercompetitive context, corporate strategy must receive constant attention from the top management. It is the dynamics of the external environment that impose it, those of hyper competition. The latter requires a high degree of strategic flexibility, that is, an ability to

²⁰ Montemari M.,(2014), *Strategia e Controllo di Gestione*

²¹ Casadesus R., Enric Ricart J.E., (2010) *From Strategy to Business Models and onto Tactics*, Elsevier, Vol 43, pp.195-215

adapt to the changing conditions of the external environment, the result of frequent reviews of strategy. In the medium term, the vision and mission can and must remain firm, but in order to pursue them, profound revisions of strategic intentions and timely interventions in the business model may be necessary. In the current context, strategic flexibility must be maximized. In fact, strategic plans that are too detailed are not only useless, but they also risk being misleading, and they risk being the source of behaviors that are aligned with the plan but misaligned with the evolution of reality. Strategic flexibility increases if frequent opportunities for strategic reflection are created and not if these reflections are relegated to the final moment of plan development. It is necessary to set up circuits that continuously induce such reflections. These circuits can be structured and formalized as Kaplan and Norton have proposed with their Execution Premium Model, or they can be more streamlined, but they must still capture the three moments of strategic reflection. These moments of strategic thinking are: strategy formulation, evaluation of the realized strategy, and strategy implementation. They seek to answer the following questions

- Has the strategy followed so far led to the desired results? (evaluation of the strategy implemented)
- Is our strategy therefore still valid? (formulation/revision of deliberate strategy).
- Are the choices made to implement the strategy still valid? And in particular, is our business model still valid? (implementation of strategy)

The business model is the set of choices through which the firm decides to compete in a market or an industry. Such choices go to impact on the processes connected with the offer that is packaged thinking to the own customers and on the configuration of the other processes of support. The business model therefore refers to all that one considers necessary to make in order to give continuation to the competitive strategy that one wants to realize. The business model therefore refers to everything that is considered necessary to do to follow up on the competitive strategy. It is no coincidence, therefore, that in the management literature the term business model began to spread when some scholars, analyzing companies operating in the same sector, identified originality and differences in the implementation of the strategy that were translated into different business performances. These firms had decided to give themselves a series of original solutions in packaging and proposing their offerings to clients.

As we have already seen, taking a historical path of the different definitions and interpretations of the concept of business model, it has been defined by some authors as a reflection of strategy or as a focus on relationships with partners or on the creation of value for the client. Therefore, the alignment between strategy and business model is crucial, especially with regard to sustainability²². The ways in which sustainability aspects are integrated into the business model can be varied but must be directly related to the degree to which sustainability aspects are incorporated into the strategy²³. The more environmental and social aspects gain relevance in the strategy the more extensive the changes made to the business model should be.

1.6 Balance Scorecard, a strategic support tool

The Business Model is something that can and sometimes must change over time to ensure the medium- to long-term sustainability of the firm. The most tangible urges for change can come from a management control that monitors the various ingredients of what has been designed to implement the business strategy. The main tools to implement this control are the Key Performance Indicators (Kpi) or, better for its completeness and selectivity, the Balance Scorecard (BSC). The BSC is a support tool in the strategic planning and control of the company that translates the strategy into a coherent set of performance indicators, facilitating their measurability.

A tool designed in the 90s by Norton and Kaplan²⁴, it aims to remedy the limitations of traditional monitoring models, as well as to translate competitive strategies into performance indicators (scorecards) ensuring balance between short-term performance. Performance is measured through financial parameters, and those non-financial factors that should lead the company to superior and sustainable competitive performance over time.

This is the evolution of business information systems to support management, which increasingly needs summary information to make business decisions. It should not be

²² Schaltegger S., Ludeke-Freund F., Hansen E., (2015), Business Models for Sustainability: Origins, Present Research, and Future Avenues, Sage Journal

²³ Stubbs W., Cocklin C., 2008, Conceptualizing a "Sustainability Business Model", Sage Journal

²⁴ Kaplan R. Norton D., The Balanced Scorecard – Measures that Drive Performance, Harvard Business Review, 1992

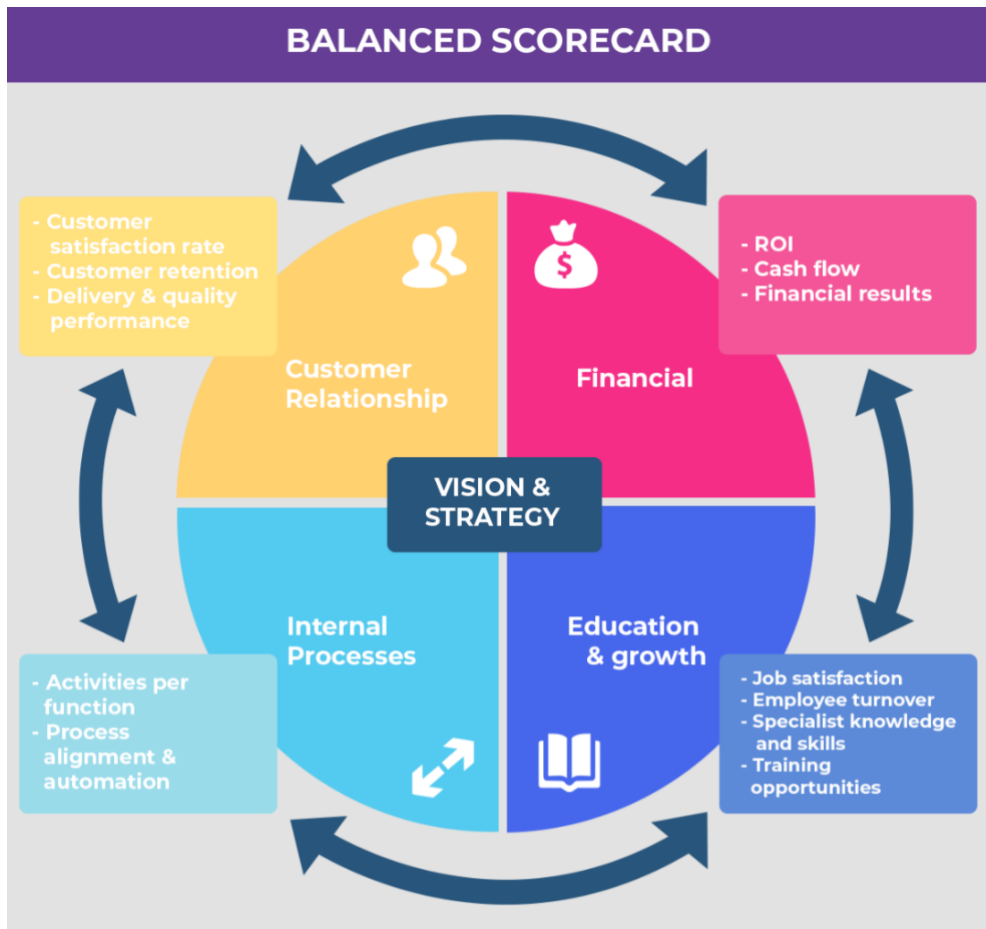
thought, however, (as is often the case) that this is a management tool useful only to large companies. This tool can also be adapted very well to the needs of smaller businesses.

In fact, when the term "management" is used, one usually imagines a complex corporate structure, organized hierarchically (or in other ways). Often, this structure is thought of as consisting of tens or hundreds of people, operating in international markets and with a turnover of tens of millions of euros. In contrast, "management" is also present in a more modest sized company, with a few employees, that has a turnover of tens of thousands to millions of euros. This is because "management" applies to any business organization.

Management must have tools available to systematically measure the ability of each function to create value for customers. Value is created by responding satisfactorily to their expectations. Therefore, a tool such as the balanced scorecard is well suited to measuring a range of firm performance. Usually, when it comes to evaluating a company's performance, systems such as budget analysis, management control and/or a few others are used. These are fundamental tools for understanding certain key aspects of the business, especially from a financial, equity and economic perspective. But these tools may not be enough to know other aspects that have the same level of relevance. To achieve these objectives, the balanced scorecard was born.

In fact, the BSC is a tool that measures the company's performance not only from a strictly economic, financial, and patrimonial point of view. The balanced scorecard analyzes the company in its entirety, taking into account aspects that are often overlooked when carrying out certain analyses. Let's consider a fact. In Italy there are few small and medium-sized companies (SMEs) that adopt techniques of budget analysis aimed at knowing the overall economic and financial performance. To this, we must add that there is a lack of time and a lack of culture to carry out analyses at other levels! One important thing is that these analyses are not an end in themselves but are aimed at knowing other aspects of the business as well. Usually, these aspects of the business are left out and, instead, they are fundamental.

Figure 10 Balance Scorecard



Source: Marketing theories, promotionalacademy.com

In practice, the Balanced Scorecard is a system that analyzes the company from the point of view of "prospects for improvement". It takes into account certain four perspectives (Figure 10) from which improvements can be made to the company's overall performance:

1. Financial perspective: in this sense, we refer to the financial indicators that provide indications of the "financial health" of the company.
2. Customer perspective is used by management to identify some relevant aspects of the customer relationship. Aspects of customer acquisition, loyalty, and satisfaction with the company are analyzed. In addition, the company's products and their level of profitability are studied;
3. Internal Process perspective serves management to identify internal processes that may represent critical issues. If any exist, these critical aspects must be resolved

as the goal is to enable the company to excel. This level of excellence must appear within both the "customer perspective" and the financial perspective. This happens because the two perspectives are linked to each other.

4. Learning and Growth perspective is used to identify the structure that the firm must build in order to achieve long-term organizational development. It covers, therefore, all processes related to people, systems and organizational procedures. These processes require the firm to invest in the qualification and retraining of its personnel.

So, the balanced scorecard does not merely analyze one area, but takes into account four interrelated areas. Improvement in one area inevitably reflects on the others, especially in view of the fact that the company is considered a "systemic" whole. "Systemic" means that it is a system of interconnected relationships and interrelationships to bring lasting success to a business. It is clear that in such a perspective, elements such as the vision and mission and other aspects that have to do with the overall strategy of the company take on strategic importance. And it is clear the contribution that the preparation of a business plan can give in planning the overall analysis of the company.

CHAPTER 2 HOW THE BUSINESS MODEL HAS CHANGED IN RECENT YEARS

The evolution of digital technology and the increasingly digitized market have radically overturned the business model, moving it towards a digital model that is flexible and constantly changing, adaptable to the various situations and market conditions that abruptly mutate. Certainly, the greatest innovation of this digital era is "know your customers", that is, listening to the customer also through communities where the customer meets, shares and communicates his idea of product and/or service.

Today, the types of BM can depend on how technology is used. For example, internet entrepreneurs have created entirely new models whose existence depends entirely on the technology that is available or being developed. Using new technology, businesses can seek out and connect with a large number of customers at minimal cost. In addition, increased outsourcing and globalization has meant that business models must also take into account factors such as strategic sourcing, building complex supply chains, and moving to collaborative and relational contractual structures²⁵. The Business Model of a company can be innovated through the search for new blue oceans, where it can take advantage of a first-mover advantage; it is, therefore, of fundamental importance that the company is faster and more efficient, compared to its competitors, in the processes of innovation, and this is made possible through the principle of Open Innovation, through which the company opens its "corporate boundaries" and allows customers to contribute their own ideas to the creation of value. In the initial part of the chapter, therefore, we will analyze the fundamental changes in the Business Model as a result of digitization occurred since the 80s of the last century, then we will analyze in detail how to design a solid and efficient Business Model, as a result of the rapid changes to which the market is subjected every day. In the final part, I will analyze the changes brought by COVID 19 among new opportunities but also new threats that come from the Russia-Ukraine conflict that is becoming the protagonist of the moment day by day, with strong repercussions not only on business realities but also on citizens themselves.

²⁵ Baden-Fuller C., Haefliger S., 2014, *Business Models and Technological Innovation*, Elsevier, Vol.46, pp.419-426

2.1 The advent of digital

The digital revolution has completely changed the way in which individuals and companies communicate, buy, get information, or give information. These transformations have created new business opportunities and therefore a new market characterized by intermediaries, competition and customers with different needs and behaviors than those of the traditional market. The main driver that allows us to better understand this important phenomenon is certainly the Internet, which has become an integral part of daily life. Since the day the first domain was registered in 1985, the Internet has not stopped growing. It has become so ingrained in everyday life that most of us do not think of it as something new or special²⁶.

The Internet has become, quite simply, indispensable! In fact, in addition to making available more information and greater interactivity that were previously non-existent, it proposes a new, richer, and more complex world, made up of brands and products, within which a direct, long-term relationship between consumer and business can be developed. Internet plays a key role in the lives of millions of people and the massive use of this technology has radically influenced and is still modifying the evolution of social dynamics. The web is increasingly used to carry out a wide range of activities such as research and purchase of products or services, creating new friendships, reading reviews and feedback, watching movies, writing comments and opinions, sharing images and experiences²⁷. As a result, companies had reviewed their business strategies, their offer, their way of interacting and communicating with customers, their way of marketing to better meet the needs and requirements of consumers. Therefore, we can say with certainty that in the current economic situation Internet is increasingly revolutionizing the social dynamics, the approach with which companies are proposed on the market and its sales methodologies and the way with which consumers and potential consumers intend to carry out activities such as research, development of networks of people with the same interests, reading reviews or feedback, sharing images and experiences, purchase of products/services.

²⁶ Firth J., Torous J., Smith L., 2019, The “online brain”: how the Internet may be changing our cognition, *Journal World Psychiatry*.

²⁷ Langley D., Van Doorn J., Stieglitz S., 2021, The internet of everything: smart things and their impact on business models, Elsevier, *Journal of business research*, vol.122, pp-853-863

General objectives of this work are to analyze how this new global phenomenon has had repercussions and has brought profound changes in the business models of companies in particular those taken into consideration in the next chapter. These companies have often had to reinvent themselves or radically alter their business model in order not to be sucked into the evolving market and annihilated by increasingly flexible and cutting-edge competitors.

The concept of innovation as a value proposition to the market confirms the acceptance of a vision of innovation of a broad nature, both tangible and intangible, whether incorporated in new products/services or in new ways of approaching the customer, or more generally in innovative business models. In order to be successfully implemented, strategic innovation must be related to the business model. In fact, this represents the connecting link between the strategic vision and the innovative design approach. The essence of strategy innovation lies in changing the rules of the game, i.e. trying to have a business model that delivers better value than any other company. This means placing importance on identifying new business opportunities and then creating a competitive strategy around them. Radical innovators instead of breaking down competitors have bypassed them by creating new market spaces with their own rules.

The digital world has, among its paradoxes, the fact that it is not always important how much money you earn; all the big digital companies were not born, at least initially, to earn but to make engagement, to make critical mass, i.e. acquire customers that in the future will allow them to obtain large revenues²⁸.

The main changes of this technological era with respect to the past are:

- channel control, before it was an asset, now a strong impediment to the customer relationship;
- disruption, which used to be a danger, is now considered a great business opportunity;
- reasoning in silos, now seen as a strong obstacle to innovation; the company must think and act quickly and flexibly;

²⁸ Grigore G., Molesworth M., Mile C., 2020, (Un)resolving digital technology paradoxes through the rhetoric of balance, Sage Journal

- data, once the focus of research, today are the drivers of the decision making process;
- transparency, first seen as a strong risk, today as a necessity for the survival of the company;
- structure, first hierarchy, today collaboration.

The new value cores that are considered fundamental for the company to achieve a sustainable competitive advantage over time are:

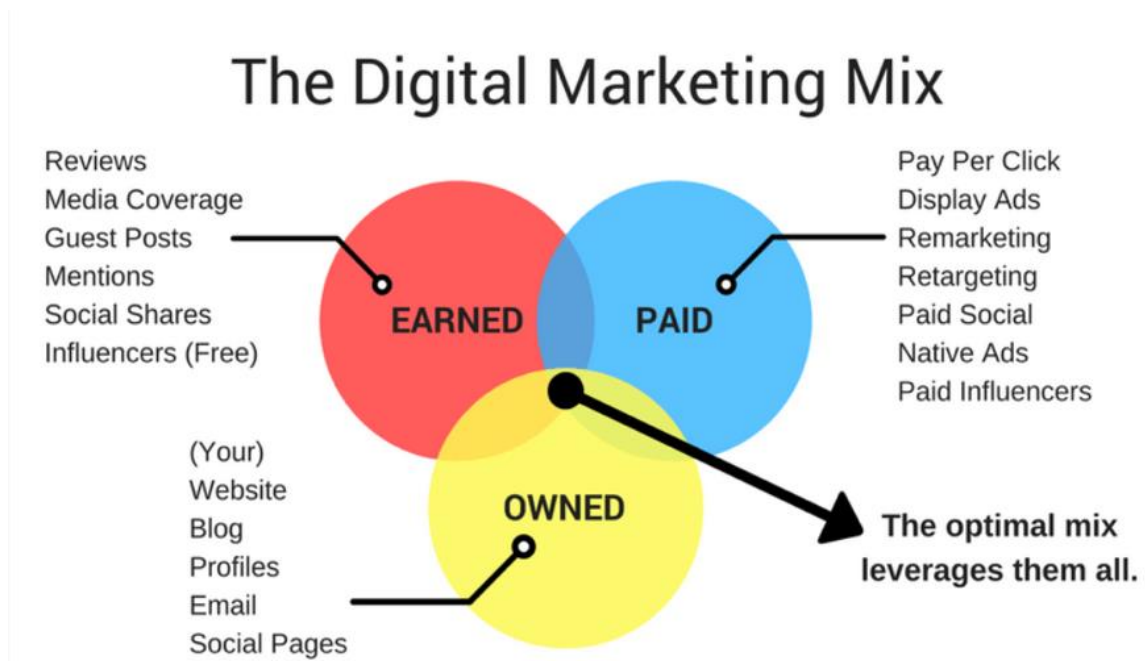
- a) Creativity: helps to efficiently read the context (social intelligence);
- b) Lean: lean and above all non-hierarchical structure;
- c) Empathy: come into contact with different people and/or adapt to the various competitive contexts that the world of work offers the company;
- d) Integrity: products that are reliable and consistent with customer expectations;
- e) Knowledge: the company must adopt an analytical and data driven attitude;
- f) Efficiency: the company must be agile, proactive;
- g) Openness: the company must be transparent, collaborative, and authentic.
- h) Unity: the company must be socially responsible.

A final fundamental difference between traditional marketing and digital marketing concerns today's so-called digital advertising. The advantages of digital advertising over the advertising of the past are:

- scientifically and effectively measuring the results of the actions carried out by any company;
- greater speed of transmission;
- greater segmentation, the company can take any customer;
- much higher retention;
- lower cost to conduct an advertising campaign;
- possibility to share the content of advertising on multiple screens.

Today, next to traditional channels such as TV, print, radio, new digital channels are appearing that radically change the concept of funnel²⁹ making it faster and more measurable.

Figure 11 The digital marketing mix



Source: quorum.com

The company knows that it is faced with three types of differentiation to make:

1. choosing between traditional and/or digital channels;
2. identify the different needs that the advertising campaign (action and/or branding) meets
3. in the context of the company's digital properties or digital channels, as shows the Figure 11, a distinction must be made between:
 - Paid Media, which are channels paid for by the company in order to have impressions on certain sites that are not its property;
 - Owned Media, where the company decides to communicate directly on its own digital channels (blog, magazines, brochures, etc)

²⁹ The funnel is a theoretical model that designs the hypothetical journey of a contact from stranger to customer. The funnel is usually defined by a series of stages, internet pages, actions, mechanisms (in English trigger), which push the contact to decide to purchase a service or product.

- Earned Media, campaigns conducted on certain sites or digital presences that are closely linked to those of the company, but which are not its direct property, and which are basically free, is the word of mouth and it is not controllable.

2.2 Business Model Design

Despite the extreme variety of opportunities available to companies, today, after the continuous transformation, the common elements of successful strategic business redesigns include four key elements:

1. simple, consistent, long-term goals;
2. meticulous understanding of the competitive environment;
3. objective assessment of resources;
4. effective implementation.

Actors in the economic process, but more generally in contemporary society, have less and less time to do, but also to decide. Information is exchanged in real time, new products and new solutions are presented to the market with a pressing and sometimes unpredictable pace. This characteristic, whereby the little time available is accompanied by an enormous availability of information, is an element of interest for both the company and the client. For the company because it has more information to profile its current and potential customers. For the customer because he can have, in this way, many more details about the offer of the company and at the same time of that of his direct or indirect competitors. Quoting Dina Howel, I can said that "consumers will tell us what they want and need in their lives as long as we listen to them every day"³⁰.

Another characteristic of the current scenario is the proliferation of supply also coming from emerging markets, often characterized by different competitive logics, which leads to increasing pressure in order to maintain a broader view of competition. We should also remember the innovation in distribution models that lead, on the one hand, to phenomena of concentration of distribution, at an international level following the search for economies of scale and scope, and on the other, to the profound disintermediation from trade with supply chains short or with the introduction of long tail distribution logics

³⁰ Bubbio A.,Gruppi A.,Lagonigro F., Solbiati M.,(2012) Reinventare il Business Model, Ipsoa,pp.54-58

which, as Chris Anderson³¹ explains well, are leading to the evolution of multi-channel and multi-space distribution systems capable of serving markets made up of "millions of niches".

As a further contemporary phenomenon, it should be remembered that globalization and the information technology revolution have led to a collapse of the very socio-political boundaries that once constituted reassuring barriers to business. In this context, a new positioning opportunity has been created for companies that can thus balance the value of the brand with the ability to create a relationship of dialogue with the customer and be ready to listen to their needs at the right time. A powerful tool for innovating one's own business model is certainly that of analyzing the evolution of one's own competitors, in order to be inspired or, by comparing oneself with the detailed analysis of even latent customer needs, to identify possible free niches in which to operate. To activate a process of evolution of the Business Model, it is necessary first of all to focus attention on the future. In business terms, this means answering the following questions:

- a) What are and will be the new opportunities in terms of products/services stimulated by the evolution of the current situation?
- b) How will the desires and consumption habits of clients evolve?
- c) What legislative innovations could lead to changes in the competitive landscape?
- d) What innovations will be launched by competitors?

As Nirmalya Kumar³² rightly points out, marketing should be "more strategic, cross functional and bottom line-oriented" if it is to have the right weight in strategic business decisions. In fact, if it is true that the purpose of business is to create and maintain customers, it is clear that those who must deal with this not only have a fundamental role but should also be able to stimulate profound changes when the context changes and it is necessary to review even the mode of value creation. Marketing, in this sense, should be able to define the way forward for the business in a projection into the future. And of course, a more strategic, cross-functional and result-oriented marketing activity will necessarily be careful to cut all costs that do not create added value for the company³³. It

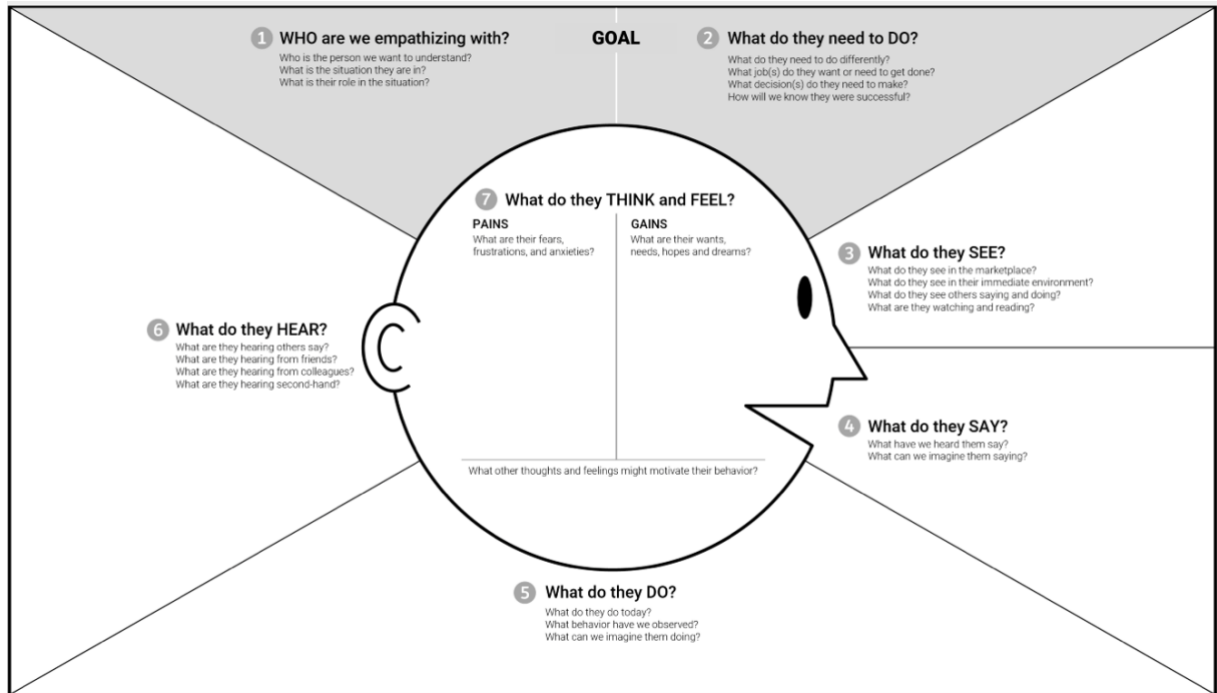
³¹ Anderson C., 2008, *The Long Tail: Why the Future of Business is selling Less of More*, Hyperios, New York

³² Kumar N., 2004, *Marketing as a Strategy*, Hardcover

³³ Bubbio A., Gruppi A., Lagonigro F., Solbiati M., (2012) *Reinventare il Business Model*, Ipsoa, pp.58-65

is therefore necessary to adopt a customer-based approach; it is thought that the development of an intimate relationship with the customer, whether consumer or business, is well interpreted by the Empathy Map (2012) proposed by Dave Gray, (Figure 12).

Figure 12 Empathy Map (2012)



Source: Dave Gray, xplane.com

According to Gray, it is essential to visualize the customer and tune in to his emotions, his point of perception of products/services, his fears, his expectations, because only in this way it will be possible to build businesses that are truly focused and centered on the needs of customers. The different sections of the map answer some questions as shows the Figure 12.

What does the customer hear?

What does he really think and feel?

What does he say and do?

What are his fears?

What does he gain from the relationship with our product/service?

These are questions, in theory, seemingly simple and might seem suitable only for an analysis of consumer marketing; in fact Gray has demonstrated many times the usefulness even in a business context in which the model forces us to answer the question: "Does our Value Proposition really meet the needs of the customer? ; How much would he be willing to pay to get the value we are offering him? ".

Kumar³⁴ in his book "Marketing as a Strategy" said that if once segmentation was a market standard now it is strategic. Strategic market segmentation involves selecting the groups of customers that the company wishes to serve, tailoring its value proposition to their specific needs, through the organization of its resources, capabilities and competencies. The group of clients becomes a segment if it is: homogeneous; attainable; measurable; consistent.

Another aspect closely related to the customer-focused perspective is the fact that we move from the idea of selling products to put ourselves in the position of selling solutions; and solutions are not only through the moment of purchase but, subsequently, also through that of consumption. Obviously, in addition to analyzing the current customer and its future evolutions, in order to anticipate the future, marketing must also necessarily compare itself with those who offer this type of solution. "Strategy without tactics is the slowest route to victory, tactics without strategy is the noise before defeat". This is a famous sentence of Sun Tzu, and for all those who have written about strategy after him, knowing the enemy was one of the three fundamental elements of success in a competition³⁵. Instead of concentrating too much on the details, it is better to look at the situation from above and to this end take up first of all Porter's model of the five competitive forces, which invites us to consider in a macro way the direct competition but also those that can conflict with our company. The analysis of the competitors is useful in order to cross desires with the already existing offer and therefore in order to individualize new competitive spaces, but the alone analysis of the competitors could condition an approach from "follower" useful only in circumstances of advantage of cost,

³⁴ Kumar N.,2004, Marketing as a Strategy, Hardcover

³⁵ McNeilly M.(2012), Sun Tzu and the art of business, Oxford University, pp. 118-156

therefore not re-entering in the types of evolution of the Business Model of which we are speaking.

When a company conducts a business reorganization project to adapt its business model to any external contextual changes, the first thing to do is an internal analysis, i.e. a Swot Analysis (Figure 13). In this case, the capabilities and resources that the company possesses and that are not adequately exploited are highlighted, and their correct and renewed use can guarantee a recovery of trust on the part of the stakeholders, but also an accurate and detailed analysis of its own points of weakness, as well as an evaluation of the opportunities that have never been exploited and the potential threats that may arise in the implementation of the new strategic plan.

Figure 13 Swot analysis



Source: wordstream.com

The main interlocutors to which the company must refer in order to restore its economic-financial prospects and restart development on the competitive front are customers, competition and supplies, technological changes and market trends; on the productive front, workers and collaborators; on the financial front: banks, other lenders; on the

governance front: management and government ownership and on the social front: the community and other social interlocutors.

What exactly does it mean, though, to choose the business model? At the point when you have to make the choice, is it possible to understand whether that model is the best fit for your business? In this regard, Zott and Amit³⁶ give the example of a company that implements a technological innovation that reduces friction in production and assembly machinery by 15%, and is then faced with the following possible alternatives:

- a) Become a manufacturing company, producing machinery that incorporates the new technology and selling it to other companies;
- b) Become a manufacturing company, producing machinery that integrates the new technology and selling it to other companies;
- c) Become a service company, limiting itself to selling the new technology to the companies that produce the machinery (through licensing contracts).

Each of these choices involves a specific allocation of resources, a specific capital investment and, therefore, a specific business model. This decision represents one of the most crucial phases in the history of the firm: whether it is made when an entrepreneur starts a new business or when it becomes necessary to innovate, it is a decision from which there is little turning back. In fact, implementing a business model means not only having the necessary resources at one's disposal but also then employing and developing them in a way that is functional to the chosen activity: at that point, trying to modify it would entail numerous difficulties due to the resistance to change and the rigidity of some of the consequences that could result from this decision.³⁷ In addition, an effective business model should also be "calibrated" in such a way as to generate some "virtuous cycles", i.e. successions of cause-and-effect type of elements that progressively and mutually reinforce each other. In this regard, if we take Ryanair as an example: the choice of having low prices leads to high volumes, which allow to have a high bargaining power with suppliers, which then allows to obtain good conditions in the supply of necessary

³⁶ Amit R., Zott C., (2010), *Business Model Design: An Activity System Perspective*, Elsevier, Vol 43, pp.216-222

³⁷ Tauscher K., 2017, *Scalability and robustness of business models for sustainability: A simulation experiment*

resources, thus leading to low fixed costs. In this way, there is a consolidation of supply at low prices.

But which are the instruments that the managers can use in order to plan the future model of business of the own enterprise?

One of these is the activity system, already explained previously in chapter 1, "a series of interdependent organizational activities centred on a firm, driven both by the firm itself and by its partners, suppliers, customers and so on". The activity system allows the enterprise not only to create value with its partners, but also to appropriate a share of the value itself.

The interdependence of activities is a central element of the activity system concept: it is created by those entrepreneurs or managers who design the organizational activities and the relationships between them to form a single system. This is the essence of business model design: the intertwining of interdependent activities that take place within and beyond the boundaries of the enterprise through different actors. Relevant activities will be carried out by the enterprise itself, others by suppliers and still others by customers or partners; it is the architecture of the activity system that shows how the enterprise will have to insinuate itself into the surrounding networks and that defines who the potential suppliers, partners, customers, and competitors will be. Obviously, the fiercer the competition from the chosen business model, the more difficult it will be to capture a share of the value created. The orientation towards the creation of value for all parties involved is a crucial feature of the business model: the stronger the bargaining power of the firm vis-à-vis the partners with whom it deals, the greater the share of value created it will appropriate.

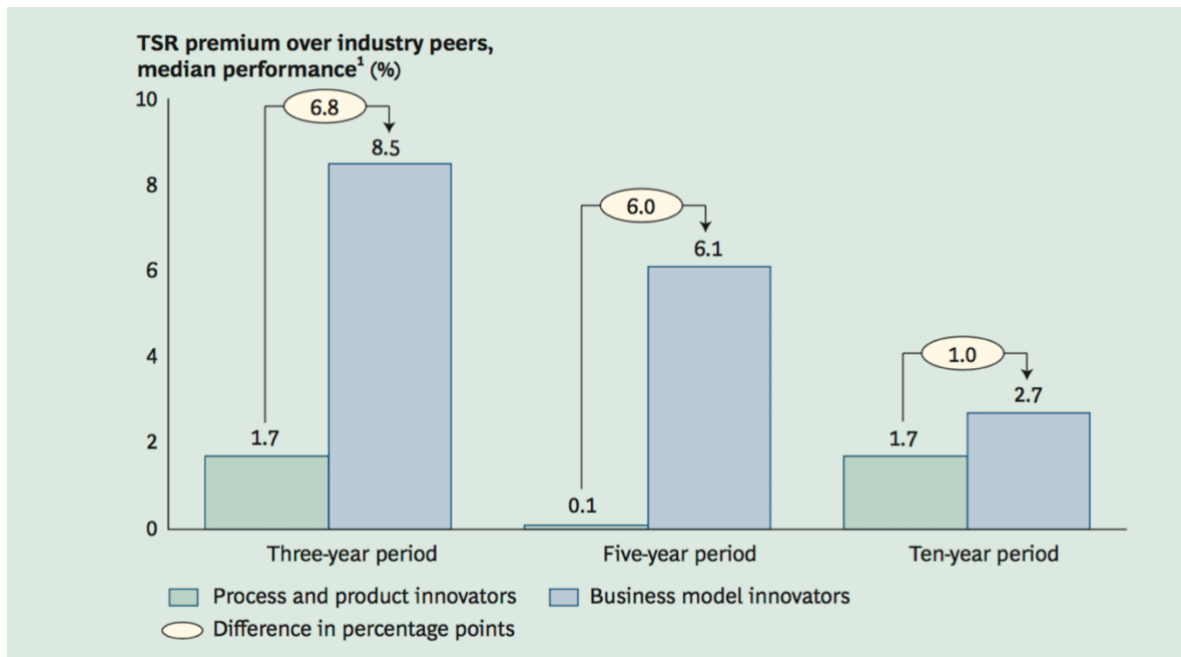
2.3 Business Model Innovation (BMI)

Over time, innovation has become, in many sectors, the determining factor of a company's competitive success; in fact, for many companies, innovation is now a strategic imperative, fundamental both to maintain and acquire positions of leadership in the market and to recover any conditions of competitive disadvantage. The increasing importance is certainly partly due to the globalization of markets; most of the time, in fact, it is the pressure of international competition that forces companies to innovate continuously in order to produce highly differentiated services and products. A mistake

that many companies have made is to speed up innovation without defining clear strategies or setting up well-articulated processes for project selection and management. This often leads to the launch of more projects than are actually sustainable, or to the choice of some that are not suitable for the company's resources and consistent with its objectives: this results in longer development cycles and a high probability of failure. In order to increase the probability of innovation success for the enterprise, an appropriate strategy must be developed. Innovation projects should be coherent with the resources and objectives of the enterprise, leveraging core competencies to contribute to the achievement of the strategic intent.

BMI can provide companies a way to break out of intense competition, under which product or process innovations are easily imitated, competitors' strategies have converged, and sustained advantage is elusive. The companies that flourish in downturns frequently do so by leveraging the crisis to reinvent themselves—rather than by simply deploying defensive financial and operational tactics. Moreover, during times of crisis, companies often find it easier to gain consensus around the bold moves required to reconfigure an existing business. BMI may be more challenging than product or process innovation, but it also delivers superior returns. The Boston Consulting Group (BCG) and *BusinessWeek* recently conducted their annual survey to identify the most innovative companies. The study divides innovators into business model innovators and product or process innovators. The result showed that while both types of innovators achieved a premium over the average total shareholder return for their industries, business model innovators earned an average premium that was more than four times greater than that enjoyed by product or process innovators. Furthermore, BMI delivered returns that were more sustainable; even after ten years, business model innovators continued to outperform competitors and product and process innovators. (See Figure 14).

Figure 14 Business Model Innovators outperform traditional innovators over time



Source: Business Week BCG Innovation survey; BCG ValueScience analysis

Many companies pursue BMI as a defensive move to protect a dying core business or defend against aggressive competitors. But we are convinced that BMI can be most powerful when it is approached proactively to explore new avenues of growth³⁸.

As a consequence of the changes taking place constantly, enterprises have to understand the need to develop the business in a different way, to make appropriate strategic decisions (both business and technology related) and to manage the transformation of the organizational structure in the right way. The business scenario that is being shaped by the strong trends and outcomes of the Covid 19 requires an appropriate reconfiguration of the business model of companies. This is both to activate capacities for new business and to operate in an 'open business' logic, and to reduce the structural fixed costs of the company to increase its flexibility and responsiveness. This priority requires organizational know-how that is somewhat different from that traditionally used. In the current evolutionary scenario, the transformation of the company's business model is a compulsory step. In fact, it makes it possible to: enable the new business capabilities identified as necessary, activate new value paths, innovate the role and position in the value chain, create more flexible and leaner organizations, reduce the company's fixed

³⁸ Lindgardt Z.,Reeves M.,Stalk G.,Deimler M.,(2009) Business Model Innovation, Boston consulting group.

costs by freeing up financial resources and create new business organizations capable of continually reconfiguring themselves³⁹. It becomes essential to review the approach to the market: developing products for customers, taking care of the company's image and the quality of related products/services, providing systems instead of components and semi-finished products instead of raw materials, improving relations with customers and suppliers. The ability to use information technology to create constructive relationships and exchange information and data online via a network is important. The ability to use methodologies, supported by appropriate technologies, to increase the availability of information and reduce uncertainty in decision-making is also vital. If the company manages to be innovative and anticipative, an efficient system of communication and monitoring of the performance of the various activities allows it to achieve positions of advantage over its competitors. Winning companies are those that manage to combine: innovation, collaboration and partnerships with customers and suppliers, knowledge sharing, critical and continuous analysis of both their own business and that of their competitors, aptitude for developing strategies and planning activities, maximum attention to human resources including development plans and incentives to attract and retain talent.

For decades we have been discussing the inertia that characterizes successful companies destined, often, to succumb in the long run due to external phenomena linked to the introduction and commercialization of new technologies, social changes or economic crises. In this way, large companies are perceived as 'too big to innovate', because they are designed solely to make efficiency and incremental innovation in their services and products and are nagged by the fear of cannibalizing their current sources of revenue and profit.

When a business model innovation process (BMI) is undertaken, the expected results in the medium to long term have a 6 times greater impact, in terms of profits, than a product or service innovation. This entails taking a greater and different risk: an entrepreneurial risk. The application of BMI implies a change of mindset and innovation becomes an ongoing process rather than a sporadic one. After all, we have all been accustomed to considering innovation as resulting from the application of new technologies to satisfy the needs, in part manifest, of current or potential customers: the first paradigm shift

³⁹ Merli G., 2013, The transformation of the business model: business modelling, pp.67.86

precisely concerns the definition of innovation. The introduction of a new product on the market, or the identification of a new potential market, are also innovations that affect the business model, but they represent only the best known and least profitable part of it. A BMI is a type of innovation that challenges the current business model, expands, in fact, the companies' operations and the 'dominant logics' that govern a specific market/technology configuration. It may seem a very risky process, and it is, if specific strategies are not adopted to control the risk, of the effect-cause type, or 'effectual': the focus of attention, of strategy, and of the operational initiatives that are undertaken, is the verification of the effect that a modification of a cog in the business model generates in the rest of the mechanism. If the effect is positive, then it is worth working on the cause that generated it. The cause in itself (i.e. the product innovation, for example, that one wants to introduce) is not a guarantee of effectiveness as long as the effect remains a hypothesis. If the effect is not a hypothesis, then it is a signal that the innovation one wishes to introduce is not substantial, also in terms of impact. If you aspire to a significant effect/impact for the change/innovation you wish to introduce, then there is nothing that can guarantee it on paper: the only thing to do is to accept the risk and take all necessary measures to control it in order to get to the verification of the hypothesized effects before having exhausted all resources in designing the causes.

We can identify three good reasons to innovate:

1. Lead don't follow! To be the first in a red ocean, i.e. in a highly competitive market. Innovation is everything. When you are at the forefront you can see what the next innovation needs to be. When you are behind, you have to spend your energy to catch up. Of course, when we talk about innovation, we are basically referring to creating a change, for the better, in the existing state of affairs. Innovation is about a process that delivers more results than it started with. Its opposite is called regression. So, if we want to be successful with our company, we must include among our capabilities the ability to create innovation first, or in the best way, in our market. To do this, we must know how to make the best use of our resources instead of wasting them chasing others who, by definition, will always be one step ahead of us.
2. Eliminate competition: swim in a blue ocean i.e. in a market without competitors. We wrote 'eliminate', not 'win' the competition. It certainly does not mean that you

must physically suppress your opponents, but rather that the secret lies in discovering or even creating new customers, new needs, new entire markets that have been unexplored until now. Spaces where competition ceases to exist. To do this you need a strong capacity for innovation, which with the right models and tools and proper application can be developed, and which allows you to anticipate and design new possibilities that most of the rest of the world does not yet see.

3. There is innovation and innovation: choose the most effective one. Not all innovations have the same impact. Independent research by IBM and the Boston Consulting Group has clearly demonstrated the competitive advantage - as measured by profits - in those companies that innovate their entire business model over those that only innovate in products/services. Why is it so important to innovate the Business Model? One of the main reasons, is that while product innovation is easily replicated by competitors, this is not the case for those who manage to innovate in every sector and business function, thus making the differential incredibly solid: exactly what is done with the Business Model Canvas.

So we have highlighted that a company must be a leader and not a follower in its market segment, eliminate the competition by discovering a blue ocean and make the whole business model innovative, not just the service or product.

The consequence of all the above points is that business model innovation brings uniqueness and strength to one's brand and consequently customer loyalty, interest, word of mouth and strong financial gains.

Steve Jobs said without half measures that: "Innovation is what distinguishes a leader from a follower. It is not an accessory, a frill, something interesting to do when we have a few spare moments. If you don't innovate, you have to chase. And fail more easily. The Corporate Garage⁴⁰ is a new era in which large companies can regain a central role in innovation models and processes. Organizations are asked to recombine their own resources and seek new ones externally, while creating an environment that does not penalize experimentation and the search for new opportunities to create value.

⁴⁰ Corporate garage: an approach pioneered by Scott D. Anthony where companies create an autonomous, entrepreneurial entity outside the existing business focused on growth through innovation.

A business model is the story of how a company creates, distributes, and captures value, it is how the pieces of the business fit together. Apple, Starbucks, Amazon, Nespresso are just the most famous cases of how established companies have gone beyond simple product innovation by following a holistic approach to innovation and often exploiting existing technologies. The case of Apple's iPod is emblematic: in 2001, music players were already on the market, but Apple was the first computer company to include music distribution in its activities. The Amazon case clearly explains how a company was able to exploit some of its assets, distribution channels, to enter the e-reader market (Kindle) without having direct expertise in electronic devices. Leveraging existing assets to innovate, even incrementally, its business model is what McDonald's has done with the McCafé initiative. So a new value offer for its customers but also for new customers, exploiting existing resources (location) and skills (food preparation). Innovation is also taking place in mature markets or where products are commodities. The case is that of Starbucks, which has innovated by offering much more than just a product but an experience for which you are willing to pay 4 euros. Excellent customer service, attractive environment, comfortable chairs and free wifi. Starbucks has focused on everything around the product rather than the product itself. But what if the product was embedded in an innovative business model? The mentioned Apple case shows how effective it is to position a product within a business model. Someone could come up with a better MP3 player than Apple but few of the millions of customers with iPods and iTunes accounts would be willing to switch brands. A fresh business model can create and exploit opportunities for new revenue streams and profits to counterbalance a rapidly ageing model. Stores became a place to have a real experience capable of leaving a mark through the use of technology already available today where brands can reinforce a relationship with their customers, experienced through multiple purchasing channels. Looking at your business model by imagining how to link the different channels of service delivery is an exercise that can trigger opportunities by leveraging existing assets (the locations, the stores, the brand) and integrating them with new elements (consider the adoption of Google Glass, Google's glasses that allow a hands-free browsing experience). Providing an engaging and unique experience could bring back to stores those who today prefer to click on Amazon because they do not perceive value in moving between shelves full of books and magazines that are difficult to find and without having, in real time, recommendations and suggestions. Innovating your business model is a priority for all organizations, even those going through a growth phase. The story of Blockbuster and

Netflix is a recent example of how a thriving and wealthy company failed to notice the entry of a small start-up that leveraged existing technology (DVD and streaming video) to innovate a business model on which Blockbuster had built its early success. Netflix's innovation lies in the distribution through an efficient mailing service to the customer's home of the chosen film, avoiding the trip to the store. Blockbuster neglected the threat of an innovative business model until it was too late to remedy it, in fact in 2010 the company went bankrupt. Innovation is very important, as says George Bernard Shaw "progress is impossible without change and those who do not change their minds cannot change anything else".

After defining some fundamental aspects of business model innovation and reporting some historical examples of companies that have been successful in innovation we can classify three different form of Business Model Innovation.

One speaks of Open Innovation⁴¹when one has a system of innovation through which firms rather than relying on internal ideas to advance their business look outside the company's boundaries to also exploit any external sources of ideas. Then there is Collaborative Entrepreneurship⁴²which is defined as the creation of economic value based on new ideas that emerge from the sharing of information and knowledge. Finally, there is Open Business Model⁴³ (Chesbrough H.W., 2006) when firms open up their business models by actively seeking and exploiting ideas from outside and allowing unusual internal technologies to flow outwards, where other firms can unlock their latent economic potential. The central argument is that the value of in-house technologies may not be apparent to proprietary companies.

New technological paradigms require business models designed for this purpose both to create value for customers and to capture some of it because through technology substitution, emerging technologies allow new sub-spaces to open up within existing product spaces. Capturing the potential economic value derived from new technologies will consequently require the implementation of new business models. In fact, the business model is not only the logic of exploiting the economic potential contained in a

⁴¹ Chesbrough H.W.,2003, Open Innovation: The New Imperative for Creating and Profiting from Technology,Harvard business school Press, Boston, pp.63-78

⁴² Miles R.E.,Miles G., Snow C., (2005), Collaborative Entrepreneurship: How Communities of Networked Firms Use Continuous Innovation to create Economic Wealth, pp.50-61

⁴³ Chesbrough H.W., 2006, Open Business Models: How To Thrive In The New Innovation Landscape

technology but also the organizational principle complementary to the technology needed to give the company a competitive advantage.

The business model as a heuristic logic can act as a mental map capable of mediating the way in which business ideas are perceived, filtering out valuable and non-valuable information. This filtering within a dominant firm precludes the identification of models that differ substantially from the current business model. There may be underlying barriers to asset configuration: conflicts between existing assets and business models, inertia that may arise due to the complexity required to reconfigure assets and operational processes. There are also cognitive barriers that manifest themselves in the inability of managers, who have found themselves operating within the boundaries of a particular business model, to grasp the potential value of technologies and ideas that are not already part of the current business model.

2.4 Harnessing the pandemic of Covid 19 to renew businesses.

The impact of the global pandemic is far-reaching because has affected companies in all sectors and has caused severe delays in the supply chain. Companies are rapidly adapting to the 'new normal' as executives try to devise proactive strategies to protect not only their workforce, but also their bottom line. The Coronavirus has quickly made the famous phrase 'business as usual' a concept of the past. There is no "usual" in these uncertain times. Healthy companies are in motion and in constant transformation, just as business. One might think that the pandemic has blocked this process but in fact it is the other way around, has awakened them. Before, very few were transformed, most remained static. Covid brought to light their vulnerabilities, and how easy it can be to fail. It was a wake-up call. Now more and more companies are investing in innovation, because they have realized that if they don't change their organization and processes to become faster, they are doomed to fail. To do this, however, requires a completely different way of organizing.

As Osterwalder argued in an interview at Performance Strategies' Marketing Forum in Milan recently: “the moment you think you are invincible, you are actually very vulnerable, you become arrogant, you relax and you don't reinvent yourself. On the contrary, you are really invincible when you keep thinking that you might fail because

you are crushed by the competition”. A bit like the thinking of Jeff Bezos who has often said that Amazon will fail, which is why he is constantly renovating the company. Despite the fact that 1.5 million people work there, it maintains what is called a "day one culture". “When you have that mentality you are not afraid, you act to improve, and that's when you become invincible”. He claims that companies are unbeatable when they have three characteristics. The first is the ability to constantly reinvent themselves. The second is when they look not only at technology or product innovation, but also at better business models. The third characteristic is when you transcend the boundaries of the sector, going beyond them. For example, “you cannot say that Apple is only active in the phone business. It is true that it produces and sells phones, but it also makes entertainment and has created Apple Stores. All of these things intertwined into one business have created a powerful business model that transcends industry boundaries"(Osterwalder 2021).

Based on this ideal he writes in 2021 the book “The Invincible Company”⁴⁴ that underline three characteristics that the companies must have:

1. Their constant culture is that of day one.
2. They can always reinvent themselves. They do not just compete on technology, innovation, product, service and price, they compete on superior business models.
3. They are constantly pushing the boundaries of their industry. They go into different areas. They experiment. You will never be able to put an invincible company in a specific sector, such as banking, pharmaceuticals, or a manufacturing area, because their business is in multiple sectors". Amazon doesn't just sell products online. Apple not only sells computers. Tesla does not only sell electric cars.

“The invincible company does not only focus on the present. It doesn't just focus on improving what it has. It goes beyond. It explores the future and invents it. How? By making a lot of mistakes, but at the same time learning a lot" explains Osterwalder and adds “Never fall into the myth of creative genius, don't fall in love with a great idea. Ideas

⁴⁴ Osterwalder A.,Pigneur Y.,Etiemble F. and Smith A.,(2020) , The Invincible Company, Strategyzer

don't count. What really matters is the process you use to test whether they work, to find a viable business model and to scale profitably."⁴⁵

What is the most important lesson we need to learn after this pandemic according Osterwalder? Covid-19 taught us that disruption can always be around the corner. That it can happen to anyone at any time. And it is necessary to be ready. Obviously, no one could have been as ready for an atomic bomb scenario as Covid-19 was. However, the companies that have kept the innovation engine running and have always been used to exploring are the ones that have reacted best in this scenario and adapted.

The pandemic has disrupted our lives, our routines, our work, and more generally the way we think about life. In March 2020, people went from daily commuting to working in their pyjamas from the comfort of their homes. Numerous companies have been disrupted by this pandemic, with the catering sector being the most affected. In short, there have been a number of changes, but can they be called permanent? It depends, there is no single answer to the following question. For those who have changed careers or started working remotely, the answer is yes.

“But even if the pandemic has permanently changed working life, has it also permanently changed the way companies should build their business strategy?” following question was posed to a panel of experts at the MIT SMR Strategy Forum, and it turns out, as the Figure 15 shows, that the majority are convinced of this⁴⁶.

⁴⁵ From the interview at Performance Strategies' Marketing Forum in Milan in 2020

⁴⁶ Has COVID-19 Permanently Changed Business Strategy? What Experts Say, MITSMR Strategy Forum, September, 2021

Figure 15 The COVID-19 pandemic has permanently changed how companies should think about business strategy



Source: MIT SMR Strategy Forum

To this question we can group the answers into three types of thought. Those who are in agreement, against, and impartial.

For those in favor of the idea that the pandemic has definitively revolutionized the corporate strategy, two driving factors emerge: “flexible work and resilience of the supply chain”. I consider myself belonging to this category. The pandemic has made us understand that we must be more flexible and less static as possible, as staticity and therefore the absence of change leads to corporate ruin.

Erik Brynjolfsson of Stanford University notes that the pandemic "pushes great and persistent changes especially in the use of digital technologies, in the geography of work and in the nature of interactions." Ivan Png, an economist and academic from Singapore, compares natural disasters to the pandemic, noting that while natural disasters have been effective case studies of how certain sectors and geographies can be affected by the crisis, the pandemic has instead cut off supplies in all sectors, prompting companies to rethink their just-in-time strategies. So, this leads to the awareness that in times of uncertainty, the ability to adapt, which does not mean adapting by remaining immobile, but changing

its characteristics to make them compliant and suitable for the environment around us, is an important source in term of competitive advantage for a company.

Opponents, on the other hand, argue that despite the permanent effects that covid has had on workers, from the point of view of the business plan and strategy, the fundamentals have not changed. Confirming this, Bruno Cassiman, lecturer at the IESE Business School, states that "“The principle of creating value and developing a competitive advantage to capture part of this value has not changed.” Likewise, Lori Rosenkopt states that “the way companies should think about corporate strategy hasn't changed; the strategy formulation and implementation processes remain the same. Of course, the content of the strategy has likely changed, as the pandemic has changed demand patterns, impacted supply chains and transformed employee desires; some of these changes will be permanent. In other words, she points out that although the content of the strategy has likely changed, "it is the job of a great strategist to anticipate a wide variety of outcomes and build contingency plans." (MIT SMR Strategy Forum)

Impartial people like Joe Waldfogel argue that “Many things have changed permanently for example, people’s willingness to work at home or to travel, or firms’ perceived need for expensive office space or face-to-face interaction. But these may be better understood as features of the environment, not aspects of strategy. In some sense, the pandemic has just nudged us into the future that has been inevitable since the arrival of the internet and digitization.”

Caroline Flammer of Boston University disagrees that the pandemic has permanently affected corporate strategy, but she stresses that it should. As she writes, "The current pandemic is one among many other system-wide crises the (business) world is facing. Flammer argues that in order for companies to remain competitive and face major challenges, they must start making more permanent changes in thinking and "adopt a systems-level approach in their business strategy.

Despite these conflicting opinions, a common thread through the responses is that the forced experimentation of the pandemic has brought about many necessary changes in corporate thinking and strategy.

As speaker Joshua Gans concludes, "The bottom line should be that companies were doing too little experimentation before."

If the pandemic has radically changed the practice of strategy, all companies and leaders must proactively think about how to perceive and respond to future disruptions and respond to the pressing social challenges that the crisis has highlighted, operating a constant modernization, therefore not bet on fixed points but constantly evolve those points. To understand the situation more closely, we will see in more detail how the pandemic has affected the building blocks of the business model canvas, given that, as mentioned in the previous chapter, it is the tool that allows to graphically represent a company's business model so, it represents how the company creates, distributes and collects value.

2.4.1 Impact on business strategy in general

To overcome the impact of the COVID-19 pandemic, CEOs⁴⁷ are facing serious challenges based on uncertainty. They have had to prioritize the immediate, focusing on the needs of their people, customers, and suppliers, and on effectively managing supply chain discontinuities. In parallel, they have sought to stabilize revenues and take care of customers, reshape their business to align with changing demand and identify new avenues for growth.

Now, leaders are rapidly turning their attention to managing Phase 2, a period when economic trends will be difficult to predict, and the possible recovery will be slow. This could favor the rapid emergence of new competitors but also opportunities for growth. The new phase will not be a simple return to pre-COVID business but will usher in a new era defined by rapid changes in cultural norms, societal values and behaviors, such as increased demand for more responsible corporate policies and renewed brand purpose.

Against this backdrop, leaders face the complex challenge of renewing and build the skills they should have invested in before the pandemic: to be more digital, data-driven and cloud-based; to have more variable cost structures, more agile operations and more automation; to have more robust capabilities in e-commerce and security. This agility will be fundamental to the long-term capabilities they want to build.

⁴⁷ CEO represents the highest executive role held within a company.

2.4.2 Impact on the key resources:

Organizations around the world have been forced to undertake workforce transformation on a large scale and at speed. Almost all companies are still trying to understand how work will evolve in the short and long term. But speed is an essential factor now that people are looking for ways to keep moving forward and generating results, while at the same time trying to manage everyday life.

Human resources leaders across all market sectors are rising to the challenge, helping people and organizations cope with transformations that impact the entire workforce, such as managing the need to make an immediate transition to remote working, to protect and empower people, to meet key customer needs and to ensure business continuity.

The experience of HR managers developing Agile Workforce strategies is critical to sustaining the global economy and helping individuals and families maintain an income, now and in the future. Now that companies are working together to keep jobs, opportunities are starting to emerge. People, organizations, and society need immediate answers. Plans must be fit for today but able to evolve as health and economic conditions change globally. Businesses, governments, citizens, and nonprofits play a critical role in establishing a person-centred approach that promotes workforce resilience. This process will not be unique: it will require the development of capabilities and enduring relationships between stakeholders.

2.4.3 Impact on costumers segments and key partners

The impact of the Coronavirus pandemic requires businesses to move at unprecedented speed to deliver quality services to consumers while caring for employees. This means reconsidering how contact centers are used, where agents work and how they deliver a relevant customer experience, and how to use digital channels to support business continuity during the crisis and beyond.

The COVID-19 pandemic has forever transformed our experience as consumers, employees, citizens and individuals, and our behaviors are changing as a result. The crisis is changing consumer choices, for example accelerating huge structural transformations in the consumer goods sector. Once the immediate threat of the virus is overcome, companies will need to consider the impact of these transformations on how they design, communicate and build the experiences people want.

As these new behaviors emerge, organizations also have the opportunity to accelerate the shift to e-commerce by expanding current services and creating new ones. This acceleration will force organizations to rethink their digital strategies to seize new opportunities in markets, intercepting new segments of digital consumers.

What impact is the pandemic having on customer business? This is the first question that the company must ask itself as the pandemic has not only affected the company itself, but has affected its customers and suppliers, so supply and demand will be different. The company needs to understand how the demand for its products will increase or decrease, it must understand if the purchasing methods will change and if changes in the distribution channels will be necessary but above all if there will be new types of customers that it can serve and for to do all this is necessary a first phase of active listening to the outside.

2.4.4 Impact on customer relationships

Based on the type of business that the company manages, customer relationships have changed in a more or less significant way: those who established relationships only online have undergone very few changes while those who have relationships in person have had to change everything. And now that companies are adapting, the question is: how well does this new way of communicating work? Will it be maintained even after this phase? The best solution depends on how effective the new ways of relating to customers are and on the connections with all the other elements of your business, with particular relevance to how your business processes are structured.

2.4.5 Impact on channel

With the COVID-19 crisis, changes in consumer behavior, supply chain and sales channels are destabilizing companies. The response to the pandemic has made clear the need for managers to accelerate the adoption of agile ways of working and a transformation of the value chain to overcome uncertainty.

Becoming a “smart enterprise” means moving away from top-down decision-making, empowering purpose-driven teams, supported by data, powered by technology and the cloud for faster go-to-market. It will require eliminating rigid structures based on control and territory to create a permeable organization with plug-and-play modules. The Intelligent Enterprise is capable of dynamic management and continuous adaptation. It is created to be agile, resilient and capable of growth.

Adopting a distributed model of global services can help large organizations operating across market sectors to mitigate risk. Automating routine tasks with “human+machine” models can also help serve the business today and position for growth when the emergency has passed.

Today, more than ever, the supply chain is fundamental. Companies need to be able to acquire goods and services quickly, safely and securely - particularly for those at risk of infection or working on the front line of healthcare. Organizations need to take immediate action to sustain operations and prepare their supply chain for the future.

2.4.6 Impact on value proposition

The perception of the company's value proposition following the pandemic has changed as the perception of the people to whom the company addresses, the customers, has changed. If the company remains faithful to its values, its customers will understand that the new proposal will only change in shape and price but will remain consistent with the company's core business and therefore will be more likely to accept it. Following this, therefore, the company must go on how to continue in the medium to long term once the crisis is over, determining how much of what it has added / changed during the period of uncertainty, it will be useful to keep and strengthen in the future and how much to abandon.

2.4.7 Impact on key activities

To adapt to the new and sudden situation, the company has modified its activities, creating new ones, intensifying existing ones, leaving out some to intensify others, thus also bringing its employees to adapt to the situation requiring extreme flexibility. The question that the company must ask is what it wants to do in the near future, which activities to abandon completely, which to resume and which to integrate fully into its processes. Making an analysis of how to change processes means integrating the different elements of the (new) business model together in such a way that all activities (offer, target, communication, distribution, etc.) work and that the overall gear turns smoothly.

2.4.8 Impact on cost structure and revenue stream

Resuming the business model also implies evaluating the impact of the changes in economic terms. Because if it is true that at first we only look to contain losses or to maintain a good position in the market, in the long run we must return to an economic-

financial equilibrium in order to remain "in the game". Due to the COVID-19 crisis, managers had to react promptly to optimize the resilience of their company: rebalancing risk and liquidity by evaluating the opportunities deriving from the crisis. Immediate and future survival depends on the rapid action of the C-suite, including short-term actions for stability and strategic moves that can create a new future for companies and markets. Immediate action is needed to address short-term liquidity problems, but also to address cost and profitability issues and generate budgets to invest in new opportunities, including mergers and acquisitions. Many CEOs are faced with a sharp decline in sales and revenues and rising costs. Corrective action may require investments in key technologies, processes and people. For some, liquidity has become a critical survival factor. Actions taken today can have an immediate impact on the company's survival, its speed of recovery from the crisis and its long-term financial strength and sustainability.

2.4.9 Impact even on technology

Even before COVID-19, many organizations were facing significant IT challenges. Today, COVID-19 is driving companies to rapidly adopt new ways of operating, challenging IT systems like never before. As companies seek to balance new priorities and system challenges - business continuity risks, sudden changes in volume, the need to make real-time decisions, the productivity of their people, and security risks - leaders must act now to address the most immediate systems resilience issues to lay the foundation for the future. Once the pandemic is over, it will be important to devise long-term strategies to create greater resilience and apply the lessons learned from this experience to design a systems and talent roadmap that will better prepare the business for future disruptions.

All market sectors have been hit, more or less severely, by the COVID-19 crisis. Some sectors have stronger defenses, while others will struggle to return to a shifting "normal". Consumer demand patterns are changing, supply chains are under pressure globally, and different markets, geographies and governments are responding independently to the crisis. Companies must continually adapt to new and uncertain market conditions. On the basis of a semi-structured interview sent to two companies in northern Italy, we will analyze in more detail how companies have dealt with this period in order to determine specific sector advice on what actions to take now and in the future.

2.5 The shock of the Russia-Ukraine conflict

Today, the Russia-Ukraine conflict is already deteriorating the complex economic scenario caused by covid, not only for Italy, but for all of Europe; global economic activity has shown signs of slowing, due to the spread of the Omicron variant of Covid and, subsequently, to the growing geopolitical tensions that culminated with the invasion of Ukraine by Russia.

In the first quarter of 2022, at a global level, there were several signs of supply shocks, due to the strong recovery of the economy after the pandemic: shortage of raw materials, difficulties in finding labor, bottlenecks in international production chains. The war between Russia and Ukraine, which began on February 23, in addition to emphasizing some phenomena already underway, has induced a further economic-financial shock that is expressed through multiple transmission channels:

- the further increase in energy prices (in particular gas and oil) and agricultural goods, which significantly erodes the operating margins of companies, with negative repercussions on economic activity;
- the brake on exports and imports to the countries involved
- the worsening of the difficulties in finding raw materials and materials, in particular those coming from the countries involved;
- uncertainty and volatility on the financial markets
- the strong increase in uncertainty which negatively affects the confidence of operators, penalizing the investment decisions of businesses and household consumption: the index of economic policy uncertainty for Italy rose by 21.1 per cent on average for first two months of 2022 compared to the fourth quarter of 2021, but it is set to increase further. In the first four months of the pandemic (March - June 2020) it had had an average increase of 62.8 percent compared to the previous 12 months, in those following the failure of Lehman Brothers it increased by 30.7 percent and after the attack on Twin Towers of 11 September 2001 by 85 percent;
- economic sanctions and counter-sanctions applied to Russia;
- the level of risk on financial markets, which is growing and should further worsen, due to the possibility of default by the Russian government, banking institutions and industries and the high volatility of some exchange rates.

The result is a surge in inflation to all-time highs.

Faced with this turmoil, my analysis aims to investigate the various actions that companies have had to take to deal with the covid first and then the war, but the results obtained showed something unexpected.

CHAPTER 3 CASE STUDIES INTERVIEWS

The purpose of this study is to compare two companies that differ in size and sector, analyzing the evolution of their business model and focusing on how they reacted to recent events: the covid pandemic and the conflict between Russia and Ukraine. In other words, I want to understand how these external dynamics have modified and infected their business model, trying to outline guidelines that can serve as suggestions to follow in situations dominated by uncertainty.

In order to achieve this objective, I have considered two companies in the north of Italy: SABI Group Spa and Friul Intagli Industries Spa. The choice is not causal, as the idea for this thesis came about as a result of my work experience at the two companies. In the first companies I did my internship, which turned into a 4-month employment while the second one is my current place of work.

As a methodology for data collection, I adopted the semi-structured interview because as the literature shows, which I will report below, it is the most popular method in qualitative research, as it combines rigour in the topics, it is flexible, accessible and intelligible and, above all, able to reveal important and often hidden aspects of human and organizational behavior. It is used in many disciplines as it is the most effective and convenient means of gathering information (Kvale and Brinkmann, 2009). Because it is grounded in human conversation, it allows the expert interviewer to modify the style, pace, and order of questions to evoke the most complete responses from the interviewee in order to elicit opinions and comments of strong impact for the continuation of the project at hand.

3.1 Methodology used

The research interview, one of the most important methods of collecting qualitative data, has been widely used in conducting field studies and ethnographic research, it is often used as a pilot study to collect preliminary data before planning an investigation.

Given the wide application of interviews in research, there is a large literature on the interviewing method focusing on different topics, advantages and disadvantages of the method and general advice for conducting “effective” interviews (Douglas, 1985).

There are therefore many established forms of interviewing methods used to gather information on a variety of phenomena. The family of qualitative interviews includes interrogation modalities that "differ in the degree of emphasis on culture, in the choice of the arena or boundaries of the study, and in the specific forms of information that are sought" (Rubin and Rubin, 1995). In essence, the interview method is the art of questioning and interpreting the answers.

I will focus on three interview methods: structured, semi-structured and unstructured interviews, using the Alvesson framework as the basis of my discussion.

To demonstrate the reason for my choice, I will therefore use Alvesson's (2003) reconceptualization of the interview method based on three perspectives: neo-positivist, romantic and localist. The goal is not to be exhaustive on every aspect, but to focus on the advantages attached to the method I prefer, the semi-structured interview.

When we reflect on interview methods, we argue that the neo-positivist point of view (study of facts) corresponds more to structured interviews, the romantic point of view (focusing on meaning) to unstructured interviews, and the localist perspective (social construction of situated reports) to semi-structured interviews, with overlapping borders (Alvesson, 2003). The table below summarizes Alvesson's three points of view highlighting four key aspects: the interview process, the interviewer, the interviewee, and the reports produced.

Figure 16 Summary of the three perspectives on the interview method

Position	Interview	Interviewer	Interviewee	Accounts
Neopositivism	As a tool for collecting data	As a capable researcher to trigger honest response	As a truth teller	As objective data and knowledge transfer
Romanticism	As a human encounter between the interviewer and the interviewee	As an empathetic listener to explore the inner world of the interviewee	As a participant to reveal real life experiences and complex social reality	As a pipeline of knowledge mirroring interior and exterior reality leading to in-depth shared understanding
Localism	As an empirical situation that can be studied	As people who are involved in the production of answers through complex interpersonal interaction	As people who are not reporting external events but producing situated accounts	As situated accounts that must be understood in their own social context

Source: Alvesson(2003), The qualitative research interview, Journal

The neo-positivist point of view (structured interview) sees the research interview as a tool that can be used as effectively as possible by capable researchers who establish context-independent truth. Metaphorically we can say that the interview process is "a pipeline to transmit knowledge" (Holstein and Gubrium, 1995), and therefore the interviewer remains neutral with respect to what the interviewees say, using a guide more specifically, a list of predefined questions that will follow step by step without therefore leaving space for new possible issues that could emerge. In other words, it leads to the exclusion of the context, considering it not relevant for the meaning of questions and answers, thus trying to find a completely objective reality (Gubrium and Holstein, 2001).

Secondly, the romantic vision (unstructured interview) sees the research interviews as a human encounter, encourages the interviewees to reveal their experiences thus establishing a relationship of trust, therefore only provides for the definition of the central theme, with a total freedom to bring out the questions from the chat with the interviewee who is metaphorically seen as a "deposit of opinions and emotions in a productive source of knowledge". (Alvesson 2003). The interview becomes a "moral peak" because it puts interviewers and interviewees on the same level, each of whom expresses their feelings, thus presenting a more realistic picture of what can be discovered using the previous approach but in this way, we tend to lose the central theme of the interview (Fontana and Frey, 1998).

Finally, the localist position (semi-structured interviews) is based on wanting to contextualize the collected data, here the interview is not seen as a tool to collect data in isolation, but rather must be continuously associated with a social context to acquire meaning relevant. One localist argues that "social phenomena do not exist independently of people's understanding of them and that such understandings play a crucial generative role" (Hammersley, 2007). The interview process is treated as a social encounter in which the interview "is not simply a neutral conduit or a source of prejudice, but rather the productive site of the same documentable knowledge" (Holstein and Gubrium, 1995).

This particular viewpoint can be realized in several ways due to its potential to explore complex issues from different theoretical perspectives.

For example, Alvesson (2003) identifies conversation or discourse analysis as types of localism. Here, we see the research interview as a conversation between two people on a specific topic. Denzin and Lincoln (1998) support the view of the research interview as a

conversation, considering it as the art of questioning and listening. The process of the interview can be understood simply as a conversation because it is the main means of transferring knowledge in the postmodern / poststructuralist world. Kvale (1996) defines the qualitative research interview as a "yard of knowledge which must be understood in terms of five characteristics of postmodern knowledge: as conversation, as narrative, as language, as context and as interrelational, existing in the relationship between people and the world. Therefore, the research interview as a conversation characterizes everyday life by developing a methodological awareness of the forms of questioning, focusing on what is said during the dyadic interaction between interviewer and interviewee".

In summary, the latter perspective is considered the most appropriate for developing an understanding of how phenomena evolve in an organizational, business, environmental context.

3.2 Semi-structured interview

The above account is similar to the introduction that I was given to qualitative research and so in a sense takes the reader to the point at which I found myself when I decided to adopt a semi-structured interview as the research instrument for the interview-based field study I was planning.

Precisely for this reason in my study I decided to use a semi-structured interview therefore as defined by Alvesson, a localist perspective, as structured interviews are too standardized, have little flexibility and only allow a limited number of categories of answers, unstructured ones risk to lose the main objective of the project as we tend to wander not having a lineup to follow therefore for my study, a localist approach is preferable that offers an alternative way of conceptualizing the interviews, allows the creation of questions favorable to development of generalizable theoretical insights; tries to break with conventional views on interviews by challenging "the assumptions, claims and purposes of those who want to use interviews instrumentally" (Alvesson 2003). Therefore, as a localist, I adopted a critical attitude, aimed at fully understanding the meaning of the data collected in order to obtain not abstract data but concrete and connected to today's social context.

Furthermore, the semi-structured interview includes prepared questions guided by themes identified in a coherent and systematic way aimed at eliciting more elaborate answers.

Therefore, the focus is on the interview guide which incorporates a number of general topics to cover to help direct the conversation towards the topics and issues interviewers want to learn about. However, the guides all serve the same purpose, which is to ensure that the same thematic approach is applied during the interview. Shensul et al. (1999) suggest that the quality of an interview can be maintained by paying particular attention to the following three principles:

1. keep the interviewee story flowing;
2. maintain a positive relationship with the interviewee;
3. to avoid bias of the interviewer.

The localist uses semi-structured interviews to emphasize the need to approach the world from the interviewee's point of view. So, both the interviewer and the interviewee they participate in the interview, producing questions and answers through a speech by complex interpersonal interview. In fact, in order for the discussions to go in the right direction, I used a questionnaire, (see Appendix 1), consisting of a list of questions based on “piori constructs” as a guide during the interviews.

Nevertheless, the interviews were conducted in a flexible way so that new questions could emerge and were accompanied by field visits in case interesting problems relevant to the subjects emerged. Prior to that, all whistleblowers were informed that the interviews would be taped and their identities anonymized. The duration ranged from 30 minutes to just over 2 hours, depending on how the interviews were going.

To confirm this in the literature we find another relevant contribution, that of Michele J. McIntosh and Janice M. Morse (2015) who affirm how the semi-structured interview (SSI) since the 90s has proliferated, diversified, and evolved from a research strategy to an independent research method and to a method increasingly used by a multiplicity of disciplines. It has a unique structure that makes it very similar for qualitative and quantitative research. The goal of this type of interview is to ascertain the participants' perspectives on an experience related to the research topic. Beyond this common denominator, SSIs have diversified into several types, each uniquely oriented towards evaluating, confirming, validating, refuting or processing existing knowledge and discovering new knowledge.

SSI is designed to ascertain people's subjective responses to a particular situation or phenomenon they have experienced and to do so a relatively detailed guide or questionnaire is used which can be used when there is sufficient objective knowledge about a person, experience or phenomenon, but subjective knowledge is lacking (Merton & Kendall, 1946; Morse & Field, 1995; Richards & Morse, 2007). The analysis of objective knowledge forms the framework for the development of this guide and focuses for the development of the stems of the interview questions. These interview questions focus on each participant's responses and form the framework of the SSI. Participants are free to answer these open-ended questions as they wish, and the researcher can probe these answers.

This framework and the flexibility of the responses constitute the semi-structured aspect of this method. It makes it unique among interview methods for the degree of relevance it provides to the topic while remaining responsive to the participant (Bartholomew, Henderson & Marcia, 2000).

Analytically, SSI is characterized by comparing participant responses by item. Since all the participants were asked the same questions in the same order, the data collected are comparable and can be transformed and quantified numerically and the information obtained according to this method would not be effective if obtained through unstructured interviews, since unstructured interviews do not they check the participant's response. The use of the above questionnaire allowed great flexibility in the answers but also in the questions as argued by Irvine, Drew and Sainsbury, 2013 "a good interviewer must have the ability to diverge slightly from the script based on the answers that emerge, therefore he must know how to improvise, only in this way the interviewee will be involved more and more in the interview becoming very collaborative.

Additionally, to conducting semi-structured interviews with key informants from cases companies, I have had the opportunity to connect with various clients, suppliers and distributors during field visits and various observations. With this technique, I was able to better understand research contexts. The qualitative data obtained were transcribed verbatim, then the data was triangulated among the different informants to ensure its validity.

As reported in the questionnaire itself, the questions put to the respondents were very vague to allow for greater fluidity in the discourse, thus allowing for very broad themes to be addressed without ever losing sight of the real objective.

In the following paragraphs, the data collected from the interviews will be reported, covering different topics such as the business model and its evolution, the role that the company plays in innovation and sustainability and in particular the challenges and problems that SMEs experienced during the COVID-19 pandemic and the digital transformation strategies undertaken by the subjects over the years.

CHAPTER 4: TWO COMPANIES COMPARED

This chapter examines, in a practical and direct way, the business model and its evolution over time through two specific cases: Friul Intagli Industries SPA and Fonderia SABI. In particular it analyses the peculiar characteristics of the companies, the evolution of the business model and the related performance over the years, especially following the latest events: the Covid pandemic and the Russia-Ukraine conflict. As we will see, these events will be considered opportunities for companies as they have allowed them to acquire a sustainable competitive advantage in the medium to long term. The following analysis aims to investigate the common actions that companies have adopted in order to be able to generalize which could be the relevant points to follow to allow companies to occupy a relevant role in the market even in the face of uncertain situations, a kind of magic formula for not failing.

4.1 Friul Intagli Industries Spa

Friul Intagli Industries Spa is an Italian furniture company founded in 1968 by the current owner Inaco Maccan, it is the largest manufacturer of furniture components in the world. The company works with the large-scale distribution sector, producing furniture in kits and components.

Headquartered in Prata di Pordenone, it currently has 13 independent organizational units located within the municipality occupying approximately 405,000 square meters as the founder has always had as a fixed point the desire to establish the units near the headquarters in order to maintain the full control over them, making it a great advantage. The company produces furniture and furniture components operating in 3 sectors: 85,5% operates in the large-scale distribution sector supplying Leroy Merlin, Ikea, and Castorama, 1% produces kit furniture for clients such as real estate clients and finally for 13% it produces components mainly intended for kitchens; has 2,300 employees and is today the world's leading IKEA furniture supplier.

Since its inception, the company has combined a double vocation: that of a territory with a strong furniture propensity as Prata together with Oderzo and Pieve di Soligo constitute a district in which the furniture sector has developed in an amazing way and the innovative one characterized from wanting to transform the existing production standard

into an advanced industrial process, with high runs and cutting-edge technologies, thus overcoming the classic manual work of the craftsman.

In 50 years it has become a highly successful industrial and technological reality, in a sector with a high innovation content. Flexible and dynamic, able to capture customer needs in advance, thanks to this it has established itself on the Italian and international markets, also establishing an office in the USA. It went from a small sole proprietorship to a joint stock company, reaching Europe and then the world starting from Italy. But in its evolution, however rapid, something has remained unchanging: the solidity of the family business and the strong identity of Made in Italy. "We look to the future without losing our roots," said the interviewee (Chief Financial Officer, CFO).

As reported above, the company is spread over a covered area of 405,000 square meters, divided into two main production areas: Villanova di Prata (PN) where there are also the headquarters, and Portobuffolè (TV), below the map to get an idea more accurate than the size.

Figure 17 The map of the company





Source: friulintagli.com

As can be seen from the photos, it can be considered as a small empire, composed of semi-independent units, mainly divided between packaging department, painting, logistics centre and raw materials warehouse.

4.1.1 Innovation and sustainability's approach

A widespread belief is to attribute to technology the role of an indispensable factor in innovation and the success of companies which, as we have seen in the second chapter, is not just a belief, but a certainty, and Friul Intagli is proof of this.

As the CFO said: "technology plays a fundamental role for us, but the experience and skill of our people are needed to introduce and manage innovations".

An open and constant dialogue between human and technological resources is what allows the company to obtain an effective and continuously improving production process. This is because listening, creating, and improving are the conditions for the continuous development of a successful product.

In all phases of the production process, they use the latest generation machinery, often developed together with the manufacturing companies that consider them customers-guides to test new technologies. A company policy of continuous investments allows the company to always be at the forefront and to keep its hardware constantly updated and this is one of their most important strengths as we will see below. The automation processes and the quality of the workmanship guarantee extraordinary performance in every sector of competence, with total cost control.

50 years after its birth, Friul Intagli Industries Spa continues its evolution, it can be defined as a 4.0 challenge as the company has its own strategic plan for innovation, through which it can successfully complete its pre-established investments beginning of the year. The company, based on the needs of customers, on the ideas brought by both suppliers, customers, and other subjects within the company, creates new products and subjects them to a process of continuous evolution. Obviously, for the success of an innovative and at the same time economically convenient product, the joint contribution of all the various company areas is necessary. In recent years, the company has introduced technologically new products and services to the market; in particular, in this regard, in 2016 it participated to a project called "POR FESR 2014-2020": for smart, sustainable and inclusive growth ", allocated by the European Community and the Autonomous Region of Friuli Venezia Giulia.

The project aims to develop an innovative approach for the quality control of production processes, thanks to the design of a transportable and flexible artificial vision system, able to acquire images of products in transit on the production line and to automatically search for defects geometric and aesthetic in an objective and systematic way, thus freeing himself from the subjectivity of the operator who today verifies and defines the anomalies.

In other words, the idea behind the project is the development of an "intelligent" control system for the entire production capable of analyzing product defects with the use of "machine learning" algorithms and as research objectives industrial has:

- Advanced collaborative robotics, that is robots that are increasingly intelligent and flexible, able to work together with "human" operators in processes that are not totally predefined;
- Additive manufacturing that will actually allow the implementation of "one piece flow" processes;
- Advanced digital "tools" available as low-cost cloud services.

This paradigm is realized by the project through machine-to-machine (M2M) cloud connections, and this is realized in the project for the construction of the factory of the future characterized by:

- Prevalence of Internet-based technologies;
- Prevalence of Cyber-Physical Systems for the execution and control of activities;
- Generation and need to manage huge masses of data (Big-Data);
- Increasing complexity (product customization, dynamic supply-chain requirements, integration of various technologies into complex products, dynamic cooperation mechanisms between companies,);
- vertical integration of IT systems (from ERP to field-level)

The ultimate goal of this approach is to direct production to the activation of preventive or maintenance interventions aimed at reducing / avoiding process drifts, thus acting on the causes that generate the defects themselves.

In addition, the company won the "Best managed companies award 2021" among the 74 Italian business excellences elected by Deloitte Italia, an important recognition that comes after more than 50 years of history and countless achievements. A stimulus to continue to innovate, grow and invest in new technologies on the road to sustainability.

Furthermore, Friul Intagli Industries, with great passion and dedication, is committed to being a company capable of producing value, well-being and above all positive impacts on the environment, on people, on the community and on the business itself. "The future

must be sustainable for us and built with everyone's contribution". The company adopts the ESG (Environment Social Governance) strategy which guarantees a positive impact on society and the environment. Actions of this type have a significant impact on consumers' purchasing choices, as the sensitivity of citizens and consumers now strongly influences purchases and trust in a specific product or brand.

Their global approach is "More from Less", to produce more and better, using fewer resources. On this they built their strategic vision which aims to create better conditions for our planet, for people and for the next generations. The cycle of use of materials in production processes includes recycling, differentiation of waste and recovery of the same.

1. Human resources: training and motivation spread awareness of the company policy and objectives linked to sustainability. Particular attention is paid to guaranteeing good working conditions in terms of health and safety for all collaborators; no inequality is tolerated. The company also supports social and cultural initiatives related to the local area.
2. Materials: The procurement of the raw material wood and derivatives is carried out in a sustainable manner, purchasing only recycled and / or certified material from responsibly managed forests. Upon customer request, FSC ® (Forest Stewardship Council) or PEFC ™ (Program for the Endorsement of Forest Certification schemes) certified products are supplied. Waste and scraps are sorted and collected separately for recycling. Research and development are constantly active to obtain more performing materials with less impact.
3. Energy: The electricity we use comes entirely from certified renewable sources, part of which is self-produced by photovoltaic systems installed on our roofs. Consumption is constantly monitored to ensure the efficiency of our processes. In order to limit emissions and energy waste, the Company has preferentially adopted electric handling systems for its internal logistics, also optimizing "inter-company" transport.
4. Process: The development of high-quality products with low environmental impact is closely related to the constant innovation of production processes. Thanks to the adoption of solutions that reduce the use of resources in all stages of processing, an efficient use of raw materials and proper management of the waste produced is guaranteed. The company is constantly committed to

identifying efficient and sustainable technical solutions to be implemented in its production processes to improve the yield of the use of materials and the performance of their plants while respecting the environment. A scrupulous planning allows to minimize waste throughout the production cycle.

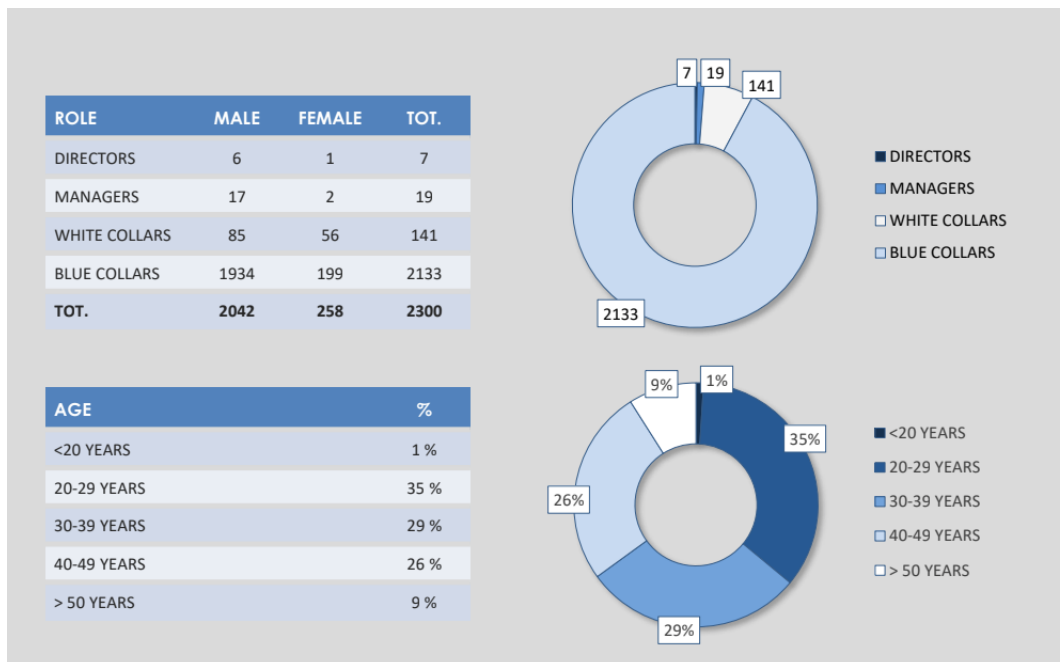
5. Product: All our products are designed to be friendly with people and the planet. They are designed and engineered considering a circular life cycle, considering many factors including materials to be used, production system, methods of disposal after use, disposal, recycling, reuse, environmental effects, and effects on users. These factors are transferred by Friul Intagli Industries Spa to the related industries and to the supplier network, favouring sustainable business models through responsible purchasing practices. Even the packaging of our products has its importance! Lighter and more compact, it reduces the impact of logistics.

4.1.2 Organizational Model

The company heavily relies on human capital, in fact their business idea is: "it is through our people competence and commitment, that we develop and produce furniture components always focusing on customer needs, acting responsibly for quality and environment."

As the figure below shows, the company is mainly made up of "blue collars", those who carry out manual work, this is because it is the workers themselves who determine the company's turnover, they are the ones who work the raw materials to transform them into finished products ready to be shipped to suppliers.

Figure 18 Internal subdivision



Source: friulintagli.com

“In a world governed by technology, we are convinced that people make the difference. This is why we put the best men in front of the best machines” (said the CFO).

The average worker must have specific skills, as working wood is not easy, it takes capable workers, who know how to deal with the raw material as the final product and therefore customer satisfaction mainly depends on their workforce.

Competence and training, motivation and responsibility, gratification, and a sense of belonging to a successful team are the values at the base of the company aimed at being handed down from generation to generation, because people and the company must grow together: it is the only way to go far.

In addition to this, the company focus is oriented towards:

- **Health And Safety:** Occupational safety, workers' health, care, and improvement of work environments have always been fundamental values at the basis of their policies, in a vision that considers safety a strategic and development factor for the company.
- **Ethics:** Transparent, ethical, and compliant behaviours are considered essential by Friul Intagli Industries Spa for the correct management of company activities. By this we mean not only the observance of the numerous laws and regulations in force, but also the consideration of the expectations and aspirations of the various

stakeholders. Since 2000, the Company has adopted a Code of Ethics that defines the set of values that it recognizes, accepts, and shares, at all company levels, in carrying out business activities. The principles and provisions of the Code of Ethics constitute general obligations of diligence, correctness and loyalty that qualify the fulfilment of work performance and behaviour in the workplace.

- Attention to Social: supports local communities through the sponsorship of sporting and cultural associations, local events, voluntary activities, and support of non-profit organizations, as well as contributing to building and urban redevelopment projects of its territory and cultural heritage. The company has also established numerous collaborations with local schools, financing the purchase of teaching equipment and materials, contributing to the training of young people who intend to approach the furniture sector.
- Continuous interaction with the customer: the company continuously establishes dynamic relationships both internally and externally. Internal collaboration is the key to correct functioning, to understand and satisfy all customer needs, as "being a network of people and information gives us an overview, unity is our strength" reiterates the founder.

4.1.3 Value chain


Value chain of the company consists of 8 key elements:

1. Market research aimed at understanding the market, guessing the next moves, hearing the signs of change in advance in a constant search for the new.
2. Satisfying the customer, listening, dialogue, and the ability to give concrete answers are essential actions to become the ideal partner for each specific need.
3. Technological development, continuously developing technology is the best tool to be able to create something new and effective.
4. Rapid and flexible prototyping to carry out experimental tests and to evaluate costs and production times.
5. Industrialization: optimized flows, automated systems, ability to give industrial shape to any aesthetic requirement.
6. Quality test: Constant checks during the entire production cycle, both on the product and on the process, allow to guarantee high quality standards, effectively monitoring every single production phase. Thanks to the presence of laboratories inside the structure, the company routinely performs chemical and physical tests

in order to guarantee the compliance of their products with national and international standards. Quality is for Friul Intagli Industries a fundamental corporate value and an essential element for achieving operational excellence.

7. Customized logistics and transport to meet special needs as shown in the figure.
8. Continuous and effective after-sales customer service to always be close to customers.

Figure 19 Distribution centre



Distribution centre.

According to our capabilities we offer a **personalised stock and shipping service** based on your needs.

200.000 sqm WAREHOUSE	175.000 PALLETS STORAGE CAPACITY	150 TRUCKS DAILY SHIPMENT	JUST IN TIME 24-HOUR DELIVERY SERVICE	STOCK UPON REQUEST LARGE DIMENSIONS FOR A CUSTOMIZED USE OF THE WAREHOUSE	PERSONALISED SERVICE OPERATING TOGETHER IN THE MARKETPLACE WITH OUR CUSTOMERS
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Source: friulintagli.com

4.1.4 Business strategy

Company vision :“to be a world leader in manufacturing bespoke furniture at the best value for our customers”.

Company mission: Through the development and implementation of new technologies, combined with the continuous training of its collaborators, Friul Intagli Industries intends to constantly refine its quality standards and pursue policies aimed at sustainability and optimization of resources and processes.

The 90s were the years of the turning point for the company: the size, the know-how and the originality of the proposals were such as to overcome national borders and arrive in Europe, allowing it to start a collaboration with a large international player, Ikea, and to specialize on very successful technical postforming technology, also from the point of view of sustainability, which has determined all the subsequent development to date.

The great opportunities offered by new technologies and computerization become the strategic lever of growth thanks to huge investments that transform the production dynamics and bring the company to the top of its sector. Made in Italy, quality and large numbers make Friul Intagli an absolute reference point in Europe.

In 2008 the collaboration with Ikea becomes more solid, as Ikea at the beginning has always been very "opportunistic" it chose the cheapest supplier but after the 2008 crisis which led to the bankruptcy of many companies, it pushed Ikea to look not only at the lowest price but to the most stable, long-lasting supplier who had managed to remain standing after the crisis and Friul Intagli was perfect on this. With the crisis, the company was able to demonstrate its strength, its ability, and its authenticity. More generally, the failure of many producers led the big players to no longer turn to the lowest price but to the most reliable suppliers and Friul Intagli were the most solid in terms of assets, those who made the most profits and invested the most. Therefore, the crisis leading the furniture sector to bankruptcy has highlighted the peculiarity of the company making it acquire customers of considerable importance who today hold the first places in importance. By highlighting the weakness of the other producers who invested much less, it became from that moment recognized by all as the most reliable, flexible and with great professional competence. Today the company is recognized by the customers as the best even if the most expensive.

In 2010, constant growth is faced with a view to continuous improvement: it initiates logistics reorganization processes with the creation of a logistics centre that introduces advanced handling technologies and sophisticated tracking systems.

In addition, a profound verticalization integrates within the company a greater number of activities necessary to obtain the finished product, completing the entire production cycle. It consists of an efficient organizational structure and rationalized production flows to meet all needs and always achieve better performance.

Since the company is a producer on behalf of third parties, it is dependent on few customers, therefore it applies a reactive and non-proactive strategy, therefore reacts to the strategies of its customers, and supports their growth as it does not have its own brand. Perhaps we can talk more about tactics than strategy, what has always distinguished Friul Intagli from all other companies is their great investment ability and ability aimed at continuously supporting customers in their development.

The company characteristic is that it has always invested heavily in plants, machinery, and spaces in the same territory. The strategy of anticipating developments, believing in the business, and anticipating investments compared to competitors, has always been successful and has allowed to grow so much because it was always ready when the market grew. It is undoubtedly very risky as a strategy, but the entrepreneur has always believed in it and continues to believe.

This year, for example, despite being a year impossible to predict following the Russia-Ukraine conflict that no one knows how it will evolve, the company is preparing an investment of 90 million euros. A brave decision at first glance, but its solidity, determination, competence is such that it does not want to reduce its developments and investments because has always been its strengths that has always distinguished from the other, allowing to become increasingly large and solid in terms of assets, currently occupying a significant position in the furniture market.

The strategy is: "don't change strategy" but remain faithful to what has always distinguished the company, and this is made possible by the fact that at the base there is a decision-making entrepreneur who has always believed in his business. It must be said that in the numerous investments made, not all of them were successful but despite this, the losses took a back seat because thanks to the continuous growth of the sector, they were briefly repaid, if the sector had been in a phase of maturity surely it would not have been so easy to recover them. This freedom of investment is made possible by the fact that the company is family-run, the entrepreneur does not have to depend on shareholders or funds, but only on himself and this is a great advantage.

At the same time a disadvantage of large companies in general is that of being flexible, it has a share of fixed costs and a share of immobilized plants that must always be active, because when the turnover begins to decline, a crisis factor takes over.

So, summing up we can say that:

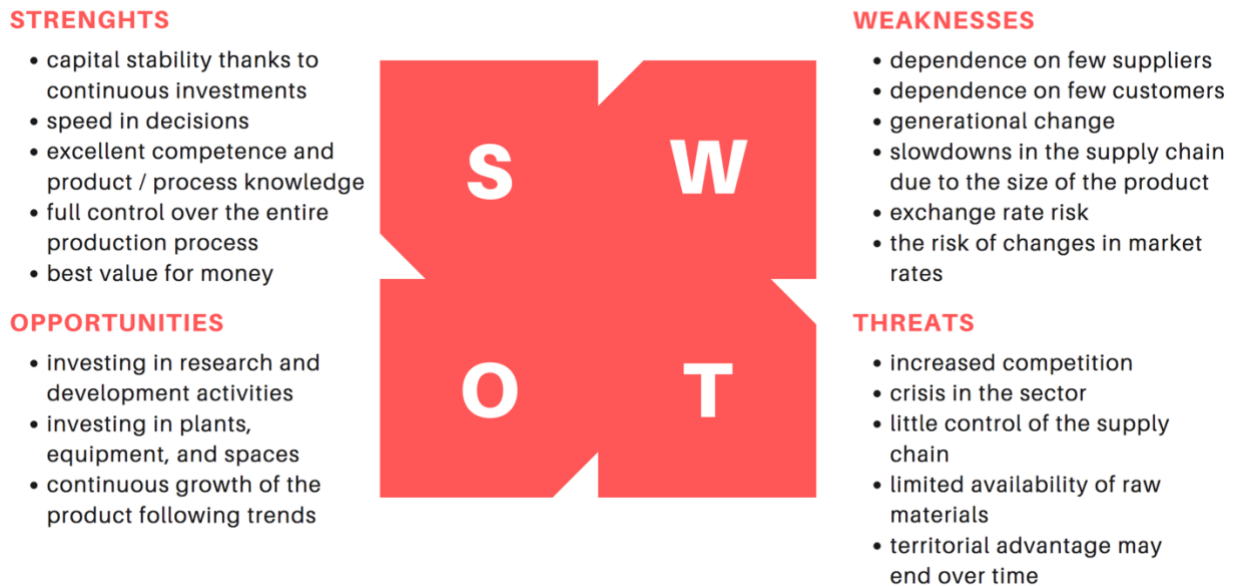
one of the advantages is the fact that being a family business there is a clear and defined hierarchical level and a great speed in making decisions by the entrepreneur himself. So, it allowed the company to be very reactive in the face of a changing market and these quick decisions allowed for growth. At the same time, however, the family business is disadvantageous due to the management of generational transitions, the current 3 children have different skills and charisms and getting 3 minds to agree will not be easy. The transition will be a source of complexity because usually "the first generation creates, the second conserves and the third destroys" (said the CFO).

Currently there are activities underway to favour the generational transition, the company's approach to this is to go to support the family tomorrow with a team of experienced and competent managers who have been within the company since years. This is the governance strategy for the future.

Another fundamental element of the strategy is the decision to expand, grow not through external acquisitions but through internal development, as the founder wants to be the one to decide where and how to build and for this reason a company like Friul Intagli, for precision, order, and automation is hard to find. The only two purchases recently made include two companies: "Futura components" and the more recent "Doc". The decision of this change of course is linked to wanting to acquire capable staff avoiding that it could be acquired by competitors. So, it decided to acquire these two factories as they are rich in people / workers with a lot of competence, so the companies can say to have acquired internal competence more than the factory itself as there was a risk that they would be acquired by some other competitors.

4.1.5 Swot Analysis

Figure 20 Swot analysis of Friul Intagli Industries (2022)



Source: own elaboration

Among the strengths of Friul Intagli we find:

1. capital solidity made possible by the company policy of continuous investments which allowed it to ride markets, dominate them, anticipate competitors, acquire more and more space; in fact, today the company is made up of organizational units that occupy a total of 405,000 square meters, made possible thanks to the determination, charisma and empathy of Inaco Maccan, who built all this in 1968.
2. Great speed and flexibility in making decisions thanks to a clear and defined hierarchical level. The entrepreneur, not depending on shareholders or funds, makes decisions autonomously without the need for approval from anyone.
3. Excellent competence and product / process knowledge as the territory of Prata together with Oderzo and Pieve di Soligo constitute a district where the furniture sector has had unprecedented growth, therefore the territory is rich in people with expertise in this scope.
4. Full control over the entire production process as the founder has always been very attached to the territory as his native country, he has made and continues to make donations in the area precisely for this strong bond he has always wanted to build organizational units in the surroundings to be able to constantly monitor. Although there has been a request to open a factory in Russia, Poland, the United

States to be closer to their biggest customer, Ikea, he has always been against it as he has always wanted to see with his own eyes how the production process was developing. Therefore, staying faithful on territory, there is always the possibility of finding suppliers, subcontractors, competent people as they belong to this territory

Regarding the weaknesses we find:

1. the company depends on a few suppliers from a few customers;
2. high competition in the sector. In recent years, the intensity of competition has further increased, due to the high number of competitors in the sector and the huge costs to be born in order to operate profitably in this business;
3. generational process, as the company is family-run and therefore the transition will be a source of complexity, as they say, "the first generation creates, the second preserves and the third destroys" as said the CFO.
4. The Company operates even internationally and is therefore exposed to exchange rate risk; however, the reference currency is mainly the Euro, and therefore these risks are quite low (current risk).As regards transactions in currencies other than the euro, mainly the US dollar (USD), the pound sterling (GBP) and the Canadian dollar (CAD), the company policy provides for careful and constant monitoring of currency exposures to assess the possible adoption of hedging financial instruments through the forward purchase and sale of foreign currency and the negotiation of currency option contracts.
5. The company's exposure to the risk of changes in market rates is mainly related to positions on mortgages and leases undertaken with variable interest rates. Being the preponderant part of variable rate debt, the change in market interest rates affects the cost of the loan: however, since the Company has a limited level of debt, the sensitivity of the economic result to changes in interest rates is minimal. In order to manage this type of risk, the Company implements hedges on part of this debt through derivative financial instruments, typically interest rate swaps, which aim to bring financial charges back within the parameters defined at the forecast level. The summary information on the instruments adopted is set out in the Explanatory Notes.

The future opportunities that the company could seize to acquire greater market share are:

1. Investing further in research and development activities, i.e., having more laboratories and more staff employed in these tasks, in order to constantly increase customer satisfaction. By research and development, we mean both the study and experimentation of different technical and technological solutions on systems and materials, and that continuous process of production improvement, aimed at reducing costs, improving the quality of products, reduction of the environmental impact and the consequent improvement of the sustainability of company production.

Friul Intagli Industries S.p.A. has always dedicated commitment to the search for solutions capable of satisfying the continuous needs for improvement, efficiency, and sustainability, which the sector in which it operates expresses and requires. The research and development projects carried out in 2020 were mainly aimed at the development of new technical and technological solutions on projects:

- Design and development of new production processes.
- Design and development of new innovative machinery.
- Design and implementation of an industries 4.0 factory system, a macro project that has embraced different strands
- Development of new products.

It is hoped that the positive outcome of these innovations will generate good results in terms of turnover with favourable repercussions on the Company's economy.

2. Loyalty of some relevant players at national level, i.e., increasing the number of profitable relationships to be established with large companies, to become part of a so-called virtuous circle.
3. the continuous growth of kit furniture compared to that of traditional furniture can increase the turnover more and more

As for the threats that could negatively undermine the financial strength of the company, we find:










1. increased competition, i.e, the company in the future could "suffer" from the entry of new players, including foreign ones, who, perhaps, with greater liquidity, could

in a short time acquire a significant market share in the Italian manufacturing sector.

2. Crisis in the sector that could threaten the economic and financial integrity of the company in the medium to long term
3. Little control of the supply chain, as they transform the raw material into a piece of furniture, so they are not masters of their supply chain, they depend on chipboard and MDF suppliers who are few. There is a strong competition from Eastern European countries (Poland, Lithuania, Belarus) characterized by lower labour and energy costs and have the possibility of accessing virgin wood that enjoys a higher quality against the wood that is now used by the company that is recycled and therefore of a lower quality.
4. Availability of limited wood because it is used in more and more sectors (for example construction) because of the development of sustainability, it is used more and more and also a European forestry policy for Co2 is in place which will lead to a reduction in the virgin wood available.
5. Unfortunately, there is no certainty that this advantage given by the territory rich in skills can last over the years due to the generational transition as the new generations do not have the skills, the strong territorial link, and the ability to believe in the factory.

4.1.6 Business Model Canvas

Figure 21 The Business Model Canvas of Friul Intagli Industries (2022)

Key Partners  <ul style="list-style-type: none"> -Suppliers of raw materials and packaging -Providers of "processing" (subcontractors) - Machinery and equipment suppliers - agents -IT / organizational consultants (Deloitte Consulting) 	Key Activities  <ul style="list-style-type: none"> -Sale of ready-to-assemble furniture -supply of components - manufacturing, design, and manufacturing activities -research and development 	Value Propositions  <ul style="list-style-type: none"> - offer a service combined with the product -high design capability - good product quality - great flexibility - great reliability 	Customer Relationships  <ul style="list-style-type: none"> - Telephone -e-mail -presence of customers in the company 	Customer Segments  <ul style="list-style-type: none"> - large RTA mobile distribution (Ikea, Leroy Merlin) - Furniture manufacturers, mainly kitchens -Contract sale customized real estate sector - online sale for Amazon
Key Resources  <ul style="list-style-type: none"> -Semi-skilled labor - Plant maintainers and technicians - skilled staff (ICT, production engineers ...) 	Channels  <ul style="list-style-type: none"> -Indirect channels to large retailers or manufacturers (trucks, ships, trains) - online marketplace sales 			
Cost Structure  <ul style="list-style-type: none"> - variable production costs - Variable costs of sale - industrial fixed costs - commercial costs - depreciation 		Revenue Streams  <ul style="list-style-type: none"> - recurring revenues for the sale of furniture in kits and individual components - proceeds from the "contract" based on individual orders, with payments linked to the sale of the apartments 		

Source: Own elaboration on a digitalbusinessmodelguru.com basis

Customer Segments

Friul Intagli does not have its own brand and operates as a subcontractor, mainly addressing large suppliers such as Ikea, in more detail it offers its range of products to three different types of customers:

1. To large distribution for 85.5% such as Ikea, Leroy Merlin, Castorama offering furniture in kits
2. Contract for 1%, focused on customized sales in the real estate sector (kitchens, bathroom furniture cabinets). These are not kitchen sellers but builders.
3. To furniture manufacturers by supplying for example doors, and other components for 13% (Nobilia, Nobia, Howden).
4. Online sales through Amazon for 0.5%, this does not mean that the company sell its products on amazon as it does not have a brand, but it sell directly to amazon.

Value proposition

The value proposition refers to the innovative solution that a company uses to ensure that its product obtains the largest possible market share. The company's value proposition is not linked to the product itself, which is an article, but to the combined service. The company would actually be a loser compared to producers in Poland and Lithuania who have a lower labour and energy cost than Friul Intagli and therefore would offer the same product at a lower price (about 15% less). So, therefore, its added value depends on the fact that they offer a co-design service for the customer who can ask for support in the design of the product to be able to find the right value for money which is a determining factor in economic furniture. Therefore, the added value of the company depends on its development capacity, as it is a design center aimed at supporting the customer.

Furthermore, as we can see from the Business Model Canvas, the value proposition is formed by other factors such as:

- it has a great flexibility, as depend on a few large customers and therefore is very quick to change the quantities produced according to market demands, which is not offered by all companies. (For example, in order to meet deliveries, if necessary, it also works on holidays).
- Great reliability is recognized in respect of deliveries, production planning, transport planning, these are all factors that customers recognize and for this reason they are willing to pay an extra higher price in delivery times (customer service). To confirm this, for example, 60% of deliveries to Ikea do not take place in their warehouses but directly to the store itself, this demonstrates how Ikea believes in the capabilities and reliability of Friul Intagli.
- They have a high production capacity and for this reason it is a powerhouse in the market.
- High performance: the company has been characterized by consistently superior technical performance to those of its competitors.
- It is sustainable: 99% of the woody raw materials used are FSC, (certifies the origin of the raw material that is recycled or coming from forests that are rebuilt), a sustainability strategy has been defined aimed at reducing the use of material, recycling of the same and generally reduce the production of CO2.

- Good product quality, (they are more expensive than the others in reality) which allows a reduction in returns from customers, and this means that they offer a 360-degree customer support beyond the product that few companies have.
- 360-degree customer support through design, production, logistics. Furthermore, all products are designed and customized differently for each customer.
- Territorial link: strong link with the territory and competitive advantage from the presence of the industrial district which favours the outsourcing of production as a flexibility tool.

Channels

The company sells large products and therefore by selling very bulky products, the logistics factor is decisive. Intermodal transport is mainly used, a method of transferring goods that uses standardized "load units" (generally containers) capable of being easily moved from one means of transport (ship, truck, train) to another to reach destination. The goods, in fact, are collected from a truck, and then transported by ship or train to return to the truck to reach the final destination.

- Indirect channels as it supplies the product to the large-scale distribution chain or to the manufacturer (trucks, ships, trains), it sells in the shop on behalf of the distributor (e.g., Ikea), does not sell to the public but to those who sell;
- selling online marketplace, then it sells to Amazon (Amazon, Wayfair).

Customer Relationships

For the company, the customer is very important as it depends on a few big customers. The company has developed three possible ways that can be chosen by the customer at his discretion:

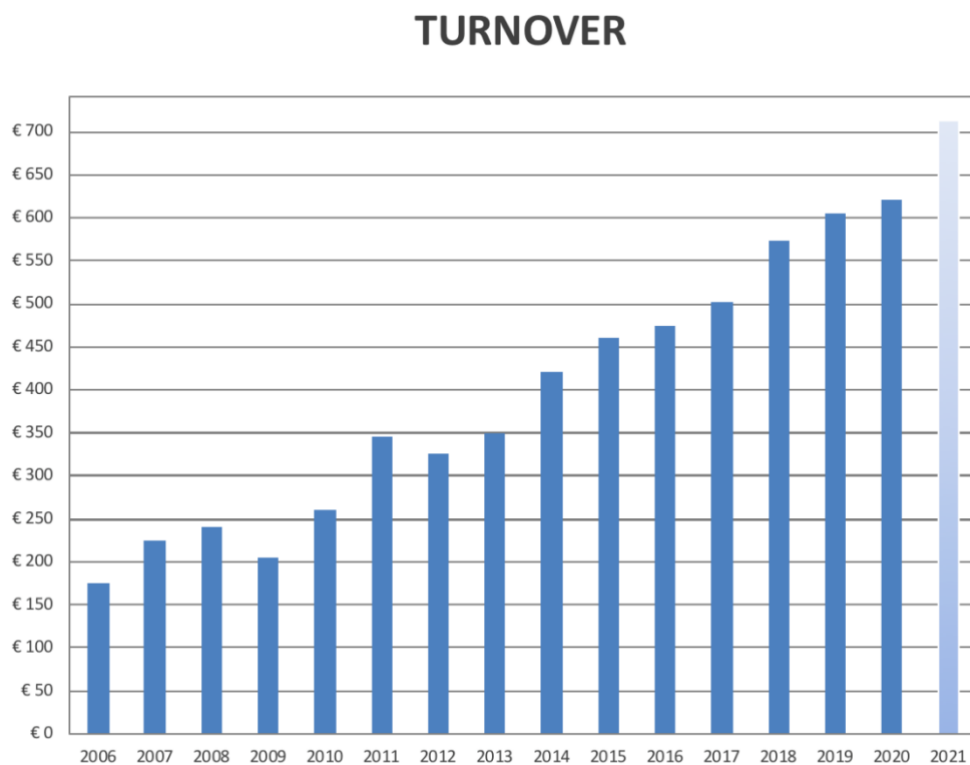
- Telephone
- By mail
- Guided tours, the most preferable option for customers, who want to get to know the various production processes in full. For example, before the covid, Ikea went to the company 200 days a year to see the production processes, but not only the development of the deal itself.

Revenue Streams

The ways in which the company builds its revenues are very limited:

- Recurring revenues following ongoing payments for the direct sale of kit furniture and components.
- Contract revenues based on the completion of the order (it does not pay everything immediately; it bears costs and subsequent receipts step by step).

Figure 22 Turnover 2006-2021



Source: Friul Intagli Industries Spa

Key resources

Friul Intagli uses the services of a small number of suppliers who help it to venture into new markets. Furthermore, it uses semi-skilled and skilled labour which becomes an integral part of its supply system. The fundamental resources of the company are human, financial, technological, knowledge and competence resources (ICT personnel, production engineers). When a company is such a large reality, it must think global. In particular, labour is the main factor, as well as being the second most relevant cost and also a critical issue since there is difficulty in finding it. No less important are the plant maintainers, as the company working on volumes, routine maintenance is essential, the company spends about 10 million euros a year.

Key activities

The company carries out design, production and distribution of furniture and furniture components.

The key activities carried out are the following:

- Manufacturing, design, and manufacture of furniture.
- Markets and distribution, i.e. the flow of deliveries of finished products that the company makes either to distributors or directly to the final buyer.
- Supply of furniture components (doors, bathroom cabinets, kitchen furniture)
- Research and development activities, dedicated to the study of technological innovation to be used to improve one's products, create new ones, or improve production processes.

Given that the sector in which the company competes is characterized by rapid technological advances, the company's likelihood of competing successfully depends largely on its ability to ensure a continuous and timely flow of competitive products, services, and technologies. The company continues to innovate with the aim, on the one hand of significantly improving existing products, and on the other, of expanding the range of its products and services offered through research and development, licensing of intellectual property.

Key partners

The main partners with which the company collaborates are:

- Suppliers of the raw material and therefore the wood and packaging suppliers, in this case the canned goods because as they are very bulky packaging, they cannot be kept in stock so there is a constant relationship with the supplier of the latter who ships them within the day to depending on how much the company needs.
- Suppliers of machinery / equipment that allow the company's high production capacity. The main partners with whom the company maintains relations for product innovation are HOMAG and SCM while for the production plants for handling they rely on KUKA AG.
- Agents who have the task of entering contracts between companies and customers.

- IT consultants such as Deloitte who makes the computer system work both in the offices and in the production since it is all mechanized, we are talking about industry 4.0.

The company not only carefully selects the partners to work with, but also makes sure that all companies meet very precise standards. The code of conduct for suppliers sets high standards to ensure a safer working environment, fair treatment of workers and respect for the environment. It is by far one of the most stringent in the sector, and in many cases, it establishes obligations and protections higher than those provided for by local regulations. To comply with the Code of Conduct, all suppliers are required to comply with the stringent requirements of the Supplier Responsibility Standards, which apply regardless of local regulations, corporate policies, and cultural or commercial practices in use in different countries.

Cost structure

The cost structure is characterized by the presence of:

- Fixed costs, which remain unchanged as production activity changes and include wages of workers and production facilities, are approximately 10% of the total costs recorded by the company during 2021.
- Variable costs are divided into:
 - variable production costs (composed of materials 56%, direct labour and outsourcing 11%, energy and consumables 5%)
 - variable sales costs (2%), sales commissions and transport
- Economies of scale, in fact, thanks to the internationalization process conducted since the last century, the company can boast a cost advantage, thanks to an increase in the quantities sold.
- Economies of scope, the company, in fact, by operating in several businesses, has a cost advantage thanks to a broader scope of operations.

Furthermore, with reference to the annual costs that the company must incur to be at the forefront, we can divide them into:

- research and development activities carried out within the company: € 1,047,980.79
- research and development activities acquired outside the company is: € 1,214,324.00

-acquisition of plants, equipment, amounted to € 41,700,000.00

-staff training made necessary by the introduction of new products / production processes:
€ 62,137.00

-design aimed at new production processes: € 507,698.26

The company, by virtue of its excellent economic-financial solidity, a figure confirmed following the analysis of its financial statements, can contain costs and easily acquire risk capital for innovative activities, through leasing operations, to amortize the cost of credit in advance. In addition, given that the reference market has a small number of competitors due to the high initial investments, the company can easily acquire greater market share given the high demand for innovative products and services from customers.

4.1.7 The evolution due to the Covid 19 external threat

In 2020 the world economy was strongly influenced by the global pandemic from Covid 19, the world GDP recorded a reduction of 3.3%, with a minus 4.7% for advanced economies and a decrease of 2.2% for emerging countries. The impact of the pandemic, however, was not homogeneous in these areas, among the western economies the United States managed to reduce the economic decline (-3.5%) despite a dramatic health situation, while the Euro area has a reduction of 6.6% was recorded, with particularly negative effects in Spain (-11%) and Italy (-8.9%). Among the emerging countries, China quickly managed to get out of the pandemic emergency with an economic growth that stood at 2.3%.

The wood-furniture sector, in which the company operates, has suffered less than others from the negative effects of the pandemic; in fact, household spending has seen a change in its composition, which has passed from entertainment, tourism and transport to other sectors such as technological products and household expenses with a positive effect for the furniture sector.

In the first half of 2020, in relation to the greater impact of the pandemic, the company has recorded a sharp decline in sales, with a fall in the total turnover of the sector and in volumes, in the third quarter, however, with the reopening and resumption of activities, the Economic data confirmed an important rebound. Finally, in the last quarter there was the negative effect of store closings, which however differed from country to country and

partly mitigated by the strong growth in online sales. This rebound in the second half of the year is also the result of a renewed interest in the home due to the long lockdown period and the need to integrate the living space with the study and workspace (smart working). However, this recovery was not able to compensate for the abrupt interruption of activities in the first part of the year. It is therefore estimated that the world production of the sector has recorded a decrease of around 10%, however different from sector to sector and for the size of the manufacturing companies; office furniture and "contract" were affected to a greater extent by the decline in consumption and the world's major furniture manufacturers recorded production almost in line with the previous year (-2%). Friul Intagli Industries S.p.A. however recorded a slight growth in turnover in 2020 (+3%), recovering the period of limited activity between March and June in which it had to resort to the Ordinary Wages Fund. The year was also characterized by a strong recovery in profitability, mainly thanks to the reduction in the cost of raw materials.

In support of the foregoing, the following is the reclassified income statement for the year 2020 compared with that of the previous year:

Figure 23 The reclassified income statement (2020)

	2020	%	2019	%	Variazione	%
Ricavi netti	625.186.944		606.956.693		18.230.251	3,0
Altri ricavi	1.415.070		2.769.281		(1.354.211)	(48,9)
TOTALE RICAVI	626.602.014	100,0	609.725.974	100,0	16.876.040	2,8
Costi per acq. mat. prime e variaz. rimanenze	351.335.673	56,1	358.035.355	58,7	(6.699.682)	(1,9)
Costi per servizi	67.692.115	10,8	72.283.581	11,9	(4.591.466)	(6,4)
Costi per godimento beni di terzi	21.349.138	3,4	21.855.243	3,6	(506.105)	(2,3)
VALORE AGGIUNTO	186.225.088	29,7	157.551.795	25,8	28.673.293	18,2
Costi del personale	93.394.923	14,9	91.427.733	15,0	1.967.190	2,2
Oneri diversi di gestione, acc.ti e svalutazioni	1.592.018	0,3	1.582.438	0,3	9.580	0,6
MOL/EBITDA	91.238.147	14,6	64.541.624	10,6	26.696.523	41,4
Ammortamenti	23.075.228	3,7	21.748.142	3,6	1.327.086	6,1
REDDITO OPERATIVO	68.162.919	10,9	42.793.482	7,0	25.369.437	59,3
Risultato della gestione finanziaria	(702.612)	-0,1	123.804	0,0	(826.416)	n.s.
Risultato della gestione di strumenti finanziari	30.102	0,0	(57.168)	0,0	87.270	n.s.
Risultato economico ante imposte	67.490.409	10,8	42.860.118	7,0	24.630.291	57,5
Imposte esercizio	15.091.750	2,4	9.571.760	1,6	5.519.990	57,7
Utile (perdita) dell'esercizio	52.398.659	8,4	33.288.358	5,5	19.110.301	57,4

Source: Friul Intagli Industries Spa

EBITDA is an interim result, determined gross of depreciation and write-downs of technical assets, financial income and charges, value adjustments of financial assets and

income taxes. This is a measure used by the company to monitor and evaluate its operational performance. Since the composition of EBITDA is not regulated by the reference accounting standards, the determination criterion applied by the company may not be homogeneous with that used by other entities and therefore not be comparable.

Net revenues went from 607 million euros in 2019 to 625.2 in 2020 with an increase of 3.0%, with reference to the non-European area. Other revenues amounted to 1.4 million euros; this item also includes operating grants received, and cost recoveries from customers, items which have decreased compared to the previous year.

The costs relating to raw materials and the overall change in inventories amounted to € 351.3 million, a decrease of 1.9% compared to the previous year, with an improvement in the incidence on total revenues which passed from 58.7% to 56.1%. The decrease is mainly due to a reduction in the cost of raw materials. The costs for services were equal to 67.7 million euros, while in 2019 they were equal to 72.3 million euros with a decrease of 6.4%. The incidence on total revenues decreased from 11.9% to 10.8%. The decrease in costs for services is mainly due to the decrease in the costs of outsourcing for production and energy costs.

During the year, it made use of the Covid Ordinary Redundancy Fund, in the months of April and May, for a total of 237,702 hours. The costs relating to depreciation amounted to 23.1 million euros and in 2019 it has been 21.7 million euros, with an increase of 6.1% and an incidence on total revenues that goes from 3.6 % to 3.7%: this change is mainly due to the increase in depreciation linked to the new investments made in 2019 which in the year had the full rate applied. The result of financial management is negative for (703) thousands of Euros compared to 124 thousand of Euro of the previous year. This change is mainly due to the negative trend in currency exchange rates.

For a better description of the company's income situation, the table below shows some indices compared with the same indices relating to the previous year.

Figure 24 The most important indices of the company (2022)

Indicatori economici	Legenda	31.12.2020	31.12.2019
EBITDA/Rv	EBITDA (MOL) /Ricavi netti	14,59%	10,63%
PFN/EBITDA	Posizione Finanziaria Netta/EBITDA (MOL)	44,54%	25,93%
Of/EBITDA	Oneri Finanziari netti/EBITDA (MOL)	0,06%	0,25%

Source: Friul Intagli industries Spa

Now, however, the reclassified balance sheet is shown below compared with that of the previous year:

Figure 25 The reclassified balance sheet (2020)

	31.12.2020	31.12.2019	Variazione
Immobilizzazioni immateriali	48.312.663	11.186.389	37.126.274
Immobilizzazioni materiali	145.248.421	107.157.875	38.090.546
Partecipazioni	4.107.987	4.107.987	-
Altre attività non correnti	4.757.757	310.719	4.447.038
A) CAPITALE IMMOBILIZZATO	202.426.828	122.762.970	79.663.858
Magazzino	83.013.252	81.506.662	1.506.590
Crediti commerciali	94.117.572	59.437.677	34.679.895
Altri crediti	6.005.219	8.257.475	(2.252.256)
Ratei e risconti attivi	1.988.406	2.649.620	(661.214)
B) Attività d'esercizio a breve termine	185.124.449	151.851.434	33.273.015
Debiti commerciali	135.000.372	120.076.600	14.923.772
Debiti tributari e previdenziali	13.574.031	8.036.429	5.537.602
Altri debiti	12.145.184	13.638.832	(1.493.648)
Ratei e risconti passivi	471.704	245.694	226.010
C) Passività d'esercizio a breve termine	161.191.291	141.997.555	19.193.736
D) CAPITALE CIRCOLANTE NETTO (B-C)	23.933.158	9.853.879	14.079.279
Trattamento di fine rapporto	1.288.630	1.349.367	(60.737)
Strumenti finanziari derivati	83.315	113.596	(30.281)
Altre passività non correnti	5.095.176	2.744.110	2.351.066
E) Passività a medio - lungo termine	6.467.121	4.207.073	2.260.048
CAPITALE INVESTITO NETTO (A+D-E)	219.892.865	128.409.776	91.483.089
Patrimonio netto	(260.533.871)	(145.144.916)	(115.388.955)
Posizione finanz. netta a medio-lungo termine	(35.409.173)	(26.841.889)	(8.567.284)
Posizione finanz. netta a breve termine	76.050.179	43.577.029	32.473.150
MEZZI PROPRI E POSIZIONE FINANZIARIA NETTA	(219.892.865)	(128.409.776)	(91.483.089)

Source: Friul Intagli Industries Spa

The analysis of the reclassified balance sheet shows an increase in fixed assets of 79.7 million euros which on 31 December 2020 was 202.4 million euros.

Net working capital is equal to 24.0 million euros, an increase compared to 2019 where it was equal to 9.9 million euros. This change is mainly due to the following combined effects:

- the increase in trade receivables from customers, with an increase in the average days of collection on an annual basis due to the growth in turnover with reference to the last semester.
- an increase in payables to suppliers mainly influenced by the increase in turnover in the last quarter.
- the increase in tax payables for taxes.

The company is primarily in a Covid Winner sector with a triple growth percentage of furniture in kits defined RTA (Ready To Assembly) in the last 10 years compared to the classic "expensive" furniture due to both a general impoverishment that leads to the purchase of furniture always cheaper but always with a good aesthetic both for the skill of the large, organized distribution. Such growth is also expected for the next 10 years as IKEA, its main customer has always grown over the years and expects to grow by 6% a year and is also one of the few that pays regularly every 30 days and offers a forecast plan monthly of his own sales, which is no small feat for Friul Intagli because it allows him to manage sales with greater security.

The company therefore did not suffer losses during the pandemic, except for an initial period (April and May 2020) when most of the activities were closed. It has always grown thanks to the greater attention paid to the home by the consumer in a period in which expenses for other "recreational" activities, such as bars, restaurants and trips, were greatly reduced, while the time spent at home even with the smart working, is increased a lot. There has also been a boom in corporate restructuring thanks to tax incentives, which usually also involve a change of furniture, also thanks to the "furniture bonus". The furniture sector has had a strong rebound, and the economic furniture sector in which the company operates. In the year 2020, therefore, Friul Intagli still recorded a slight growth in turnover while remaining stationary for almost two months and in 2021 a considerable increase in turnover (+ 140 million) linked to both volumes and prices.

From a health point of view, the company has always operated, recording an increase in absenteeism for Covid which, however, has had a relative impact. The most critical moment occurred in January 2022 when the absences for Covid related to the spread of the Omicron variant reached the highest point.

To reward the commitment and availability of the workforce, in November 2020, the company wanted to reward all employees, including those administered, with a "one-off" bonus, moreover during the year it had partially anticipated the production bonus that would be accrued in March 2021 to compensate for the lower income deriving from the use of the Redundancy Fund.

The only thing that changed was at the organizational level, the pandemic brought about a change in habits, social distancing was favoured, the obligation of a mask at work was imposed for everyone and introduced one hundred percent control on entry of the Green Pass, sanitation activities have also been introduced for both production and office environments, all these measures have led to an increase in costs in general.

4.2.8 Foreseeable evolution of management (post-covid) with the Russia-Ukraine conflict

In this positive context, however, there is a significant slowdown due to the increase in energy prices and supply interruptions, which added to the continuous increase in raw materials that characterized the whole of 2021, which led to a higher and wider than expected inflation, particularly in the United States and in many emerging markets and developing economies. In this context of uncertainty about future prospects, the war in Ukraine intervened in February which, in addition to having triggered a costly humanitarian crisis, caused a further increase in energy costs for European countries and a lack of availability for some raw materials, contributing to a significant slowdown in global growth and an increase in inflation.

In Italy, 2021 for the wood-furniture sector represented a record year, the turnover of the wood macro-system, which is worth about 20 billion euros, increased by 29.3% on 2020 and 16.8% on 2019, both in Italy than abroad.

The prospects for the sector for 2022 remain positive despite many elements of uncertainty that we have partly highlighted previously and that for European countries

are accentuated by the war in Ukraine which has led to problems in the availability of wood and the sharp increase in the cost of gas.

In this market context, Friul Intagli Industries S.p.A. recorded in 2021 an important growth in turnover (+ 23%) of more than 140 million euros, partly due to a price effect for the recovery of the increase in the price of raw materials from customers. Also, from an income point of view at the EBITDA level there was an important growth in absolute value, albeit lower in percentage terms compared to turnover, due to the strong growth in the prices of raw materials and energy, an increase that was accentuated in the last quarter of the year.

Going into more detail the consequences after the conflict Russia-Ukraine are more relevant.

It has led to a sharp increase in the prices of raw materials, energy, and great tensions on the availability of materials. Both wood from Russia and some chemical products that were produced in Ukraine, which are essential in the production of particleboard and MDF (Medium Density Fibreboard) panels (e.g. glue and urea), have been lacking in the European market. The strong increase in the cost of energy and gas has partly affected the company, but above all the typically energy-intensive suppliers (production of chipboard, MDF, paper, cardboard packaging), causing sharp increases in prices and delays or even cancellation of deliveries.

The situation continues to be unstable, the costs associated with the product, ranging from raw materials to packaging, are critical. Just think of the packaging, Friul Intagli despite the many units that compose it, has no space to create a stock of packaging boxes as they are very bulky and receives daily what is needed based on the finished product to be shipped. Many suppliers are reducing the production of the paper that Friul Intagli uses for packaging, due to high energy costs, thus exposing the company to the risk of delayed deliveries as despite having numerous finished products ready to be shipped, it does not have the packaging to be able to ship them.

The increase in prices is leading to a consequent lowering of demand but despite this the market is still good because the company has started to supply new customers, those that before the war were supplied by Russia, precisely for this reason the turnover in March it was the highest in the company's history, due to a double effect: an increase in customers and an increase in sales costs.

In this situation, on the one hand, the company is continuing to make investments, a fundamental activity of their core business, in fact an investment of 100 million is expected for the next few months for external development as they believe that this business is important and that the situation current is only momentary on the other hand they continue to offer service and quality to customers by investing in production lines to improve quality and production efficiency as they believe that in this moment where many close due to strong increases or fail, showing themselves strong in the market allows them to acquire an even stronger and more relevant position. It all also depends on the contribution that each individual makes with their business.

The general director specifically argue that three things are needed:

- 1) the flexibility of staff in changing workstations, shifts, as there will be overloaded lines and others less based on the progress of orders;
- 2) work with cost containment (energy, lights);
- 3) reduce waste, now wood is like gold, it is necessary not to waste it.

4.2 Fonderia Sabi Spa

This part brings up another business case, the SABI Foundry, totally different from Friul Intagli, not only as regards the sector to which it belongs, but also in terms of characteristics, economic-financial dimensions, and degree of internationalization.

In fact, since 1990 this company has been part of a group called the SABI GROUP consisting of two other companies that carry out different but synergistic activities, all with solid roots in Friuli-Venezia Giulia. These are: Mec System - based in San Quirino (Pn) - performs mechanical machining (milling and turning) on components produced by the foundry and for third parties and LAF - based in Polcenigo (Pn) - company which produces the “cores” (internal molds) for the castings and performs the deburring and painting of the cast iron castings exclusively for SABI.

From the moment in which the last two companies mentioned above carry out support and improvement activities, complementary to the foundry, my studio is centered on the foundry.

The SABI Foundry is a small company founded in 1968 with headquarters and production units located in the province of Pordenone, in the extreme Northeast of Italy, in the center

of an area with a strong industrial vocation, in a strategic position with respect to European markets. Over the years it has undergone various stages of development, to the point of establishing itself as a leading company in the cast iron sector as the company manufactures purely cast-iron series products only on order. Its production capacity today reaches 30,000 tons per year of gray cast iron and spheroidal graphite castings, otherwise known as ductile or nodular cast iron.

The flexibility of its production structure benefits the competitiveness, which emerges in the production of small, medium, and large series of cast iron castings with variable weights, included in a very wide range, ranging from 3 kg to 600 kg.

This certified company, applies rigorous quality controls to all stages of the production cycle, from the selection of incoming materials to the shipment of the finished casting, operating according to a methodology aimed at optimizing business processes.

The story of Fonderia SABI Spa is the story of a company that, over time, has progressively intensified its efforts to bring the quality of processes and products to levels of excellence. This commitment has been reciprocated with the trust placed in it by important international groups, leaders in their sectors, who have found in the supplies of SABI foundry cast iron an answer that meets their needs.

The cornerstones of the quality policy implemented by the company are the training and enhancement of personnel, the uninterrupted renovation of the plants and the comparison with new supply sectors, for which the high-quality standards are indispensable factor.

Controls are of fundamental importance, starting with the activity of the internal metallurgical laboratory, where chemical analyses are performed with an automatic spectrometer and metalloscopy and metallographic investigations. These operations, carried out systematically on the castings produced, are followed by the verification of the mechanical characteristics of the alloys, by means of hardness, traction, and resistance tests, carried out according to the rules imposed by the regulations in force and requested by customers. The inspection procedures are completed by the examination of the size of the castings, carried out in the metrology room with the aid of 3D DEA equipment.

4.2.1 Innovation and sustainability

Fonderia SABI deeply believes in the importance of continuous technological renewal, implemented both in the production processes and in the control procedures through huge

investments. The company has an automatic high-pressure system and an automatic casting plant which, thanks to computerized cards, ensures perfect repeatability of the optimal casting parameters. All process data are recorded on the database, to allow the analysis of the casting parameters of each mold. The flux cored wire technology makes it possible to obtain superior quality spheroidal cast iron castings. The company also uses a computerized system for the thermal analysis of the molten metal. By means of the detection of the cooling curves, it allows continuous monitoring and optimization of the casting and treatment processes of cast iron, integrating with the systems for verifying the chemical, mechanical and metallographic characteristics of the alloy.

Important technological skills that have evolved over time that allow to adopt a fusion technology thus establishing a very competitive price and having less waste (essential point) with uncommon products, thus having less competition. In recent years, thanks to its technological skills, SABI has been able to develop projects with the customer, it is a co-design activity, a much-appreciated service that the company makes available to customers.

Following a temporal order, in terms of technology, the most significant events were the following.

In the 2000s: the first major innovation, the introduction of machinery governed by programs defined as PLC (Programmable Logic Controller), “it is basically a computer that does not interface with humans but with the circuits of an electrical system, are those devices responsible for processing the indications and carrying out the programmed movements so that the automatic installation works correctly” explained the interviewee, the CEO. He also adds that the operation of the PLC is as follows: the processor communicates with the higher-level software, which processes the information received from the warehouse management software and performs the activities according to pre-programmed rules. This type of microprocessors, generally more robust than a PC, work in real time: they receive information from the input channels and execute the movements of the machine from the output channels. In the last decades PLC programming has become indispensable for a correct management of machinery, processes, and industrial electrical systems.

Since 2009 there has been an IT turning point, the change of information systems by adopting a new application with customizations that allows to control the progress of production, to know precisely where a production lot is in the different phases that was

not possible before. Furthermore, the design is no longer done by hand but with specific software and 3D equipment that greatly facilitates their study activity.

Since 2012 there has been the development of very sophisticated computer programs that allow you to predict, using special software, how the piece will be built without building it, thus avoiding sampling processes and subsequent waste. These are very expensive virtual simulations (10,000) but with a very significant future advantage in reducing waste.

Since 2014 the company has introduced a new automatic system, there has been an integration in both directions between the production machine, the forming machine, and the company operating system. Thus, arriving at a 4.0 as they can tell the machine what to do by feeding the machine production program from their information system, which executes it without further steps and on the other hand the machine communicates what it is doing in real time.

The company combines the concrete aspiration with economic, social, and environmental sustainability with the new production goals and the increasingly ambitious quality objectives. The safety and liveability of plants, the enhancement of staff and the minimization of the impact on the environment and health are part of this vision, an expression of a virtuous idea of growth.

Until the 90s the company used coal-fired ovens, highly polluting due to the diffusion of dust that released into the environment and to minimize this problem it decided to invest in a methane and oxygen plant allowing to be a greener foundry, a very clean and very efficient form of combustion. The current alternative to completely reduce pollution would be the use of electric ovens but would result in too high costs to bear with a subsequent reduction in efficiency.

Furthermore, from an internal point of view, in reality the foundry is a profoundly sustainable company because as input or as raw material it uses elements already existing in nature, i.e. scrap that derives from the demolition of objects already on the market, (brake discs of cars, engine blocks, ship demolitions, rails) and pig iron obtained from waste then uses a mix of good cast iron and waste products and also contributes to the functioning of the wind turbines, producing components for their operation.

4.2.2 Organisational model

Foundry SABI Spa puts the experience of its management team and its workers at the service of new collaborators, aware that in the field of cast iron castings, training, aimed at acquiring the utmost professionalism, is a value that makes the difference. By flanking experienced people with recent graduates and high school graduates, involved in all phases of the production and management process, the company implements a virtuous process, in which the solid competence of some and the energetic enthusiasm of the others merge, generating growth and improvement.

From 31 December 2020 SABI Group has 273 employees in the three plants in Friuli-Venezia Giulia covering a total area of over 49,000 square meters.

Figure 26 Summary diagram of the number of employees



EMPLOYEES

	DIRECT	INDIRECT	TOTAL
FONDERIA SA.BI: FOUNDRY	78	21	99
LAF: CORE, DEBURRING, PAINT SHOP	139	9	148
MEC SYSTEM: MACHINING SHOP	56	5	61
SA.BI GROUP: TOTAL	273	35	308

Source:sabigroup.it

The company, as shown in the graph, is made up of a modest number of employees divided between the three companies of the group. Quality guides the choices above all else. Hence the adaptation of all business processes to current regulations, both nationally and internationally. The search for perfection also extends to other areas. This is demonstrated using the Six Sigma methodology for the growth of human resources, from which a careful search for personnel and the development of training and education plans.

This is also attested by the constant investment in technologies that are consistent with the increasingly high expectations of customers.

Since 2012, SABI GROUP has been developing an articulated and coordinated set of research and development activities aimed at increasing production efficiency and product quality, in order to provide increasingly specialized and complex sectors.

4.2.3 Value chain

Logistics: The company does not have internal logistics as the supplier delivers the goods directly and is the customer who takes care of the collection, more precisely: if the customer is Italian, it is the company that organizes the transport and in the price of the goods the cost of transport is contained if it is European it adopt the ex-factory mode, therefore, it puts the goods out of its warehouse by notifying the customer via their logistics portal (no longer by phone or email).

Intermodal transport is not adopted as its customers require timeliness in the goods and this type of transport does not give the required certainty.

The only logistics activity, if it can be defined as such, is the continuous daily transport that takes place between the SABI Foundry and the other two companies of the group that carry out activities necessary for the product, which are physically distant, therefore, there is an employee who 5 times a day travels between the companies of the group to transport the various materials and therefore a fundamental part to keep the three companies together.

Operations: the company operates in the manufacturing sector, its production activity consists in melting the raw material to make it liquid, preparing shapes that it has the shape of the object you want to obtain, and finally putting the cast iron inside this shape to obtain the casting of crude iron. So, there is a forming, melting, casting and finishing department where the pieces come out and are perfected by deburring, painting or heat treatment at the other two companies: Laf and Mec System where the goods are shipped; therefore, it never returns to the main office.

Sales: there is no marketing department as the company does not have its own product, it simply receives the design from the customer and, following an in-depth study, creates it. The only marketing activity is participation in trade fairs which allows to advertise,

despite digitization the managers are convinced that in their sector demonstration at trade fairs is much more effective than internet advertising, this is demonstrated by their experience over the years, the biggest customers were found right at the events at the fair. The process consists of the following: the customer contacts them, shows them the drawing to be made, then SABI makes an offer based on a technical study, estimates the cost through a bill of materials and sends a technical presentation of how to make the accompanied product from a simulation that allows you to simulate how the finished product will come, an element not for everyone as it is very expensive as a software but it makes the difference and is highly appreciated by customers.

Reputations and references are what make the difference for the customer acquisition process, the skill lies in selling the ability to be the best at making mergers, showing the right technique and best skills.

Another peculiarity is that the molds are not owned by the company, they are paid by the customer and are owned by the customer, the foundry has no right to patent the molds, but as a future project, the company intends to create an own brand with its own product.

Services: the company provides customers not only with the final product, but the most relevant aspect and the service it offers, that of co-designing new products in order to make them achievable in the most efficient way possible to minimize the risk of possible defects, and it is precisely in this that it manages to differentiate from other. The service allows a direct collaboration between foundry and customers in which some details are defined following the design provided by them (for example thickness variation, to make the product efficiently realizable) and it is a very welcome service.

Additionally, it offers a product warranty, issue a credit note for the value of the item if a product is defective, and collect it. Furthermore, if the customer were to have carried out ancillary work on the product sold, the foundry would also compensate this part of the money, according to pre-established agreements.

Safety, Environment: there is a person specifically assigned to safety control, "HSE" (healthy safety environment), who takes care of the safety of the personnel, in compliance with the procedures, and at the environmental level as the foundry has a strong environmental impact at the level of emissions, therefore, there is a continuous verification activity.

4.2.4 Business strategy

Company vision: “to be a leader in the gray iron casting sector, where quality and flexibility are our strengths” said the CEO.

Company mission: through the specializations of its companies, and the innovative industrial experience it offers a system of integrated skills, mainly intended for the following sectors: transmissions, compressors, tractors, hydraulics, pumps, earth moving. The group's activity is divided into a cycle that goes from the production of cast iron castings to precision mechanical machining, passing through the creation of cores for casting and complementary processes.

Over the years, the company has changed its business model, below I will report the most significant features that have allowed the company to be a great reality to date.

In the 1980s the company began its first expansion, no longer just locally, but in Emilia-Romagna, and made its first major investment in the purchase of an automatic production and molding plant.

In the 90s the company began to expand by founding two companies for downstream and upstream integration: Laf which deals with accessory processing for foundries; therefore, from the core which is the first part of the production process, to the deburring and finishing; and Mec System which carries out subordinate activities, more specifically, of product improvement. This represents an important step from the point of view of strategic approach, one of the greatest strengths for the company as today there are no such large foundries in Italy with its own internal core and deburring.

In doing so, the company has created its own mechanical workshop Mec System, an important step at a strategic level because no foundry has such a large workshop structured with products suitable for assembly, in the 80s the workshops usually bought from foundries and sold to final customer, today SABI has overturned this mechanism as having its own workshop enters the casting market with products ready to be assembled directly (Foundry realizes rough casting, goes in Laf to be deburred, then cleaned in Mec system which makes the product perfect).

Another change at the end of the 90s is the acquisition of new customers who until then were only Italian customers but following globalization it suffered a period of crisis as a

strong competition was created where customers opted for import from cheaper countries like China. The company thus began to lose its customers (from 96 million downwards) and consequently its turnover capacity which came mostly from Italy (given that the Italian market was very rich) and thus decided on that time to expand also in Europe. With the advent of the euro, it found especially German customers, in particular Belgium, therefore it began to acquire customers outside Italy, which at that time meant changing the type of company as compared to the Italian ones which were very small, in Germany they were for mostly giants, therefore, there has been a marked change in its business model. This is because the sector that served SABI up to that moment in Italy was tractors, simple products, tractor components and it was one of the first sectors to decide to change supplier going outside Europe. Following this, SABI decided to change its reference sector by choosing the sector of non-automotive industrial transmissions (industrial machinery) and compressors, including ATLAS COPCO, the world's largest compressor manufacturer.

Therefore, following this threat (globalization), the foundry was forced to change its business model, making a large investment, divesting the coal furnace towards an oxygen-methane furnace and from that moment started producing ductile iron as well, which have mechanical performance very similar to steel but with greater advantages, as cast iron is more suitable for being melted (1400 degrees) than steel which melts at a much higher temperature (1900 degrees) and consequently has higher costs .

So, to summarize, the company management in the 2000s realized, investigating the outlet market, that the products that were sold no longer allowed it to survive due to the increasingly powerful competition from China to this was added the strong environmental impact that its plant caused, and opted for the change of this which allowed to produce a more sophisticated product and therefore to differentiate from other competitors, and to pollute much less.

In addition, after the 2008 crisis, the sector in which it had turned (compressors and transmissions) began to turn to European suppliers and no longer Italians as there was much more competitive advantage both in terms of costs and of technical skills (Turkey, for example, was very advanced from a technological and quality point of view) so the company started losing customers with a subsequent reduction in turnover.

In order to get back into the game and occupy a significant position in the market, in 2011 SABI decided to turn to a new sector, the hydraulic and oil-dynamic one, providing essential components for the operation of the industrial machines used in these sectors. This has allowed to grow considerably since 2012 with a subsequent increase in not only Italian but also European customers. In this path, therefore, the company has specialized in this type of product which represents its current strategy adopted today as the competition on these products is not very strong.

From a strategic point of view, they have pushed into this type of product, thus creating a structural growth in volumes around 2016-2017.

Figure 27 The production of company 2014-2022



Source: Fonderia SABI Spa

Being a very particular sector, it initially encountered difficulties in acquiring customers which did not happen immediately; in fact, only from 2016 onwards, following long negotiations, it has been able to fully emerge with an increasing turnover every year (as shown in the graph). In the plumbing sector, it takes a long time to convince customers, about 3 years from when the first contact takes place, but with the advantage that once the customer is convinced, the relationship will last. In fact, since 2016 there has been a constant growth in turnover which only dropped in 2020 due to the covid 19 pandemic until today in 2022 with an estimated 80 million turnover, not only for the volume of sales but is also responsible for the substantial increase in prices as we will see in more detail later. A fundamental point that has been highlighted in their strategic plan is the fact that

the company has not entered the automotive market (automotive) because looking to the future the electric is increasing more and more thus reducing the use of cast iron components, the automotive market nowadays it is making less and less use of cast iron components as it is increasingly adopting the hybrid and the electric. While in the sector it is targeting (construction, agriculture (John Deere, Volvo), compressors, and vacuum pumps) at the moment, a technological alternative, as the electric does not have the strength to perform the same tasks , moreover it is in a high power dynamic oil sector and therefore irreplaceable while in low power ones it is possible that with the advancement of the electric one it is possible to find a way to replace it (strong point).The Group has increasingly developed in the foreign market and manages orders for over a hundred loyal customers, demonstrating that the world of precision castings in the area also has the skills to compete internationally. Direct exports have grown in recent years to represent more than 50% of sales.

4.2.5 Swot analysis

Figure 28 Swot analysis of SABI Group (2022)



Source: own elaboration

Among the strengths of the SABI Foundry we find in the first place the high technological and plant engineering capacity thank to the numerous equipment that allows it to melt the cast iron to obtain a raw product which, following subsequent internal processing, is perfected to make it a ready-to-use finished product. All this in an innovative way, guaranteeing lower costs and waste and high product quality. In particular, its ability is to be able to give a finished product to the customer thanks to its two companies in the group because usually the foundries sell a raw product and is the task of the customer to

take it to a third company to make it ready to use, therefore, thanks to this additional service it acquires numerous customers.

Furthermore, other relevant elements are:

- being masters of the whole process allows to be always on time, to respect deliveries at any time of the economic phase without depending on third parties as the production and subsequent processing are carried out at the two companies of the SABI group;
- high smelting capacity, it managed to reach 240 tons of melt per day, this allows a very high hourly production which allows to be less expensive and therefore more competitive in many markets;
- the reference sector: hydraulics, represents a great advantage as it is a very large market, with few competitors and is destined to grow. In other words, it can be said that its advantage is to not work for the automotive sector because with the advancement of the electric, the cast iron elements are disappearing while in the hydraulics sector this step will not be so immediate because the strength exercised by certain machinery is currently not replaceable by electric or hybrid motors at least for the next 30 years;
- having few competitors in a future perspective as building a foundry requires a significant investment (50,000,000) and nowadays no one would invest in this; therefore, the competitors present are the historical ones;
- have leading customers in the sector, therefore the company is financially stable with a low risk of bankruptcy, therefore, it guarantees a good level of demand stability.
- low dependence on customers, it has always tried not to make the same customer depend on more than 10% of its turnover. But this sector is particular, as it can be said that there is a mutual dependence with customers, since the product supplied by the foundry is not easily replaceable, therefore it is also important for customers to ensure a good relationship with the foundry.

Regarding the weaknesses we find:

- not total control of the process for reasons related to high levels of product defects because of the complexity of the products. The production process tends to

generate many waste elements that could be avoided, and this causes a reduction in the final margin;

- the numerous returns due to the complexity of the production process;
- variability of demand, as the reference sector is very fluctuating in relation to numerous external factors;
- the distance from the group companies that carry out essential support activities for the foundry means there is an employee who goes back and forth five times a day to transport the product, this is the logistical part needed to keep the two companies together.

The future opportunities that the company could seize to acquire greater market share in the manufacturing sector are:

- entering in the business of new industrial sectors closely related to the one in which the company is already present, in particular this correlation demonstrates how the company may already has the right skills and abilities to be able to operate successfully.
- Investing further in research and development activities, that is to have more laboratories and more staff employed in these tasks, in order to constantly increase customer satisfaction. Among the research and development activities carried out, the Company has cultivated two specific projects: research and experimental development of product and process for the optimization of the production process of rotors for compressors and vacuum pumps, with horizontal machining of components and research and experimental development of product and process for the optimization of the use of ductile iron for the construction of compressors and vacuum pumps. Both projects took place in numerous experimental test campaigns, aimed at identifying the process correlations induced by the type of processing chosen. Both have obtained a positive final validation and their industrialization is ready with the transfer of the new knowledge obtained in the company production processes, although a part of these research activities will continue in the course of 2021.
- Loyalty of some relevant players at national level, i.e., increasing the number of profitable relationships to be established with large companies, in order to become part of a so-called “virtuous circle”.

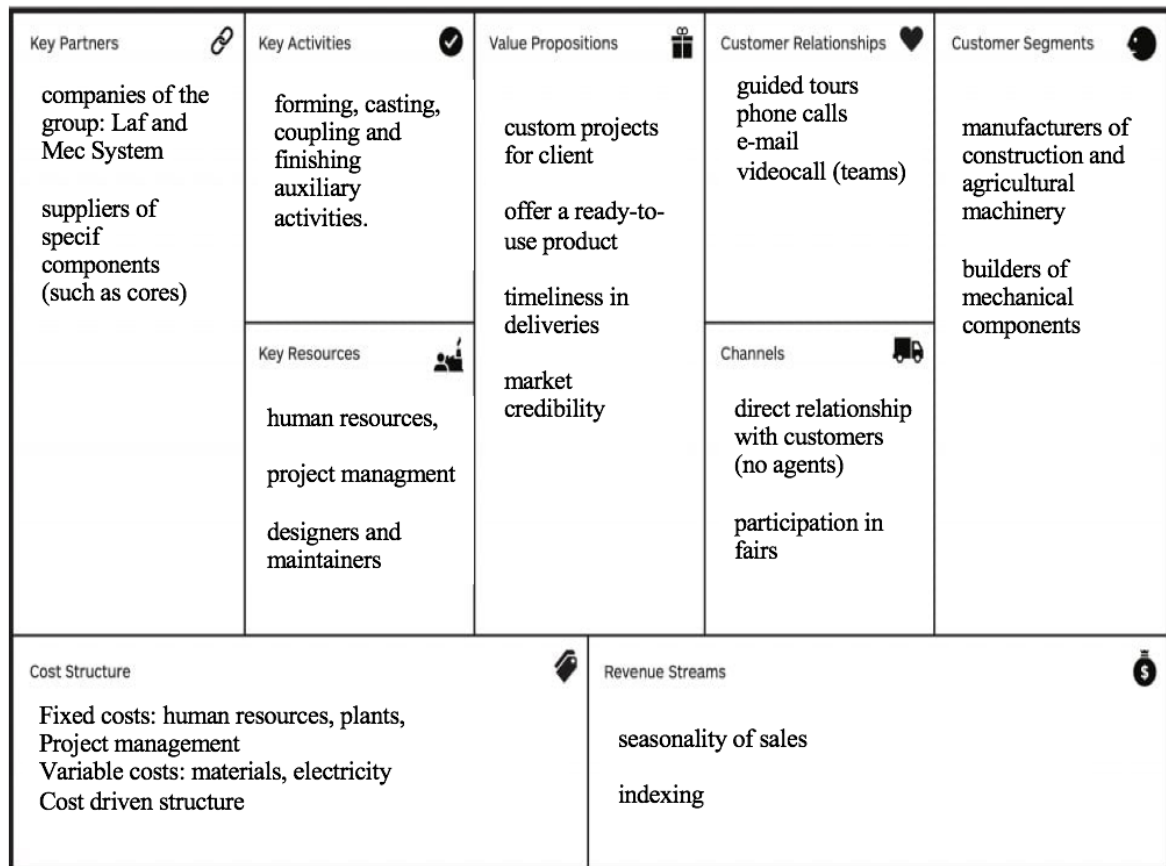
One of the greatest opportunities, therefore, is the possibility of growth of the market to which company refers as it has reached many customers but not all; therefore, there is the possibility of further growth and finally the possibility of improving the quality of customers thanks to the positive references it has accumulated over the years, increasingly demonstrating its high technological capacity.

Last but not least, for the threats that could negatively undermine the financial strength of the company, we have:

- Increased competition, i.e. the company in the future could "suffer" from the entry not of new players, but of players who are currently turning to another market, but who could in the near future focus on the same sector of SABI being able in a short time to acquire a significant market share in the Italian manufacturing sector. In particular, the threat of foundries that currently work in the automobile sector (which have good skills with very high production standards) that one day could move due to lack of market in the dynamic oil sector where SABI is very strong today.
- Crisis in the sector that could threaten the economic - financial integrity of the company in the medium - long term given that the company depends on only one therefore by specializing too much in a sector it is becoming too dependent on it with the threat, therefore, of being out of business if that industry should fail.

4.2.6 Business Model Canvas

Figure 29 The Business Model Canvas of SABI (2022)



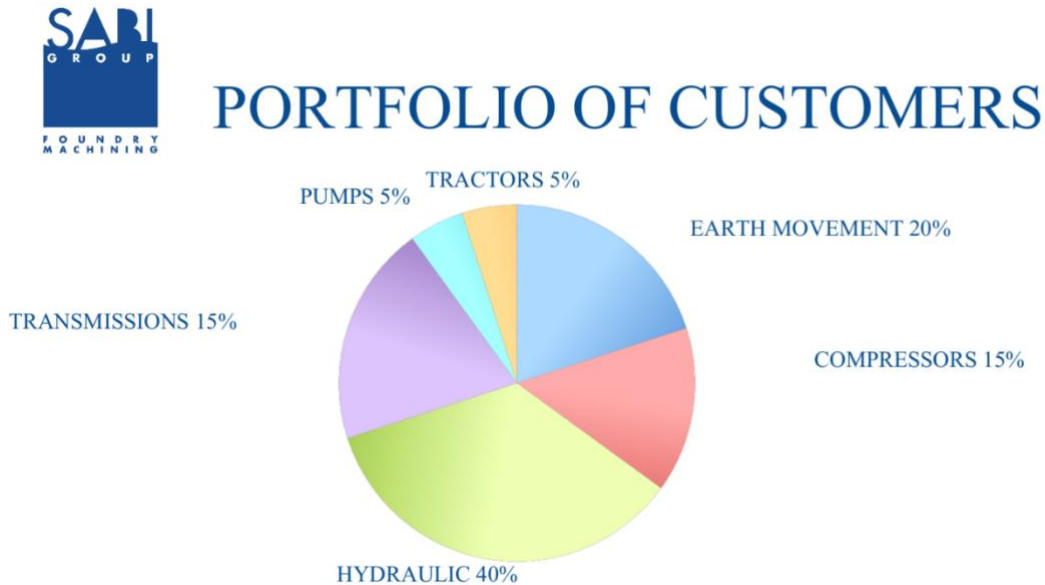
Source: own elaboration on a digitalbusinessmodelguru.com basis

Customer Segment

The first block of the BMC on which to focus attention is the customer segment.

SABI Foundry is a metalworking company that caters to the construction and agriculture sector, providing cast iron components that are essential for the operation of industrial and agricultural machinery. It supplies customers operating in the engineering sector and in particular in the sectors of components for tractors and earthmoving machinery, transmission components, gearboxes, machine tools, driving and operating machines, hydraulic pumps in general (John Deere, Caterpillar, Liebherr).

Figure 30 Portfolio of customers 2022



Source: Fonderia SABI Spa

Value Proposition:

Fonderia SABI does not have its own brand, it limits itself to making products in series and only on order. Technically, its product is the same as offered by another foundry, but the elements that distinguish it thus determining its value proposition are:

- offer a finished product thanks to the internal mechanical workshop, an aspect that differs from other foundries where they deliver a raw product which will then be the customer to have to finish by a third part,
- offer a service as well as a product, as they help the customer in designing the product with a group of experts;
- sell a good quality product at the best price, with a lower number of rejects thanks to specialized software that allow to carry out casting simulations avoiding waste deriving from sampling / tests,
- it always guarantees punctual deliveries which nowadays is a very important aspect that customers are looking for more and more;
- it has credibility on the market, is reliable, and customers recognize it. This is very important because in this sector it is the references and word of mouth among customers that makes the difference.

- Good skills and expertise at a technological level, the customer knows the efficiency of the company thanks to the products previously supplied, thus demonstrated by previous orders.

Channel

As for the contact channels, one of the most significant is participation in trade fairs that allow the company to make itself known by showing its skills by focusing heavily on word of mouth among the customers themselves.

Furthermore, in the foundry there is no concept of distribution as it hasn't their own product to take (on the supermarket shelf) conceptually there is no such function, but only to deliver an ordered piece and not to push a product on the market to have it approved by a wholesaler, for instance.

Customer Relationship

The fourth block of BMC is customer relations. The automation and technology on which the company's business model is based, determine a continuous interaction with customers through its special platform in which it deals with the management of orders, collections, deliveries, in the exchange of technical information and drawings projects. These portals are more structured, more protected, the customer has greater traceability as he is aware through the portal if the supplier has hired him, often SABI not only receives communications but also communicate to the customer, then confirm orders, give dates of shipments. Then in the portal information is received and communicated from both sides, a more present way of managing relationships. In addition to this mechanism, there is no shortage of telephone calls, conferences via teams that have developed above all because of covid 19 in place of guided visits to the company.

Revenue Streams

The price of the product is established at the time of the offer, based on the seasonality of sales that the customer plans, minimum lots are established for which a price is then set. The foundry has a base price and then a series of indexations, i.e., components of the price that do not depend on the initial price but on some indices that are provided or by category associations or other entities that ensure that certain price changes are recognized as variation month by month on a base price. Often, therefore, the invoice has a base price and an additional component close to it that considers some direct costs (raw

materials and energy), so a negotiation is not made every time. Today they have come to the paradox that the additional component that comes from raw materials and energy is higher than the base price. But it may be that with some customers a discount on the base price is adopted for the first two years. So, there is currently a violent indexing system now that varies a lot today and has increased 50% compared to last year.

Payments are made 60-90 days from the invoice date. The company monthly supplies the same products especially with larger customers who have a continuous production. However, there is seasonality with some customers, so the company may decide at the beginning of the year to buy large quantities and then from mid-year onwards they are stopped or in any case make very small purchases.

Figure 31 The Turnover of the company 2014-2022



Source: Fonderia SABI Spa

Key Resources

Moving now to the left side of the Business Model Canvas, the first block is characterized by the key resources, without which the whole system could not function.

The company considers its staff as its main resource in particular: the designers because they allow the study and manufacture of the product, the maintenance workers with specific skills that ensure the continuous operation of machinery and production plants. In particular, the maintenance technicians are extremely indispensable as the company operates with large plants all connected to each other and if a mechanism does not work it cannot be replaced but causes the block of the entire production process, therefore for

this reason they are essential and nowadays is more and more difficult to find due to the difficult working environment (stress, dirt, heat, very high burden of responsibility).

Key Activities

About the key activities, necessary for the realization of the production process, are the following:

- 1 Merger
- 2 Core making
- 3 Making the shape (forming, casting, coupling)
- 4 Pouring (form filling)
- 5 Notching / de-embossing (casting extraction)
- 6 Finishing (cutting of sprues and sprues, shot blasting, deburring / grinding, etc.)
- 7 Auxiliary activities (internal handling, quality controls / testing, maintenance).

In the molding system each shape is used only once and destroyed when the casting is extracted; the shape is made with sand suitably mixed with binders and / or additives which give them the properties necessary to allow the forming operations. During the forming phase, the impression is prepared which reproduces, the external geometry of the piece to be made. In order to allow the extraction of the model from the impression, the form is prepared divided into two parts (1/2 lower and 1/2 upper form). If the piece to be obtained has internal cavities, we resort to the use of cores, other parts of the shape, that is, prepared in special production phases using materials like those used for the shapes (sands and binders); the cores reproduce in negative the internal geometry of the casting. The cores are then positioned inside the impression in one of the two half shapes, on which the other is then coupled.

The mold thus completed is ready to receive the liquid metal in the casting phase; through the channels specially made in the form, it will fill the gaps between the imprint and the cores. After the time necessary for the solidification and cooling of the obtained casting, the shape is destroyed in the shaking operation, and the piece separated.

In the finishing phases, the casting is separated from the metal parts making up the casting system (channels and casting attachments) and feeding (sprues), in the de-scoring operations, and is subsequently subjected to shot blasting operations, carried out to eliminate residues of sand still attached to the casting, and of deburring to remove any metal burrs. Quality controls conclude the production cycle of a casting.

Key Partners

The block of key partners is mainly represented by suppliers, but not those of raw materials but of indispensable components used within the cores. It is a single supplier that with its products allows the company to obtain a competitive advantage with new customers thanks to low costs. It provides an element that allows to avoid the formation of holes inside the product, without this the realization would not be possible.

Another partner are the suppliers of cores (MDG SRL) as at the moment they are very complex products that require superior technological development; therefore, this supplier allows to be a foundry on a very advanced market by filling a gap they have with the future prospect of producing them internally, represents an important supplier and at the same time a critical element of the mergers on which the company is focusing, as well as to be competitive in prices.

Fostering the rationalization of the group, supporting capital strengthening by continuing to invest in technology and plants for revenue growth and further improving customer service with a view to efficiency, are the three lines of action that Fonderia SABI intends to implement. In doing this, it decided to be supported by Friulia in the preparation and financing of the ambitious business plan which provides for strong development over the next three years.

Key suppliers are even the two companies of the group: Laf and Mec System because they are the heart of its proposal as Laf takes care of the deburring and then cleaning the product, and Mec System which is the mechanical workshop that deals with the final processing of the product.

Another fundamental partner for long-term sustainability is represented by the suppliers of the systems not only because they have supplied them but because they maintain their efficiency with continuous improvements, (in fact they last 30 years) with extraordinary maintenance, continuous updating of the systems to make it efficient, to make them faster, to ensure better product quality, to incorporate a new technology and above all to adapt the software part of the machines to new technologies as potentially the installed one could be obsolete and not find spare parts or people able to use it .

On the other hand, the pig iron suppliers are not decisive, they are easily replaceable as they do not offer a specific product; therefore, for this reason they are not indispensable.

Cost Structure

By also concluding the left side of the BMC, we have the block constituted by the cost structure.

The greatest costs are given by the purchase of materials and mechanical processing. More precisely we find:

- Among the fixed costs: personnel 13% (100 people), depreciation and leasing 3% for a total of 16%.
- Among the variable costs: the purchase of materials 52%, energy costs 8%, external services (deburring, machining) for a total of 25%,

Furthermore, with reference to the annual costs that the company must incur to be at the forefront, we can divide them into:

- Internal research and development activities (as external is very marginal) especially technical personnel, production managers, for the development of specific technologies (specific alloys, particular types of cast iron) amounts to € 500,000. It is difficult to do research and development in foundries as there is no recipe that can be applied in all foundries, each product development is specific to the different foundries, it is a bit of an art rather than a certified technology.
- Acquisition of plants and equipment and fund improvement of existing plants: 2 million per year on average invest (CAPEX)
- Compulsory personal training as foundry is an environment with many risks (heat, diseases, noise, heavy objects) and specific for some internal figures amounts to € 50,000.

4.2.7 The evolution due to the Covid 19 external threat

As with most economic sectors, the impact of the COVID 19 pandemic in the foundry sector was equally significant but not in a negative sense.

At first, the total block of activities arranged with the Prime Ministerial Decree of 22.03.2020 affected the production activities on the supply side, reducing the level of

industrial production to a minimum, despite the presence, on the foreign market, of a very high demand coming from countries where the pandemic subsequently occurred. This means that at first there was demand but not supply as the company was not authorized to produce but despite this its customers did not change supplier, they remained loyal waiting for company's restart.

The most impacting effect of the block, however, was that of interruption and rupture of international supply chains, all affected, in an asymmetrical and uncoordinated degree, by continuous stop and go in terms of reopening and reclosing. On a general level, 2020 was therefore characterized by a collapse of activities in the order of 22% compared to the previous year.

The Covid has not changed the company's strategies but has changed the business model of its customers who, perceiving the risk of a supply chain outside Europe, have decided to move it to Europe and this has resulted in a significant increase in orders for the foundry. Therefore, the Covid 19 has given rise to a new vision of risk, leading to a domestic business model where customers try to bring production back to Europe, the so-called re-sharing. Faced with these dynamics, management has set the strategic objective of maintaining the efficiency of the production process, so as to recover productivity and margins, absorbing as much as possible the incidence of fixed costs, thanks to the increased efficiency of the plants renovated during the modernization campaign conducted in 2019. From this point of view, it can be said that all the efficiency objectives in terms of hourly productivity of the plants and the impact of manpower have been fully achieved; all this allowed the management, despite the reported decline in turnover, to maintain the ability to generate positive cash flows and to close the year with a gross operating margin (EBITDA) of a largely positive sign.

Overall, the company has given concrete evidence of operational resilience capacity even with respect to some of its competitors, who have seen their activity strongly affected by the effects of the COVID-19 pandemic, so much to compromise the very continuation of the activity. And it is thanks to operational resilience that it has managed to conquer market spaces no longer controlled by the competition, allowing an increase in turnover supported by an adequate campaign of instrumental investments which has proved to be very profitable, generating a net improvement in economic results and, above all, in terms

of generation of cash flows to service the debt and to increase the final capitalization of the company.

In term of investments, despite the extraordinary difficulty of the pandemic situation, over the year the management followed up the investment program in productive assets started in 2019 and aimed at improving the reliability and speed of the plants. The investments made are in fact aimed at significantly reducing plant shutdowns and reducing cycle times with the application of improvements in each of the parts of the complex molding plant. The investment activity carried out in recent years, albeit in a context of objective difficulties, today allows the company to face the expected period of expansion after Covid 19 with a much higher installed production capacity and adequate to achieve the important production objectives and turnover described in the Business Plan.

In support of the foregoing, the following is the reclassified income statement for the year 2020 compared with that of the previous year:

Figure 32 The reclassified income statement of 2020

CONTO ECONOMICO						
	31 dicembre 2020		31 dicembre 2019		31 dicembre 2018	
Valore della produzione	40.630.478	100,00%	42.843.697	100,00%	48.916.094	100,00%
Costi della produzione	(38.997.371)	(95,98%)	(42.013.018)	(98,06%)	(45.667.277)	(93,36%)
Margine operativo lordo	1.633.107	4,02%	830.679	1,94%	3.248.817	6,64%
Ammortamenti e accantonamenti	(1.536.485)	(3,78%)	(1.713.168)	(4,00%)	(1.685.160)	(3,45%)
Risultato operativo lordo	96.622	0,24%	(882.489)	(2,06%)	1.563.657	3,20%
Svalutazioni e perdite su crediti	(8.041)	(0,02%)	(116.202)	(0,27%)	(45.613)	(0,09%)
Risultato operativo netto	88.581	0,22%	(998.691)	(2,33%)	1.518.044	3,10%
Ricavi / Oneri diversi di gestione	337.638	0,83%	357.471	0,83%	417.816	0,85%
Proventi / Oneri finanziari	(747.311)	(1,84%)	(809.188)	(1,89%)	(813.257)	(1,66%)
Risultato corrente	(321.092)	(0,79%)	(1.450.408)	(3,39%)	1.122.603	2,29%
Proventi (Oneri) straordinari	(22.769)	(0,06%)	(79.883)	(0,19%)	(44.445)	(0,09%)
Risultato ante imposte	(343.861)	(0,85%)	(1.530.291)	(3,57%)	1.078.158	2,20%
Imposte sul reddito	53.387	0,13%	287.045	0,67%	(220.653)	(0,45%)
Risultato netto	(290.474)	(0,71%)	(1.243.246)	(2,90%)	857.505	1,75%

Source: Fonderia SABI Spa

Production value and production costs compared to the previous year have decreased. While EBITDA has increased significantly.

The COVID-19 pandemic confirmed how human resources represent for Fonderia SABI one of the cornerstones of its competitiveness on the market, to which a consistent effort is dedicated in terms of hours of training, aimed above all at safety.

In fact, the Company has been able to undertake and implement constant and incisive actions to maintain an adequate and safe work environment:

- the new internal conduct procedures in relation to the specific situation were updated and distributed, with repeated training sessions;
- all staff have been equipped with safety devices (masks, sanitizers, separators plexiglass) and the intervention of the cleaning agency has been increased;
- an Anti-Covid Committee was set up with the involvement of safety management figures together with company union representatives, so as to periodically evaluate the actions and improvements to be made;
- the distribution of staff in the offices was reorganized to ensure the least possible gathering.

The result of these actions, also coordinated in agreement with the trade unions, was completely satisfactory, so much so that even during the most acute phase of the subsequent waves of contagion, the production activity never stopped for reasons related to the lack of personnel.

The ability of Fonderia SABI Spa is therefore decisive to support the current investment policy and the ability to appropriately evaluate innovative solutions, which have been one of the company's success factors over the years, allowing it to compete successfully with larger operators and therefore with greater investment capacity. The policy of expansion towards new customers, products, and market areas with higher development or in outlet channels not previously practiced, can however expose the management both to potential general risks, in terms of difficulties in protecting intellectual property, and to more specific counterparty risks. To obviate these specific risks, it should be noted that Fonderia SABI Spa has defined an organizational and operational structure capable of implementing actions of greater commercial effectiveness, which draws benefit and

support from careful marketing intelligence and innovation activities and greater operational efficiency. It should be noted that the main risks identified and managed are those normally attributable to a company activity included in the specific competitive market context and in the more general socio-economic context of the area of settlement. Typically, these risks are identifiable as follows:

- market risk including currency risk, interest rate risk and other price risks impacting financial instruments: specifically, the risk with the greatest potential impact for the management of the Company is the interest rate risk, connected any review of the creditworthiness of the company by the banking counterparties, with consequent exposure to fluctuations in interest rates;
- credit risk: highlights the possibility of insolvency ("default") of a counterparty or any deterioration in the assigned credit rating;
- liquidity risk: expresses the risk that the available financial resources are insufficient to maintain their payment commitments;
- exchange risk: identifies the risk associated with commercial transactions in foreign currencies, which is not, however, relevant for company management.

Foundry SABI S.p.A. constantly monitors the financial risks to which it is exposed, in order to assess the potential negative effects in advance and take the consequent corrective actions. The financial exposure of Fonderia SABI. Spa includes bank loans, financial leasing, sight, and short-term bank deposits. The main objective of these instruments is to finance the operating activities of the Company. In addition, it can activate and / or access other financial instruments, leveraging trade payables and receivables deriving from operating activities.

4.2.8 Foreseeable evolution of management (post-covid) with the Russia-Ukraine conflict

The first quarter of 2021 saw the consolidation of the signs of recovery in demand felt at the end of 2020, with a constant increase in the order backlog, fueled not only by the general recovery in demand, but also by the consolidation of new customers and new products, especially in the field of hydraulics, compressors, and vacuum pumps. In these

market niches, the company, thanks to the research and development activities deployed in previous years, has achieved state-of-the-art technological skills.

At a global macroeconomic level, the different speed of recovery of the world economy has created a general upheaval on the commodity market, including that of foundries. The prices of scrap and pig iron tablets for ferrous metal foundries recorded very strong and sudden increases, caused by the rapid recovery of steel and metallurgical activity in China and the United States, which drained the stocks of raw materials present on the market (where stocks had already largely reduced due to the spring 2020 lockdown), thus causing a strong imbalance between supply and demand. In addition to raw materials, the cost of energy and sea freight also shot up, evoking a dynamic, in some ways, like that experienced in the imminent financial crisis of 2008, when the prices of raw materials were more which doubled in a few months, and then returned to starting levels just as quickly. In this context of uncertainty, management is committed, on the one hand, to containing these costs by improving efficiency, and on the other hand, to constantly adjusting the sales price lists through the renegotiation and remodelling of the indexing systems of the prices with customers.

After 2021 the company relied on the help of an external consultant for market analysis, of raw materials, in order to outline much more refined purchase and sale models than before, it shifted its focus from production / quality efficiency to ability to buy and sell raw materials more efficiently, setting up new systems for hedging the risk of changes in raw materials with financial instruments. The strategy was to create a smarter model to bring these prices down. Since an indexation is applied to the prices, which the company knows in advance, the company could know future margins and therefore can study well a tactic of how to sell products to increase the final sale price. Managers have expectations on the selling price and on the trend of raw materials so if they expect raw materials to increase, they start placing a large order, thus increasing the stock in such a way as to save on the purchase price but still selling at a higher price.

Among the various positive consequences of the pandemic there was the change in the ways of approaching the customer, the business can be done by the company, it started to use different connection systems approach with the “Teams” application leading to decrease visits to the company. This relationship system has become much more accepted, practical, and dynamic and has therefore led to a stable relationship with the

digitized customer. The company's member learned how to use this new system to efficiently exchange information especially with distant customers and a subsequent reduction in travel and representation costs. The use of the Teams application has proved to be much more efficient, also in terms of time savings, especially in the development of projects it is possible to show the customer the 3D project in real time with quick and immediate answers, therefore with problem solving. shorter times. The objective that management has set itself for the next few months is to give substance to the growth path outlined by the 2021/2025 Business Plan, insisting on actions to improve the overall efficiency of the plants, as well as in the search for new products and new customers., which have become imperceptible due to the increased know-how generated in the company.

Following this analysis, we can conclude that the pandemic, in addition to modify and influence the income statements and balance sheet, did not affect the future, it was experienced only as a passing inconvenience. What is worrying the market the most is the current Russia-Ukraine conflict, which at first seemed not to be relevant for Italy but is involving company more and more and if the covid has not led to business changes for the foundry, the war is bringing them. It brought to light new elements of risks such as the impossibility of finding raw materials as for the foundry, its biggest suppliers were Ukrainians and Russians, to this was added the possible interruption of the gas supplies essential for its plants (the foundry furnace runs on gas) and the unsustainable costs of electricity.

Due to the financial risks that are too high, the managers have considered the possibility of stopping production due to the costs that are too high to bear. To understand the consistency of these increases, let me give an example: usually the company's gas bill is about 40,000, the one after the war would have been 700,000, an increase of 16 times higher. Despite these very high financial tensions, the company managed not to stop production thanks to the help received from their customers who, in order not to lose the link with the foundry as a supplier, agreed to pay a higher price, thus allowing them to bear the costs. This is clearly a sign that highlights the mutual dependence between suppliers and customers in this sector.

Once they got their customers' input, the managers had to make small revisions to the business model:

- They had to review their supply chain to nations outside the perimeter of the embargo and war, no longer buying in Ukraine and Russia but in South Africa and Brazil, because the largest producers of cast iron were located there;
- They modified part of the production process, or rather, they modified the casting recipes using a different raw material than the first one due to the lack of availability;
- They have started to adopt strategies in purchasing and sales policies. To be sure of the availability of the material they have decided to buy large quantities of raw material thus enlarging the stock, which is very rare that they did not do before, as they have always placed orders in relation to the market and the demand from customers, they never kept material in stock, so the biggest change was to increase the warehouses by buying more even if now this tension has dropped because there is a way to diverting the embargo, in fact, they started buying again in Russia;
- Now they have set up an internal committee with the main company figures: CEO, financial manager, purchasing manager and an external consultant who provides data in a scientific and structured way on the trend of the most important risks: the risk of market failure and the expected trend of raw materials and energies in order to formulate a much more rational purchasing and sales policy based on scientific facts and data in order to have a continuously updated general picture of the elements most at risk: raw materials, energies, trend and economic cycle that the operational risk linked to company contribution margins is not slowing down. The focus is on seeing every week with consultants how the world will evolve, looking for signs of possible market drops, if there are elements that portend some crisis because at that point, they will have to stop production and sell the warehouse as much as possible, while now that the market increases having the stock is great because you fund today at 100 and sell tomorrow at 120. So, their outlook has changed a lot, currently the sharp slowdown of the market is not on the horizon, but it is not impossible. The customer has accepted the price increase and even their largest customer gives up asking for discounts because he knows the critical moment.

Since 2020, customers have increasingly sought to expand into Europe because they could no longer rely on deliveries from non-European countries they used to rely on. Customers were afraid of being dumped by foundries also because there are fewer and fewer foundries and those that do exist are historical, today those who have the money do not invest in a foundry so there are no hypothetical new competitors on the horizon. Buying more efficiently, marginally on buying and selling, increasing warehouses to be sure of working, focusing more on buying and selling than on the industrial process and securing the raw material this was their successfully action plan.

To conclude, having solid financial resources is the key to not failing, having good resources allows you to survive in these situations. The Covid was a moment of optimization of the working capital implemented thanks to the renegotiation of the due dates of payments to suppliers, the renegotiation of debts and the recapitalization with diluted trade debts and suspension of mortgage payments allowed by the state, this allowed to close debts to short-term and open long-term positions, much more subsidized, with lower rates. Instead, the increase in raw materials started with the post covid and with the start of the war in Ukraine made it possible to place greater attention on margins. In March 2022 they reached incredible numbers in turnover thanks to the failure of many other foundries that did not have the ability to cope with this inflation. What is the secret to not fail? Pass the costs on to your customers! Why did the other foundries go bankrupt and SABI did not? This is because the other foundries, out of fear of losing customers, have tried to indulge them, offering prices that are difficult to contain which has led to substantial losses. SABI, on the other hand, has always managed to keep sales prices stable, despite the constant pressure from its customers, and this has allowed it to never fail to never close a budget with a loss, but rather in balance, which instead its competitors they did not want to lose market share, but it turned out to be a losing strategy.

The result of all this is the reduced presence of foundries, and this makes SABI very strong in the sector. Furthermore, today the most important aspect is punctual delivery, the customer is not looking for the competitive advantage but to have the pieces in the shortest possible time, they want to ensure suppliers that are reliable in deliveries and in the quality of the goods, this was the change of perspective which resulted from the Covid period experience.

4.3 Case Studies' Discussion

In this work, two cases of successful companies were proposed which, over the years, have increasingly solidified their Business Model and have been able to react to market difficulties and to the threat of new competitors, through different types of innovation, strategies and action plans.

Analyzing Friul Intagli Industries Spa and Fonderia SABI Spa is clear how their competitive advantage over their competitors was achieved thanks to innovative solutions that have established themselves on the market, their ability to make decisions and the skills firmly and promptly they have developed thanks to experience gained over the years. The two companies belong to two different sectors, differ in economic-financial dimension and the goal of the innovation processes implemented, but share a holistic approach to innovation that permeates the entire organization.

In relation to the diffusion of news that run on the web, I would have expected companies to face a great difficulty in dealing with the Covid 19 pandemic, in fact my thesis idea was born with the desire to investigate the multiple actions and changes that companies have had to face and are still facing by referring to the current Russia-Ukraine conflict and thus compare the different approaches between affinities and divergences.

Although I took as a sample two companies of different size and sector to observe the various situations, the results were unexpected.

In events where a major change in the business model was expected following unforeseeable events, the two companies have shown a strong capacity to react, thanks to their skills and competences acquired over the years they have had the maturity and firmness to continue with their strategy without upsetting it but remaining faithful to it.

This means that over the years following experience, the company should firmly decide the sector it wants to supply after careful analysis, and build a strategy based on solid principles in order to ensure a good future outlook. In this circumstance, the companies showed their ability to make successfully decisions.

Friul intagli and Fonderia SABI turned out to be Covid Winners, this means that they were able to face the situation in the best possible way and come out as winners. This is

due to the ability of the company but above all thanks to the sector to which it belongs, which has not proved to be a sector at risk.

In particular, despite an initial slowdown due to the state of emergency established by the various decrees, Friul Intagli continued the production and sale of its products, also recording a significant increase due to the fact that, from the moment in which the commercial activities were closed, the consumer medium during the lock down decided to invest in their home, taking care of it, modernizing it, in fact the company has always continued to work and ship furniture in kits. In addition, it continued to make large investments and still with the war continuing to make them because the boss believes in his strategy and strength, he does not want to give up. This is because, the companies' managers always been convinced that those who stop are lost, they are faithful to the idea that only by continuing to be themselves without changing the core business of the company, when everything would end and return slowly as before they would be the first to leave, stronger than before.

Fonderia SABI Spa initially experienced a slowdown too because when Italy was in lockdown its main customers had not yet entered in the state of emergency so at first there was a strong demand but there was no offered as the regulations in force did not give the possibility to continue production. This was followed by a reverse phase, when the decree gave the green light, the company was ready to produce but there was no longer the demand as the countries of its customers had entered into lockdown so there was a strong supply but a weak demand until the situation stabilized in the following months, returning to a normal state. To cope with all this, the company has set up an Anti-Covid Committee with the involvement of management figures for safety together with company union representatives, so as to periodically evaluate the actions and improvements to be made with the aim of having a solid and effective action plan.

The advantage that companies has obtained from all this is the consequence brought about by the covid, that is, the failure of many competitors, which has allowed the acquisition of new customers and therefore a strong increase in sales.

The internal changes that occurred were different: for SABI, the operating structure has not undergone any changes, which cannot be said for the equity structure. To address the critical situation of the moment, the managers have decided to increase the company assets by renegotiating mortgage debts thanks to the laws coming into force, closing old mortgages, and opening other more advantageous ones, with a lower rate. The most

important aspect that has changed is the perception of risk, it has led them to recapitalize the company, through a capital increase and debt renegotiation, closing short-term operations by shifting the debt structure towards the medium-long term at lower cost. While practically nothing has changed for Friul Intagli Spa this is due to its great financial strength. Being a very large company with 600 million in annual turnover, it did not need to renegotiate deadlines with its suppliers due to lack of liquidity. The only thing that changed was the flow of information, the managers have intensified daily meetings between staff and production to always have the situation under control, and therefore increased the collegiality of decisions and the sharing of information.

The unexpected result is that the companies from Covid have earned more, have taken a big advantage in terms of greater profit, have significantly increased production thanks to the failure of their competitors, showing considerable capacity and skill in their field.

The pandemic has not weakened, but strengthened their business model thanks to the reference sector, luck was that they were in the right sector. On the one hand, the kit furniture sector is a sector that is growing threefold compared to traditional furniture and is undoubtedly more facilitated in the change in household consumption patterns. Even in a time of crisis, the cheapest sector is less affected because it acquires the customers of the more expensive sector.

On the other hand, the hydraulics sector is very strong and since there are few foundries today, the pandemic has led to the failure of the weakest, making SABI acquire even more strength in the market and further reducing competing foundries.

Subsequently, when the world economy began to recover from the Covid and prosper it was severely attacked by the recent Russian-Ukrainian conflict, with far worse consequences than the previous ones.

Although Covid has been a worldwide phenomenon, for these two companies, it has created less turmoil than the impact that the war is having now despite our country is not being directly involved. But it is precisely here that we are wrong, the current difficulties that are manifesting are raising an awareness until now unknown: Russia and Ukraine are suppliers of essential raw materials for Europe and the ongoing war, therefore, is involving the whole Europe and beyond. There are multiple channels of impact: the brake on exports to the countries involved (and beyond), economic sanctions on Russia, supply-side bottlenecks, uncertainty and volatility on financial markets, but above all peaks

historians of the rise in the prices of energy and other raw materials demonstrating how these two countries are very relevant to the world economy.

The main consequence of this conflict is inflation! The increase in prices has increased the price of raw materials but at the same time also the sales prices, leading companies to multiply their turnover on the one hand but at the same time incur much higher costs. The ability to get something positive about this, it is to be able to pass the increase in costs (of raw materials and energy) to customers in order to obtain a greater profit, this was the strategy implemented by both companies, which are having positive results especially thanks to the change of perspective undertaken by customers, where they no longer look at the economic advantage, therefore they do not look at the affordable price but at the reliability of the company in compliance with delivery terms and in the quality of the goods in this moment where nothing seems safer.

As a result, the companies have intensified the procedures on market controls, monitor the trend in the cost of raw materials no longer quarterly but every month through a report drawn up monthly and today in particular they also monitor energy, highlighting the trends, analyze for every month the change in turnover and the change in price compared to the previous month so that all the changes in prices in absolute value and percentages are highlighted. Furthermore, since February the business budget is made monthly and no longer quarterly because the reactivity is a multi-variable trend, so the company organization is very careful.

It was, therefore, the change in the business model of customers, rather than their own, which led to positive consequences for companies, greater earning opportunities, the acquisition of new customers due to the fact of the so-called re-sharing, i.e., the will of customers to rely on suppliers who are no longer foreign but European, less convenient in terms of price but more reliable in terms of delivery where today it is the main request in a world dominated by uncertainty.

The interesting aspect is that companies have grown a lot following these events, this is largely due to the sector in which they are established but also thanks to their ability which is what sets them apart. The factor that rewarded them was being able to always have materials available, their financial stability and their contractual strength which allowed them not to grant discounts but rather to increase prices without compromising the relationship with customers.

This feature allows to not lose sales but event to be reliable with customers, their strength recognized by customers is their reliability in respecting delivery times. Although they charge a higher price, customers prefer them.

Furthermore, the consequences of these events have led to greater risk aversion among companies, making them understand the importance of having risk management.

After what happened they set up a committee composed of the main management figures and a consultant specialized in the scientific study of precise market indicators, more precisely indicators of possible slowdowns in the economic cycle, the trend of the stock market cycles of their most important customers, indicators of stock levels, and a forecast analysis on the trend of raw materials in order to change purchasing and production policies in time.

Another affinity of companies is to apply both a reactive rather than a proactive strategy. The reaction strategy is to detect the increases in very fast time, understand the impact of these increases on the products and, thanks to the cost control system, calculate it and explain it to the customer by determining the parameters to which these increases are linked.

The characteristic of Friul Intagli Spa is to has a very flat organization that is to has an entrepreneur who influences the decisions, he adopt a non-proactive reactive strategy this because depending on a very low number of very large customers, the company must adapt to what happens to them, is very good at reacting but less good at planning. In addition, the competence of a 2–5-year strategic planning is not an implicit characteristic of the typical Veneto-Friuli entrepreneur who is more prone to make short-term action plans. This is undoubtedly a weakness, but it represents a cultural phenomenon, while the strong point is the speed of adaptation to situations that customers reward a lot. The company is stronger in tactics than in strategy!

Instead SABI Spa, despite applying the same reactive strategy, acts differently, tends to develop action plans in order to anticipate change, in fact it has set up an internal committee with the main company figures: CEO, financial manager, purchasing manager and an external consultant who provides data in a scientific and structured manner on the trend of the most important risks: the risk of market stoppage and the expected trend of raw materials and energy in order to formulate a much more rational purchasing and sales policy based on scientific facts and data in order to have a continuously updated general picture of the elements most at risk: raw materials, energies, trends and the economic cycle. In addition to establishing short-term action plans, it also creates possible scenarios

that could arise and for each one it draws up a business plan in order to be ready in any circumstance.

What the interviews sparked is that these two apparently different companies have been able to benefit from the succession of these negative events, initially seen as a threat but subsequently able to identify an opportunity from it.

The analysis carried out demonstrates how having a solid business model can make the difference, as the company has managed to keep it as stable as possible, it did not have to upset it but simply make small adjustments, integrate small actions to make it more suitable for the situation that it found itself facing. Covid and war therefore did not bring about real changes in the business model but only small tricks, and a new perspective.

The study shows how for this type of company, B2B, that doesn't have their own brand, the ability to change their business model is quite limited, as they are companies that strongly depend on their customers, do not have direct contact with the final consumer; this means that the actions they implement depend on the customers, this does not mean that their business model will remain the same forever as it must adapt to the evolution of the market, but it will simply do it much less than companies that have their own brand or that they sell directly to the final consumer. Despite this, the interviewees says that the current business has significant growth potential also for the future.

Following this study, I was able to summarize in guidelines, key concepts that companies in the face of uncertain events, such as those just described, should take into consideration. The goal of my work was precisely this, create a rulebook for companies not to fail, to be able to "float in the open sea, without sinking".

- 1) First of all, the first thing to do in the moment of instability is to check your cash flow by writing a real cash plan with forecasts of financial income and expenses, not simply costs and revenues. It is necessary to get a clear idea of the cash situation for the following months, trying not to have too high working capital.

- 2) Start making direct contact with your suppliers by discussing a plan to renegotiate payment deadlines, before having to contact the bank for any loans.

- 3) Renegotiate debts with banks instead of short-term to long-term, with more subsidized rates to make the debt more sustainable.

- 4) Be proactive, be careful in purchasing and selling policies in order to get up again.
- 5) Design short-term action plans, focus on the performance of raw materials in order to anticipate possible future moves.
- 6) Run scenario analysis to evaluate company performance under different possible situations and build a business plan for each.
- 7) The fundamental point is to try to survive. Once this is done, act looking to the future, looking for a glimmer of positivity in the midst of the negativity of the moment, find how to take advantage of the situation in which you find yourself, look for the opportunity to which one can cling.
- 8) Have a future perspective, do not look at the past but look ahead, do not look at what has happened, do not refer to past periods by taking them as an example but act by identifying the risk elements of your company, managing the contribution margin.
- 9) what about the role of risk management?

In situations of uncertainty, it is necessary to invest a lot in planning and control and to ensure that they are efficient, solid and uniform data management is required.

Having reliable and timely information, for example, through constantly updated budgets and an optimal planning system is the starting point for not failing.

Looking to the future is the strategy as today's world is different from yesterday's and therefore, we cannot rely on the methods used in the past, the perspective has changed, we need to look ahead, evaluate the risks, build scenarios to evaluate performance company under various assumptions. Develop a solid and clear business plan not only with the aim of obtaining loans from banks (as aroused by the interviews), but use it as a stress test, that is, hypothesizing even very tragic future situations in order to try to give answers to understand if the business model in place would be suitable for addressing them, thus understanding whether the company is able to overcome any future circumstances. In the face of these catastrophic events, companies have strengthened, to

date they have the tools to face possible changes in perspective, tools for assessing margins, risks, building a business plan that works.

“If you do not have a clear idea of the risks and scenarios that could develop, there is no possibility of reacting. We need to establish a plan to react and not to break down to avoid the inevitable. These terrible events have opened our eyes, to the fact of setting up scenarios and then building plans for the future, to be able to also find opportunities in what happens, as great upheavals are also great opportunities it is enough to be able to exploit them undergoing the least possible,” said the respondents. Understanding that the approach to earning will not always be the same, but will be the result of a continuous re-evaluation of the business model, there will not be a fixed recipe for earning as the market is constantly evolving, even the objectives will change (there will be objectives of survival rather than greater gain), thinking about making a copy and paste of what is done today for the future is not possible, the world is constantly changing.

The changes brought about by the Covid and the war that are still changing the world have brought a new perspective, reacting by looking to the future but not only at the risks but also at the opportunities.

Without the Covid and the war, it would have condemned many companies to a troublesome survival. These changes have led either to fail or to take advantage of the situation.

Conclusion

Today more than ever in a competitive environment in which changes occur in an increasingly unpredictable and rapid manner, companies must be able to adapt their business model to changing environmental conditions to continue to operate efficiently on the market. The push for change can derive not only from external factors but also from a technological innovation carried out by the company, which however needs an adequate business model to be capitalized.

In this thesis two cases of successful Italian companies have been proposed which, over the years, have developed their own business model, have been able to react to market difficulties, and to new competitors and have emerged as winners from the latest events that have made Europe a protagonist: the Covid 19 pandemic and the Russia-Ukraine conflict.

The study carried out had precisely the aim of investigating, after having clarified the concept of business model through a historical excursus, how these two recent events have impacted on the company business model by taking as a sample two local companies, different in size, sector of reference and financial solidity in order to outline a "general" action plan between affinities and differences to be able to "survive" in unforeseen situations.

The two reference companies: Friul Intagli Industries Spa (one of the largest manufacturers of custom-made furniture in the world) and Fonderia SABI Spa (a company specializing in iron castings for application in various sectors) have shown that the presence in a strong sector, economic-patrimonial solidity, efficient planning and control tools, timely and truthful data and a business model built on solid principles can manage to dominate external changes leading not necessarily to a distortion of one's strategy but simply by eliminating and / or reducing some factors and at the same time the increase or creation of others can contrast and dominate external events.

Although belonging to two different sectors, both companies analyzed have not suffered significant consequences from the events of the last period. The covid, despite being a world event, only reduced sales in the first month and then increased them more than before, the war instead led to considerable inflation, with increases in the prices of raw

materials and energy that was overcome by turning increases to customers, a great difficulty in the availability of raw materials, causing a great deal of uncertainty which was however contrasted with the increase in warehouses.

The two realities on display therefore have as lowest common denominator the ability to react in the best possible way without having to reinvent themselves or upset their business but simply by adopting measures and short-term action plans. This is also due to the fact that they are B2B companies that do not turn to the final consumer but to other companies, this means that the actions they implement strongly depend on the customers they turn to, this doesn't mean that their business model will remain for always the same as in any case it must adapt to the evolution of the market but it will simply do so much less than B2C companies that have their own brand or that sell directly to the final consumer. Despite this, the data show that the current business has significant growth potential also for the future.

This leads to the conclusion that companies, to be true market strategists, must have the patience that allows them to stress their business model every day, never assuming that the current configuration, excellent today, is also the best for tomorrow, creating possible scenarios that could occur and hypothesizing solutions. Therefore, a good business model, suitable for the company in the face of difficult situations does not necessarily have to be upset, but simply adjusted perhaps with additions that can be effective to face the unexpected of the moment and then remove them when the situation is over.

Discovering new business models is what start-ups must do day and night in order to survive, but in medium and large companies, things are different. Their dimensions are the result of a long process of execution of their business model, which consists in optimizing the value chain, using the tools explained in detail in the economic books, such as budgets and operational plans. To discover new business models, however, completely different skills and actions are required, starting from questioning one's value chain and ordering its components in a different way.

The challenge, therefore, lies in being able to react with firmness and determination in the decisions to be made, without looking to the past, but with a view to the future, managing to draw an opportunity to prosper from dramatic events. The companies have shown a strong ability to react and adapt to the situations encountered. They have adopted

more of a tactic than a strategy, the tactic of rapid reactivity rather than that of proactivity as they are companies that depend heavily on large customers; therefore, their action depends exclusively on the action plans adopted by customers. They have been able to derive a great advantage from the inflation caused, seizing the climate of uncertainty that dominated the market, they have managed, thanks to their strength, to increase sales prices in such a way as to be able to support the increase in costs, without losing customers, who, due to this situation of continuous instability, no longer aimed at the economic advantage of the price but at the reliability of delivery times, that was one of the companies' strengths.

The suggestion for many of the large companies that fail to go beyond the execution phase is to watch and learn from small companies. It is the first step to take in the process that will lead to their evolution is to adopt their mindset, which can be fragmented into three key aspects, after a direct collaboration between the CEO of the SABI foundry and the CFO of Friul Intagli Spa. These are:

- "Attacker mindset", that is, reflecting on how to test the company itself, taking the value chain, fragmenting it and trying to compose the pieces that make it up in a different way.
- "Agile mindset", i.e. not being afraid to experiment, and adopting the perspective of Eric Ries' lean startup. Set yourself the goal, therefore, to make your products known to customers as quickly as possible, in order to collect their feedback.
- "Failure is part of mindset", which consists in considering failure as part of the corporate reality, that is, something that could happen, but which should not be scary

It is with these foundations that it is possible to begin building an effective innovation process, within your business model.

Even though this study provides several benefits to research and practice, it also has its limitations. The method for data collection, the semi-structured interview, allows us to conduct in-depth and detailed analyzes, but often the interviewees involved, being biased, tend to omit or alter the answers, giving subjective rather than objective judgments in order not to denigrate the own company and this leads to a lack of generalizability. Secondly, the research to be as truthful as possible would have to sample a large number

of companies in order to be representative from a statistical point of view. To address this limitation, future research can use a survey between companies belonging both to the same sector to make a direct comparison, and to different sectors in order to test the proposed theory that resulted from this study, so that universality can be insured.

After this journey between the concepts of business model and innovation, I conclude with a message from a great Chinese philosopher, Sun Tzu. This is a concept, a suggestion, aimed at many companies, regardless of their size and shape. But not only. It is also an invitation, a wish, a challenge, for individuals with dreams, ambition, and enthusiasm:

“If you know your enemies and know yourself, you will not be imperiled in a hundred battles; if you do not know your enemies but do know yourself, you will win one and lose one; if you do not know your enemies nor yourself, you will be imperiled in every single battle.”

Sun Tzu

Appendix 1

QUESTIONNAIRE

I) Information about the respondent

1. What is your role in the company?
2. How long have you been doing this work?
3. What is your current job level? (senior management, middle management, intermediate, entry level)

II) Demographic information about the company

1. When was the company founded? By whom?
2. In which sector does the company operate? What does it produce?
3. Which is your organizational structure? (Divisional, functional ecc)
4. How many employees work at the company?
5. Who are the partners of the company?
6. How many suppliers does the company have?
7. How much is the current turnover? Has it grown through the years? For what reasons?
8. How many people are employed in the internal accounting? What competences do they have in common and are required to have? Are you having trouble finding them?
9. How many clients does the company have? Who are them? (Retailers, privates, firms, etc.).
10. Does the company have its own brand?
11. Is there a precise change in the history of the company that has allowed it to acquire considerable prestige?

III) Business model / Strategic aspects

1. What are the most important events that have characterized the company over the years?

2. How has innovation influenced your sector? Can you define yourself as an industry 4.0?
3. What are the strengths and weaknesses of the company?
4. Using the business model canvas scheme, how do you define your business model?
5. Trying to complete the nine building blocks:
 - *Customer segment*: For whom are you creating value? Who are your most important customers, clients, or users?
 - *Value Proposition*: What value do you deliver to the customer? Which customer needs are you satisfying?
 - *Channels*: Through which channels do your Customer Segments want to be reached? Which ones are most cost-efficient?
 - *Customer relationship*: What type of relationship does each of your Customer Segments expect you to establish and maintain with them? How costly are they?
 - *Revenue streams*: For what value are your customers really willing to pay? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues in terms of percentages of the total?
 - *Key Resources*: What Key Resources do your Value Propositions require?
 - *Key Activities*: What Key Activities do your Value Propositions require?
 - *Key Partners*: Who are your Key Partners? Which Key resources are you acquiring from them?
 - *Cost structure*: What are the most important costs inherent in your business model? Which Key Resources and Key Activities are most expensive?
6. How has the business model changed over the years?
7. Was your turnover impacted by changes of the business model?
8. What are the main factors to consider when pricing products? (Target profit, customer demand, competition, differentiation, product life cycles, etc.).
9. Do you have any direct competitors? Do you need to differentiate yourself or do you already have a good position in the market?
10. Are there any points in the business model that could improve?

11. Have you ever faced a period of crisis? Due to what? If Yes, how did you deal with it?

IV) Consequences brought about by the Covid pandemic and the ongoing war Ukraine-Russia

1. What kind of changes have you had to make following recent events in particular during Covid 19 and the conflict between Russia and Ukraine?
2. What impact is the crisis having on your business?
3. How much is the company damaged by all this?
4. Have you lost or gained some customers?
5. How do you justify the fact that you survived the covid while some of your competitors didn't?
6. Have you built up action plans over the years to be ready for future contingencies like these?
7. Have you changed your sales channels?
8. What have you learned from covid and the war?
9. Have you changed the way you relate to customers? Is it successful?
10. Has the company redefined its goals?
11. Did the sales before and after Covid stay the same?
12. Has the strategy undergone transformation/mutation ?
13. Is a risk management plan part of your strategies?
14. What strategy are you using to fight inflation?
15. Have some activities been abandoned in favor of others? Which? How do you plan to organize these activities in the future?
16. How do you think the business model must exploit these crises to last for years?
17. In your opinion, does the company business model remain fixed or does it have to evolve over the years?
18. What are the main actions a company must take during sudden periods of uncertainty?

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