

SMEs and Continuity of Success in the New Scenarios of Competition

by Carmine Tripodi*



Businesses have always been involved in the fascinating process of seeking success, challenging themselves with the goal of understanding what to do to improve their results, in the difficult search for a response on how to act in tough situations. In all historical periods, those emerge who are better able to interpret the competitive context to be faced and to construct an effective synthesis that represents the essence of a successful strategy.

BUSINESSES AND SUCCESS

The importance of product quality

For long periods of the last century, Italian businesses won this challenge by focusing on product quality. This was the period after World War II, when a generation of entrepreneurs was able to combine the robust technical-productive skills acquired in the field with the ability to risk and do business, thus contributing to the economic development of our country and writing the beautiful fable of the “flying hornet.” In a structural context, one that is not very favorable to the conduct of business activity, many excellent companies were born that brought the world products rich in quality and design, contributing to the success and appeal of Made in Italy products.

These were the years of reconstruction after World War II, that went until the end of the 1980s. A period that was indeed dotted with great success stories, but also characterized by elements that in hindsight turned out to be favorable conditions for many busi-

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nesses. Italy was one of the few manufacturing countries able to produce high-quality products, without many rivals at the international level: consumers had a real need for many products, to clothe themselves, furnish the home, communicate, and move faster; international markets were in a phase of growth and drove sales in many sectors; and the cycles of change, in terms of both technology and consumption models, were long and put less pressure on businesses. In a nutshell, in a historical period in which products were necessary, for all of those actors who had the intuition to throw themselves into the competitive arena, it was product quality that made the difference: making good products, with engaging design, and making them available on international markets was often sufficient to have success.

The centrality of strategy

Starting in the nineties, and until today, much has changed, and technical skills alone are no longer sufficient to guarantee strong and lasting performance. Over the years the level of production in many countries has improved significantly, and international competition has become tougher; there are many products which consumers do not really need, and they must find valid reasons to buy them; many markets are mature and no longer able to drive consumption; and changes are faster and faster, forcing companies to constantly look towards the future. If to this we add that the international dimension is a distinguishing element of almost all sectors, with the implications this holds in terms of complexity of management and number of investments, it is easy to become convinced that the road to success has many more twists and turns today.

To face this challenge, today (as in the recent past), it is necessary to differentiate oneself from competitors, and the difference can be made only if one possesses a broader range of skills than in the past. Naturally, it is necessary to continue to guarantee high product quality, and to add the ability to dialogue with customers and interpret their needs, to use the new communication technologies and data available on the web, to develop and manage brands on the international markets, to add young talent to development projects, to plan future activities and constantly monitor results, and to launch and finance more complex projects. To summarize, in a period in which the determining factors for success appear to be more numerous, the quality of strategy becomes decisive: effectively interpreting competitive contexts and constructing valid models of interaction with the outside environment are fundamental elements to seek success.

Searching for flexibility and solidity

The new millennium, first with the crisis of 2008, then with the pandemic of 2020, and finally with the war in Ukraine, adds additional elements of complexity. This forces us to face the dramatic nature of the instability of international markets and makes us reflect on how much business results can depend on elements that are apparently distant and not directly controllable. The deep interconnection created over time between different markets means that a virus that spreads in one city in China can first bring the local economy to its knees, with the imaginable repercussions on imports and exports of businesses in most of the world, and then rapidly travel by plane, infecting people, forcing businesses to close, and creating difficulties for the economies of other countries. In the same way, companies that have nothing to do with the war can see the cost of their electric bills skyrocket for reasons they are unable to control.

Given such variable scenarios and sudden changes, the financial equilibrium of single businesses risks being called into question. It becomes necessary to react promptly to events that are difficult to foresee and have the resources to be able to endure some periods of general difficulty. In other words, in a potentially unstable context, it is not sufficient to concentrate exclusively on the contents of the strategy, but it is necessary to develop reaction skills and to be ready: studying future scenarios in advance, imagining possible responses, reacting to what happens, and rapidly changing your strategy translates into considerably increasing the possibility for success. Likewise, increasing companies' capital and making them more solid can allow for overcoming unforeseen events more easily, or to take advantage of favorable opportunities that may arise during difficult periods.

WHAT MODEL TO USE TO DEVELOP SKILLS?

The evolution of the environmental context, in addition to altering the possibilities for success of single businesses, has made the role of those who lead them more complex and has led to the emergence of the need to strengthen the skills they possess. To put it another way, companies that seek to make a difference today must: build a broad skills portfolio, that allows them to cover the decisive aspects of doing business; develop a deep level of skills, to be able to surpass tough competition; and continuously update those skills to follow and anticipate increasingly sudden changes.

All of this regardless of size, because the competitive contexts that small and medium-sized enterprises must face are the same as those for large enterprises, and because for them as well, the possibility of success

depends on investments, the capacity for vision and adaptation, and more in general on the completeness of the business model they are able to express.

This need, however, is often not compatible with the limited financial and human resources available, that small and medium-sized enterprises are able to deploy in the service of their path of managerial growth and can produce two different types of errors.

The first is identified with the decision to postpone investments to better times, when a calmer situation and greater resources will make it possible to face the situation differently, de facto penalizing short-term competitive capacity.

The second consists of settling for developing skills at non-excellent levels, so as to make investments sustainable. For example, this happens when in order to begin investing in marketing activities or human resources management, rather than making use of a person with specific expertise to lead this process, a company decides to hire someone who may be younger and cost less. This is a prudent choice, but has higher margins of uncertainty, given the difficulty of guaranteeing the necessary path of growth to train that person, who presumably will find himself isolated in a company function that is insufficiently staffed.

Make, buy, or connect?

When faced with investments that can seem large and difficult to sustain, businesses need to in any case find the path to follow in order to not allow their competitiveness to be dangerously harmed.

This is where selecting some areas of investment in which to seek to excel – convinced that they can make more of a difference than others, including considering the company's specific characteristics – is a first interesting path to follow.

At the same time, it can be stimulating to attempt to overcome the traditional logics with which businesses have addressed the issue of skills, that is, of internal development (make) or external acquisition (buy). The two approaches fit well with a context in which the relevant skills were mostly located in the technical-productive sphere, that businesses adequately covered and jealously sought to defend against imitation by competitors.

In a scenario with greater features of discontinuity, with more fronts and languages to cover, and with skills that are necessary but not sufficient conditions for success, companies should explore new models of development that are more centered on collaboration with external partners (connect), certainly not easy to manage, but that could considerably reduce the necessary investments.

Working alongside external partners in the pro-

cess of skills development does not, in fact, necessarily mean being in a position of weakness or passively depending on third parties. Rather, if businesses are able to lead the process with personality, selecting valuable subjects with whom to construct stable relationships, they could create a flexible organizational context that at the same time is able to compete.

All of this can be done while also benefitting from interesting advantages, such as: accelerating the process of development, following the involvement of valuable partners; immediately aiming to construct high-level skills, using a flexible model; saving on the development of single contents, thus succeeding in investing in multiple directions; making investments more flexible, having the possibility to change partners or also development models, if the results are not found to be satisfactory; and favoring a gradual shift of skills to internal resources, making the organization grow, exactly as could happen in the case of internal development.

A COMMON GOAL, MULTIPLE DIRECTIONS OF WORK

How a company defines success, and the elements it considers to be satisfied with the results reached, is not at all a given, and can in some cases take on very different characteristics. Certainly, success cannot disregard an aspect of profit and return on investments, the measure that principally summarizes the quality of the choices made. Yet the more the search for profit has a dimension that is not only short-term, but is oriented towards a medium and long-term horizon, the more significant the satisfaction of various categories of stakeholders, the more central the value created for the customer is considered to be, are all questions that can find different responses and orient behavior, decisions, and evaluations of the results reached in different ways. Regardless of the exact meaning that single businesses may give to the idea of success, it is however undeniable that they all must continuously make good decisions, with the goal not only of achieving success, but above all of making it continuous.

From the analysis conducted to this point, an initial indication of behavior has already emerged clearly, and is linked to the need to become better on contents, identifying the best paths to develop those skills that are a fundamental ingredient of competitiveness and good results. To do well it is necessary to know what we are dealing with, to be experts in the contents to be addressed, and to have developed the skill to compare different positions and visions.

It is also true, though, that work on content cannot be the only area to develop, since skills themselves, even if advanced, are not an absolute guarantee of

enrichment of the decision-making process and improvement of company results. Indeed, companies must increasingly pay attention to: the efficacy of the processes by which they make decisions; the growth of people and team-building; and the development of strategic thinking on the part of key resources.

Developing contents, improving tools and processes

Assuming that the ultimate goal of business management is to make good decisions immediately makes it evident that the development of contents cannot be considered a point of arrival. To have a concrete impact on results, it is necessary for skills to produce managerial tools that can be used to strengthen a company's capacity for analysis and interpretation, to promptly identify any critical areas, and to better direct investments and opportunities for development.

Similarly, it is also necessary for those tools to be functional to stimulate the behavior of individuals, to favor internal discussion, and ultimately, to strengthen the functioning of the processes in each of the company's specific functions.

That is, it is fundamental to have robust knowledge on the subject of sales analysis and financial planning (contents), it is necessary to define the guidelines and principles on which budget forecasting is based (tools), but it is even more important for all of this to be used to define a process of budgeting able to engage and enhance the responsibility of individuals, able to favor development of a common vision and define shared goals, that are the basis of a detailed activity plan to be carefully monitored (processes).

Make businesses grow by making people grow

The task of those who lead a company, or have important responsibilities, is certainly to make correct decisions, define a winning position, and show others the proper way. But the largest challenges are increasingly faced with the quality of the team and human capital. This is even more true when there is complexity to be managed that goes beyond the possibilities of the single individual. So, a task that is just as important is that of constructing a group, selecting the people, developing skills, adequately motivating people, and putting them in a position to give their best.

Can anybody really think that individuals' motivation does not have an impact on performance and quality of work? If this is true, even when faced with profound changes in values in new generations, does the management of human resources not deserve greater attention, perhaps, than is normally seen in companies?

It follows that looking behind oneself and finding out you are alone, i.e. not having at your side valued

resources with whom to share the challenges and responsibilities of growth, even if this were a sign of having been better than others, is an indication that something hasn't worked properly, of some mistake made in exercising leadership. Put another way, it is advisable to continuously dedicate the necessary attention to the construction of a valued group, that is not limited to the mere definition of assignments and duties, but is able to work together, in which individuals are in a condition to bring out the energy, skills, and ideas functional to the growth of the business.

It's no big deal if every once in a while surprises emerge with people because you are not able to hold them back, because they don't respond to stimulus the way you want, or because they show that they have different ambitions than their superiors. As in the case of the definition of the strategic plan, in team-building as well it is not absolute perfection that makes a difference, but constant tension towards excellence that guides daily behavior.

Developing strategic thinking

A final important element in the process of managerial development is represented by the directions in which to favor the growth of one's associates.

It is in fact undeniable that we need to entrust growing responsibilities to those who prove to be capable and competent in the perimeter of their work, good and reliable on the contents assigned to them. It follows that constant attention is required to have sales directors who are able to negotiate, manage a sales network, and interpret clients' needs; just as it is important to seek to train administrative directors on their ability to analyze financial statement data, quantify product costs, and adapt the approach of their analyses to the characteristics of the business model.

It is just as evident, though, that companies could benefit from the growth of the capacity for strategic thinking by those who occupy roles of responsibility. In other words, in a context in which the quality of strategy proves to be a decisive element, and as such must embrace a wide variety of contents, thinking of an organizational model in which the CEO is the only one who interprets strategic thinking could hinder development. On the contrary, stimulating the spread of the capacity for strategic thinking, in addition to helping construct paths of growth that would be best supported by multiple managers, could enrich the discussion and broaden opportunities for development.

Of course, the strengthening of the capacity for strategic thinking, understood as a goal with which to approach the choices to be made in their own roles and responsibilities, that always looks towards a medium-term business goal, is a non-trivial skill, to be

constructed with great care. It is necessary to enrich the set of models and tools that each individual possesses to read and rationalize the phenomena that are observed in the business and the outside environment. At the same time, it is necessary to stimulate the capacity for vision and interpretation of future scenarios, so as to develop an effective synthesis that represents the essence of the strategic design and the subsequent, fundamental phase of realization.

Although this process is neither immediate nor easy

to carry out, it is a fascinating process to explore. First of all, because the growth of individuals can contribute significantly to the development of the capacity for strategic thinking of the business as a whole. And second, because the development of this additional skill, together with all that has been described and encouraged previously, can contribute to making businesses become organizations dynamically capable of learning what proves to be necessary, from time to time, to achieve and maintain continuous success.

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SYNOPSIS

- Over the course of time, leading businesses to success has become decidedly more complex, and as a consequence, entrepreneurs and managers need to enrich the way they govern businesses. Product quality, that for a long time was the pillar of the international success of Made in Italy production, in many cases is no longer sufficient if not accompanied by robust skills in other company functions and a flexible approach, necessary to promptly react to unforeseen scenarios.
- Expanding, deepening, and constantly renewing the skills portfolio are indispensable activities to sustain competitiveness, even if they often conflict with the need for resources that SMEs can dedicate to development; an aspect that can push businesses to explore new organizational models, that make collaboration with and involvement of outside partners a powerful and flexible engine for development of skills.
- Yet skills are not an absolute guarantee of success: attention to skills must be sustained by the awareness that the company cannot grow if people do not grow internally. So one of the most important tasks of management is to construct a group with high value, in which the motivation of individuals, their functional skills, and at the same time their ability to contribute to the company's strategic decisions, must be decisive and distinguishing elements.