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**"STRATEGIC PLAN: A COMPARATIVE CONTENT ANALYSIS"**

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## Abstract

This study deals with strategic plan topic both from theoretical and empirical perspectives. From the theoretical point of view the related literature includes two main guidelines documents, namely Borsa Italiana (2003) and the information paper from IFAC (2006) and two relevant publications in the Italian panorama about the instrument (A. Borello, 2009 and P. Mazzola, 2003). The focus is on the requisites and the suggested structure for drawing up a strategic plan which could capture the interest of the reader. The study shows three tools that are behind the writing of a strategic plan: management, performance and communication. The proposed structure coming out from the literature review is made by 9 sections. From the empirical perspective this work analyzes six companies (Enel, Fincantieri, Terna, Salini Impregilo, FSI, Leonardo) strategic plans belonging to infrastructure industry. The goal of this work is to find and evaluate the degree of connection between the selected documents composition and the benchmark individuated in the analyzed bibliography. The methodology used to compare the six documents is the qualitative content analysis. The analysis is structured in such a way that, by addressing 4 research questions on the most relevant strategic plan sections, it succeeded in assessing the closeness of the plans to the proposed settings from the literature. The 4 research questions are set to investigate the treatment of the following areas within the documents: Vision and Mission, Market Analysis, Goals and Actions and Key Performance Indicators. The 4 research questions represent, in the content analysis, the 4 “anchor codes” containing different subcategories and the related codes. Codes (words, tables and graphs) belong to the type of epistemological codes since they are used for a better understanding of a determined phenomenon. They are looked up in the strategic plans documents and rated through a scale from 0 to 6 assessing the degree of presence and the consistency with the belonging research question. Results are presented by reporting a ranking of the six firms based on the average ratings obtained after the analysis on the 4 research questions. On the other hand, research questions are ranked too from the one with the highest average score to the lowest. Final results are then discussed and translated from the particular to the general as illustrated by content analysis best practices<sup>1</sup>. Findings are explained by identifying refers and compatible theories in the literature proposed in this study.

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<sup>1</sup> K. Krippendorff, 2004, *Content Analysis, An introduction to its methodology*, 2<sup>nd</sup> Edition, Sage Publication Inc.

# 1 Strategic Plan Relevance

## Introduction

Strategic planning began to be a relevant activity within corporates in the mid-1960's when managers undertook it as the best way to deploy strategies for improving the competitiveness of each strategic business unit. According to the Taylorism strategic planning was conceived as the "one best way"<sup>2</sup> to produce successful strategies and schedules for the implementation of them. There is actually an important distinction to do which was not taken into account in the past, in fact one best way thinking did not work properly. Strategic planning is different from strategic thinking, since the first one provides an analytical view based on manipulated numbers while the second one offers a synthetic view of the business producing a vision to pursue. Strategic planning is much more strategic programming and cannot generate strategies but it can structure them into an operational framework. The strategic plan is the document including goals and objectives of different competitive strategies, the actions to achieve them, the assumptions about the key value drivers and the forecasted results. The strategic plan brings to firms many benefits as it contributes to enhance the quality of management both in terms of strategic aims and the consequent actions development<sup>3</sup>. The reasons behind the drawing of a strategic do not relate only to the internal point of view but there is also an external purpose. The strategic plan can be directed to possible future debt or equity investors who may be interested in the firm so the document becomes a sort of selling tool to attract funds for making grow the business. The document consequently must be a mix of qualitative elements regarding the current and future strategies, actions and the linked performance and quantitative elements as well. The latter includes quantitative information about the framework the business is in as the macroeconomic variables or possible changes in demands for specific products but also financial forecasted for the period of the plan which are the cornerstone of the document itself because they are the numerical representation of all the assumptions made<sup>4</sup>. The Borsa Italiana Guidelines for drawing up a strategic plan suggest a time frame of three accounting periods. Many studies showed that there is correlation between strategic plans which are long term oriented and positive financial returns in the stock market. Rhyne<sup>5</sup> investigated the relationship

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<sup>2</sup> H.Mintzberg, *The fall and rise of strategic planning*, Harvard Business Review, Jan-Feb issue

<sup>3</sup> Borsa italiana, 2003. *Strategic Plan Guide*, [www.borsaitaliana.it](http://www.borsaitaliana.it).

<sup>4</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore

<sup>5</sup> Lawrence C. Rhyne, *The Relationship of Strategic Planning to Financial Performance*, Strategic Management Journal, Vol. 7, No. 5 (Sep. - Oct., 1986), pp. 423-436

between 10 years financial returns and the type of strategic planning leading to a conclusion stating that those firms applying more external focus and long term vision are more likely to register higher financial returns. Same findings were reported by Desai<sup>6</sup> through event study he found that companies disclosing strategic planning information with long range horizon outperformed the market. To conclude the strategic must summarize the business concisely and accurately<sup>7</sup> by setting out plans, showing how they will be achieved and demonstrating that the outcome will meet the requirements of the reader and be attractive for the business promotion.

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<sup>6</sup> Ashay B. Desai, (2000) *"Does strategic planning create value? The stock market's belief"*, Management Decision, Vol. 38  
Issue: 10, pp.685-693,

<sup>7</sup> Deloitte & Touche LLP, *The business plan, Our guide to write a successful business plan*, London 2004

## 1.1 Management Tool

Among the benefits brought by strategic plan the most important relates to the support to management activity. It gives the possibility to managers to have an action plan to follow and distribute detailed tasks to persons responsible. Managers have a more systematic and coherent manner for dealing with specific issues. Moreover from the management perspective strategic plan also gives a roadmap in order to keep track of where the business is going, setting goals and objectives. Strategic plans represent an important instrument for structuring and adding value to strategic views of management. Boards of directors as well benefit from the planning as they can serve their roles of governance, control and attract new resources by having a clear representation of what the business wants to be and to achieve in the future. Management is involved in the process of planning and this fact leads to an enhancement of their strategic intentions and better indications for directing the actions. Planning process take responsible persons to reason and interpret future trends, monitor competitors, identify opportunities. These activities usually are not taken into consideration or do not represent a time-consuming task. Management contribution to the plan represents a chance to switch the attention on the creation of innovative strategies as well. As aforementioned the strategic plan gives managers the possibility to program and codify their strategic intentions. It helps to put things together and clarify goals and objectives by giving also space to alternative strategies by exploiting the full potential of latent parts of the organization<sup>8</sup>. Shaping the strategic profile of a business means dealing with three aspects<sup>9</sup>: organizational elements including relevance of human resources, definition of functions and roles then management philosophy comprising ideas, behaviors and motivation leading internal relationship and basic objectives like ambitions in terms of performance both qualitative and quantitative. These three areas are strongly interrelated and together have to deliver all those aspects creating the vision. The communication of the vision within the firm helps the management to stay focused and do not lose the path while making decisions. The drawing up of the plan is also the occasion to combine information and knowledge coming from studies and analysis, in addition it compares different functions and strategic business units making possible to implement learning process which sometimes can end up in new business opportunity, sharing of resources and know-how transfer. The most important aspect of writing a plan is that it makes the whole management be on board, working on the same goals and reconcile different visions by having a clear picture of where the

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<sup>8</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore

<sup>9</sup> Borello A., 2009. *Il business plan, dalla valutazione dell'investimento alla misurazione dell'attività d'impresa*, McGraw-Hill Education. p. 12-35



company is and where it wants to be in the future<sup>10</sup>. On the other hand, there are also some shortcomings to take into consideration. Corporate planning has become recently a structured function within firms and represents an expensive and time-consuming process. An interview made by McKinsey<sup>11</sup> to more than 800 executives revealed that many participants to the planning process are frustrated as they feel a lack of impact on their actions or because of the strategy pursued by the company. Moreover, it resulted that only 23% of strategic decisions were made within the boundaries of the strategic planning. Managers by the way feel that the planning process is very relevant for their jobs, their compensations, since it aligns their goals and strategic priorities. A suggested solution by McKinsey is that, as already mentioned, the planning process must involve both planners and those who carry out the strategy, namely the management in order to have that desired impact. If the management is not involved in the strategic planning process an instrumentalization of the plan may occur. This happens when strategic plans are used to show that there is a best strategy or actions despite their effective validity. The instrument loses in this fashion its primary scope of strategic management and becomes a short-term oriented means for political moves especially within multinational enterprises. Management instrumentalizes the plan by delegating it to leading consulting firms which elaborate it in a coherent and technical and makes it credible thanks to their brand. The definition of the strategy itself matters in terms of growth. In particular what matters is who are those involved in the development of the strategy and what inputs drive growth. Clearly the degree of formalization is higher in larger firms as they need to coordinate more business units eventually in different industries but it has not that great impact in growth rate. A brief and bullet definition of the strategy for small medium enterprises may be enough to keep the management focused on the proper allocation of resources to the highest value creating opportunities<sup>12</sup>.

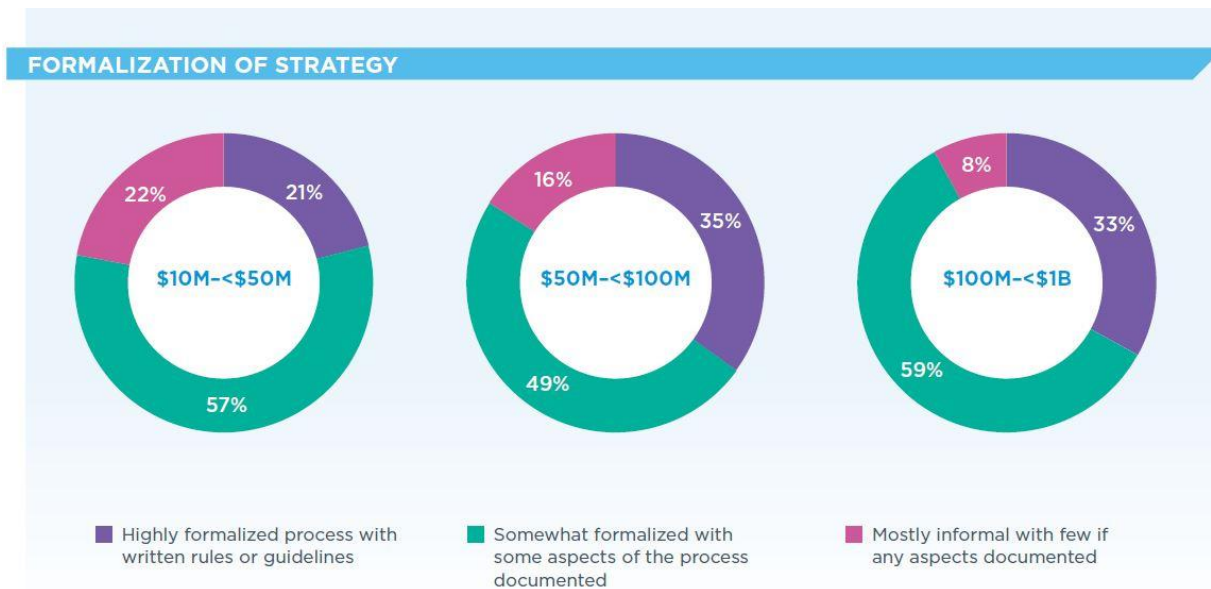
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<sup>10</sup> Deloitte & Touche, 2003, *Writing a business plan fourth edition*, Accelerator

<sup>11</sup> R.Dye, O. Sibony, 2007, How to improve strategic planning, McKinsey on Finance

<sup>12</sup> U.S National center middle market, 2018, Strategic Planning for growth, The Ohio State University

The table below shows the degree of formalization in relation to the revenue size of US companies in middle market.



*From U.S National center middle market, 2018, Strategic Planning for growth, The Ohio State University.*

## 1.2 Performance Tool

The relevance of the strategic plan document is due also to quantitative features it brings in. The discussion in former paragraph was focused on strategy and its representation through the planning instrument from a qualitative point of view but, especially from an investor perspective, the translation of vision, mission and strategy into numbers is surely more relevant. Strategic plan can be considered a performance tool since it is possible to set realistic goals and objectives allowing to control evaluate current and future results. Setting corporate objectives is crucial for monitoring future performance. Objectives most important characteristics are: result driven (quantitative feature), specific, measurable, attainable and related to time. They represent benchmarks and give a sense of direction to managers and employees within the organization<sup>13</sup>. The elements characterizing the objectives are those ones distinguishing them from goals which on the other hand are open and not specific statements, not measurable; they are used for the vision definition. Strategic plan is a very effective instrument particularly in those firms which comprise different strategic business units. Corporate level management needs to have a complete view of the business units besides methods and measures to monitor and control them. The contribution of each business unit is given by its potential of increasing value and it depends on elements related to both external environment and the firm. Growth potential of the SBUs is then linked to the potential improvement of profitability given by the industry, given by the firm ability to change SBUs strategies, given by industries transition creating business opportunities for the firm. Strategic plans then set expected objectives in order to create consensus around the strategy. The approval then does not come only with a better off of the performance but also by putting challenging goals leading to future drastic improvement of the firm's business. Objectives are crucial for control activity, they are used to catch gaps between the expected results and the effective performance. It is important as well to check the consistency between expected improvements in performance and the management levers used to reach them. This consistency between competitive strategy and better off of the results shows up only if the management has analyzed properly the characteristics of the value proposition and evaluated all the possible implication on firm performance due to their choices. Strategic plans have not the only purpose of signaling the improvement of performance in terms of created value for shareholders but also the enhancement of the competitive position and of the corporate social responsibility. A suitable representation of the expected results can be given by the balance scorecard. This circular graph shows performance measures from 4 different perspectives: customers, internal processes, growth and shareholders. In the last section the

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<sup>13</sup> International Federation of Accountants, Malaysian Institute of Accountants, 2006. *Business Planning Guide: Practical Application for SMEs*.

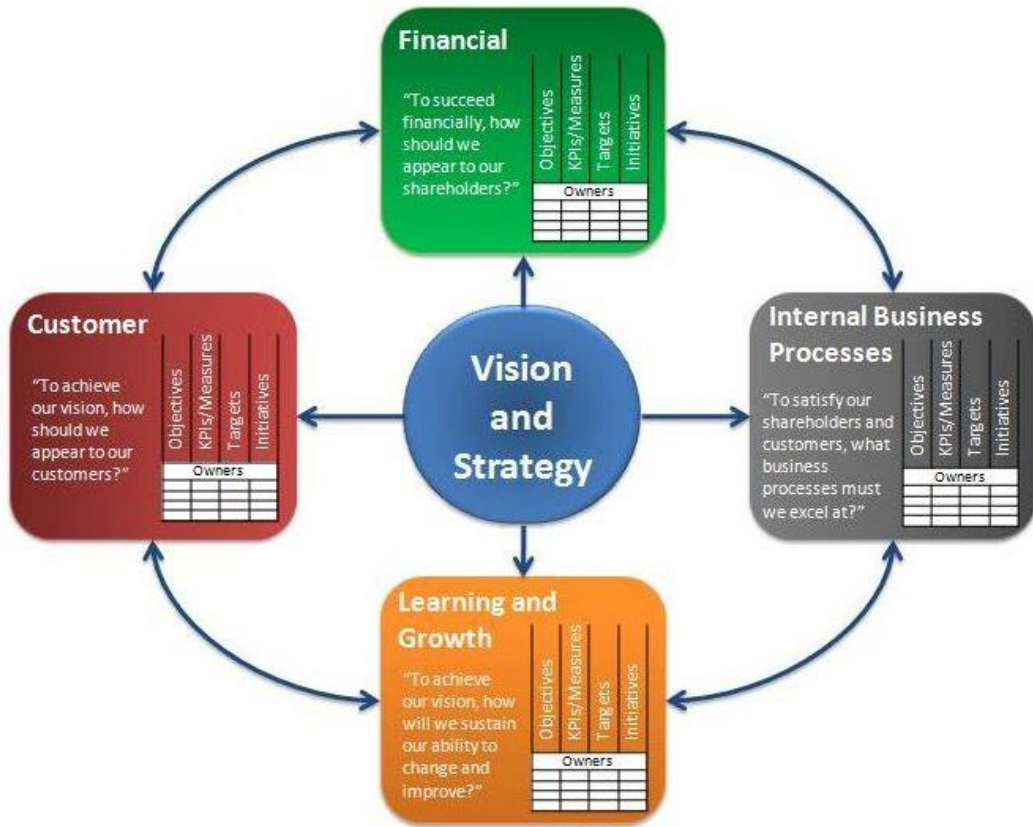
social perspective is included with some measures attached but it is not represented as a single perspective. Shareholders perspective focuses its attention on classic financial indicators as return on equity, return on investment, cash flow available for shareholders and others pertaining to the development of the firm as revenues growth and market share trend. Customers need to verify the soundness of the strategy for guaranteeing themselves the highest level of satisfaction. Some indicators that matter for customer are market share, customer retention ratio, new customers acquisition ratio and expected improvement in the value proposition. The internal perspective deals with three categories of performance measurement: innovation processes, operating processes and after sale processes. Measures for innovation processes relate to time period for introducing the innovation, the attached costs and return on projects measures. Operating processes need measures showing results, costs, quality monitoring and time. An example for time measure is checking the quantity of time necessary to complete an order. Measurements for the improvement of the after-sale processes are degree of customers satisfaction, time, costs and quality of the service. The development perspective regards mainly measures able to catch the improvements of the firm for creating conditions to operate successfully in the future. These measurements regard the degree of satisfaction and loyalty of the personnel, their productivity and investments in learning or infrastructures for the development of individual actions.<sup>14</sup> Strategic plans must present crucial elements for serving the performance tool which are the so-called key performance indicators or KPIs. Together with traditional financial ratios key performance indicators show whether the firm is on the right or on the wrong path. KPIs differ from traditional financial ratios because they are used for non-financial measures as well. The most common key areas are productivity, quality, wastage, market share, product and customer profitability and customer satisfaction<sup>15</sup>. The individuation of the KPIs is useful in order to transform in operating terms the strategic goals in the strategic plan. They can be conceived as parameters to be satisfied for reaching a certain aim like a launch of a new product or the entry in a new market. KPIs' must be easily controllable from the management since they provide sound estimations to proceed on. To conclude KPIs are helpful elements for monitoring the path of the strategic plan itself since they give the opportunity to identify possible variations with respect to the expected performances<sup>16</sup>.

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<sup>14</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore

<sup>15</sup> International Federation of Accountants, Malaysian Institute of Accountants, 2006. *Business Planning Guide: Practical Application for SMEs*.

<sup>16</sup>. Borsa italiana, 2003 *Strategic Plan Guide*, [www.borsaitaliana.it](http://www.borsaitaliana.it).



### 1.3 Communication Tool

The communication or business promotion represents maybe the first purpose for a strategic plan. Strategic plan is, above all, a selling document attracting investors to finance the business. Investors audience is wide and includes private equity, venture capital, investment funds, banks and industrial players looking for mergers or acquisition opportunities rather than strategic alliances. Strategic plans can be tailored for different kinds of investors since they are interested in different attributes of the businesses they put money in. Financial investors as Private equity and Venture capital usually look at high growth potential. As a consequence, the most relevant features for this type of investor are the track records<sup>17</sup> of the company for assessing revenue growth, cost and capital structures which are areas where this type of investors have expertise and can manage to increase the firm's value. Market reaction is another important element investors look at, in particular how the market receive firm's product and services and how they can bring benefits to the customers. Moreover, financial investors want to make sure that the forecasts assumption<sup>18</sup> are based are sound and they are likely to be achieved in the proposed time horizon. They also need to verify the quality of the management and the staff of the target firm as they are not interested in replacing them but they want them to keep performing as they did in the in past and improve their skills. Financial investors approach is driven by their business models which have as the main source of revenues the future exit from business they invest in. Exit plans exist in different fashions, they could be IPO, sale to another fund or to an industrial player rather than carve out or spin off among the others. Banks play the lender role as they enter businesses as debtholders. They are mainly interested in the risk of not getting principal and interests paid and in the availability of assets for collaterals which are fundamental for their capital ratio requirements<sup>19</sup>. Banks analyses more deeply the downside than the upside, they are worried about possible future setbacks and the probability of surviving for the firm. Strategic plan is then required in order to identify the right level funds they can provide to the firm and to check the feasibility of the financial projections especially regarding the liquidity or cash flow aspect. Developing a high-quality plan could help the company to stand out in today's loan competition. Strategic investors on the other side look for opportunity for external growth by screening possible targets to acquire. Strategic plans for these investors represent

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<sup>17</sup> Deloitte & Touche, 2003, *Writing a business plan fourth edition*, Accelerator

<sup>18</sup> Koller T., Goedhart M., Wessels D., *Valuation, Sixth Edition, Managing and measuring the value of companies*, McKinsey and Company, Published by JohnWiley & Sons, Inc., Hoboken, New Jersey.

<sup>19</sup> Ryan S.G., 2007, *Financial Instruments, Accounting and disclosure rules*, Second Edition, Published by John Wiley & Sons, Inc., Hoboken, New Jersey

one of the main screening criteria for making choices. Industrial players differently from financial investors seek companies in order to build future synergies in post integration and have a indefinite time horizon. They are much more interested in assessing the possibility to achieve synergies looking at customer sharing<sup>20</sup> or cost sharing rather than the management since they usually replace them once the acquisition process is completed.

Strategic planners then need to be able to show and give importance in the document to those attributes which explains the firm competitive advantage. As a selling tool it must be convincing and bring readers to buy the products which could be the firm itself if directed to potential buyer. Investors want to know everything about what it is sold, to whom and why customers are willing to buy from company with respect to its competitors. It is also crucial to report in the document the existing relationships with the whole supply chain including names of the suppliers and customers portfolio. As aforementioned financial investors in particular want details about management and organizational structure. It is advisable to give evidence to those experiences that can mitigate the operating risk typical of each business. In addition, management information should include brief presentation of key managers and the owners, roles and responsibilities, vacant functions already to be assigned, management policy and decisional processes and board of directors composition. From the operative point of view investors appreciate information regarding ongoing research and development investments, the ownership of assets, building and land, job market and need of human resources, outsourced production, quality monitoring, internal process, cost structure and inventory management. Potential investors after having analyzed the firm internally and externally has to understand the quantity of the investment needed and the timing of it. In a more detailed way, the strategic plan must present a section where it is shown what part of funds required is asked to financial institutions and what part to equity investors. Investors need to know then what is the interest rate agreed with the banks and reimbursement plan and what is their ownership percentage and the possible exit strategy proposed by the firm<sup>21</sup>. Different investors have different aims and different expected rate of return in particular between private equity or venture capital and banks. Different investors have also different time horizons and this fact will affect long term plans of the firm<sup>22</sup>. Once the potential investor has assessed the team and the credibility of the business idea it will invest in the company equity and participate actively in the management of the firm, the degree of activism has to be agreed upon the deal closing.

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<sup>20</sup> D.M. DePamphilis, 2018, *Mergers, Acquisition and other restructuring activities*, 9<sup>th</sup> edition, Elsevier

<sup>21</sup> AIFI, Pwc, 2013, *Guida al Business plan*

<sup>22</sup> Deloitte & Touche, 2003, *Writing a business plan fourth edition*, Accelerator

## 1.4 Structure of Strategic Plan

There is no mandatory or binding structures for drawing up a strategic but a general accepted structure has been developed by Borsa Italiana, a segment of London Stock Exchange, which published in 2003 the guidelines for listing. The following scheme represents the minimum content a strategic plan must include, any added section for better explanation has to be justified.

### Executive summary

It represents the most synthetic part of the document but maybe the most relevant one since it is the opening of the strategic plan and has to capture the attention of the reader. Investors, customers or others interested in the company by reading the executive summary often give a primary valuation of the firm which can bring or not to continue and go deeper through the document<sup>23</sup>. Some general rules state that the executive summary should be written once all other sections are completed and it should be longer than 2 pages. This section must present in a clear and concise way the most relevant information about the company and the economic and financial results to be achieved. Executive summary can be conceived as a quick overview for those who are not looking for details or for a particular aspect of the business. The strategic plan is then condensed in the executive summary so it has to cover briefly all the points treated in the full plan. A possible structure of an executive summary could be:

**Company:** it must include business data as the date of incorporation and legal form, brief presentation of the vision and the mission of the company, goals and objective and the corporate values and strategy. This section should give a first picture of the firm.

**Product:** describing what the company sells, the elements of uniqueness distinguishing it from the competitors.

**Industry:** present the size of the market, its current situation and its possible development and the company's market share.

**Financials:** capital needs for developing the plan, historical financial information of the past three years if available, investment plan and earnings forecast in a 3-5 year time horizon, break-even point analysis<sup>24</sup>.

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<sup>23</sup> Borello A., 2009. *Il business plan, dalla valutazione dell'investimento alla misurazione dell'attività d'impresa*, McGraw-Hill Education.

<sup>24</sup> AIFI, PwC, 2013, *Guida al Business plan*



Management: introduction of the management team, brief presentation of past experience and skills.

To conclude a proper executive summary should demonstrate that the business has been fully planned and investigated, the value proposition makes sense, the business proposition entails a competitive advantage, a knowledge of the industry and target market, a positive commitment towards the business and a realistic representation of the risks within the business<sup>25</sup>.

### Business overview

As already mentioned in the executive summary section, the plan must give, above all, a broad picture of the company starting from the business data and the *raison d'être*. To go on with this section vision and mission statements are reported since they represent the cornerstones of the pursued strategy. The vision is made by inspiring sentences presenting the direction the company is following, where and what it wants to be in a specified time horizon. The mission is represented by statements focused on business' purpose, beliefs and reason for existing. It can comprise main objectives and goals defining the business priorities. It is becoming more and more important to report on the strategic plan also the corporate values of a firm since they help the reader to better understand the ideology of a firm independently from the competitive framework, industry or product cycle. After having introduced this perspective of the firm the next step is to clearly define what are the real goals and objectives to achieve. They are the directives for describing all the initiatives which take place in the corporate strategy. Presenting the business strategy is clearly the crucial section of the plan since it gives the opportunity to the reader to understand how the company will achieve the vision. Corporate strategy is the core of the plan since it involves the whole organization and embraces all the ambitions, resources, interconnections with the market and the world leading to final aim of creating a sustainable competitive advantage over competitors<sup>26</sup>. It is highly advisable to start with the presentation of the business model which is of greater impact if reported in the so-called business model canvas. Business model is made of 9 building blocks:

Customer segments: business model may determine small or large customer segments, it is crucial to identify them in order to organize activities and to serve customers in the best way.

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<sup>25</sup> Deloitte & Touche, 2003, *Writing a business plan fourth edition*, Accelerator

<sup>26</sup> International Federation of Accountants, Malaysian Institute of Accountants, 2006. *Business Planning Guide: Practical Application for SMEs*

Value proposition: it consists in a mix of product of services that match with the characteristics of a certain segment and represents the reason why customer chooses one company rather than another.

Channels: this block describes the means through which the company builds the relationship with customers and reach them.

Customer relationships: different customer segments require different kind of relationship with customers ranging from personal to automated.

Revenue streams: this block answers to the question for what value customers are willing to pay a certain price? Different revenue streams entail different pricing mechanisms.

Key resources: they represent those resources allowing the firm to sustain the value proposition, to serve markets and customer segments. They can be physical, financial, intellectual or human.

Key activities: these are the most relevant activities making the business work. As for the key resources they depend on the segment, market and relationship.

Key partnership: partnerships are fundamental for many reasons like getting an exclusive resource, building alliance, create joint ventures or developing new product/technology.

Cost structure: it describes all the costs incurred in a certain business model. All the other building blocks have cost attached to them. Some business models can be more cost driven than others<sup>27</sup>.

Once the business model is clarified, to continue with the representation of the strategy strategic planners need to describe the pursued strategy both at corporate and at SBU level. Strategic aims represent those statements made by management showing the size they are willing to reach and the expected positioning of the company in the competitive arena. They can be conceived also as a sequence of actions which is functional to offer the right product and service mix for creating value for shareholders. At corporate level it is crucial to explain the choices in terms of strategic business areas and strategic business units since management has to keep track of the value created by each SBU for deciding what actions undertake in terms of strategic business area. At SBU level strategic aims must introduce the positioning of the company along the value chain, make or buy decisions and the percentage of value left to suppliers, customers and distributors, business model, target customer, price strategy and current and prospective geographic area to operate. Competitive advantage has to be reported in this section by bringing

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<sup>27</sup> A. Osterwalder, Y. Pigneur, 2009, *Business model Generation*, Self-Published

details in particular regarding how the firm is able to create a difference between the value of products or services sold and costs greater than the competitors. For this reason a good indicator for the competitive advantage is given by ebitda. Competitive advantage derives also from the proper combination of skills and resources and from the key success factors composing the business model<sup>28</sup>.

#### Organizational and management structure

Strategic plans should describe how the organization of the company is structured in terms of duties and responsibilities. This section should include also the shortcomings of the organizational structure as lack of competence or skills or some vacant positions to be covered. Including these aspects communicates that a deep analysis of the organization has been conducted and that there is an awareness of management skills. Human resources issues are essential to fully execute the strategy successfully<sup>29</sup>. Organizational chart is a useful tool to the scope of helping the reader to identify how members of the management team are involved in the realization of company strategy. In details the organization chart is a diagram illustrating the communication patterns, operational processes, reported lines and the interdependencies among the roles. It is very useful to understand the control system within the firm, who has the authority and responsibility and who coordinates. The traditional organization chart is hierarchical reflecting a communication pattern flowing from the top management to the units and the further department down in the organization<sup>30</sup>. The planning document has to show the reader also the organization choices in terms of SBU and SBA. The former is a representation of internal divisions corporate structure while the latter is the external recognition of the strategic area for example from the industry perspective and deals with a determined combination of products, distribution, customers technology<sup>31</sup>. Organizational sustainability is an extremely relevant feature in the drawing up of the strategic plan. Setting the organizational structure of a company should look at some factors as the compatibility of the organization actions with strategy, the realizability of the plan according the available human resources, the organizational decisions have to be included in the forecasted data. Another element which is interesting in particular from the investor perspective is the link between management compensation and results. To conclude the sustainability comes with the consistency between

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<sup>28</sup> Borsa italiana, 2003 *Strategic Plan Guide*, [www.borsaitaliana.it](http://www.borsaitaliana.it)

<sup>29</sup> Deloitte & Touche, 2003, *Writing a business plan fourth edition*, Accelerator

<sup>30</sup> International Federation of Accountants, Malaysian Institute of Accountants, 2006. *Business Planning Guide: Practical Application for SMEs*

<sup>31</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore

the strategic aims and the organizational structure of the business including also operating and decision-making process and managerial responsibilities.

### Operational plan

This section initially focuses on the description of production activity where the main elements to be analyzed are processes, capacity, quality and know-how. Starting from the process analysis, the relevant features are the choices in terms of production layout and human resources by identifying who does what. This analysis is functional to the explanation of the different production phases, their timing and consequently the need of human resources for achieving the planned production according to the sales plan. In order to better plan the production a detailed analysis of the machineries is needed. It would be impossible to make any kind of forecast without knowing the maximum production capacity of the firm. There are clearly other elements to investigate on for determining the maximum capacity as machineries are not the only factors affecting it, but also ability of the workers, technical skills and productivity matter. To continue quality and know-how represent features, as aforementioned, that impact on production. Quality monitoring is bound to the intrinsic quality of raw materials and industrial technology and represents an activity which could make time of production longer. Know-how represents those distinctive competencies that make sure products are served in a way that customers get both economic and qualitative benefits. Patents or intellectual must be reported in this section in particular if linked to production processes. To conclude the production description, strategic plan must provide information related to the logistics both inbound and outbound. The most relevant elements relate to the choice of dealing with distribution through own resources or by delegating to a third party and the same considerations have to be done about the warehouse<sup>32</sup>.

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<sup>32</sup> Borello A., 2009. *Il business plan, dalla valutazione dell'investimento alla misurazione dell'attività d'impresa*, McGraw-Hill Education.

## Industry Analysis

The goal of this section is to explain the reasons why products and services will give the company a sustainable competitive advantage in the related industry. Main questions to answer in the market are related to the dimension of the industry in term of revenues or volumes, the entry barriers and industry growth, macroeconomic changes affecting the industry, the role of innovation and technology, the influence of regulatory and political changes and identification of main customers, suppliers and substitutive products<sup>33</sup>. Frameworks are extremely helpful to reach the highest degree of precision and be attractive for the reader. SWOT analysis is a general framework allowing to show both internal and external factors affecting the environment of the organization. Strengths and Weaknesses pertain to the internal analysis of the company while Opportunities and Threats are related to the external environments. SWOT analysis is enhanced and brings a more exhaustive picture of the current status of the company if compared with the same analysis of the competitors. A strength is a resource or capability which can be functional in building competitive advantage. A weakness is defined as a lack of strength which has to be worked out. An opportunity comes from an external analysis and it is a chance to gain profits, growth or market share. A threat may come from an increasing competitiveness, new technology or other changes in the external environment<sup>34</sup>. The most important representative framework is then represented by the one proposed by Micheal Porter with the 5 forces driving the competitiveness within an industry. The objective of the Porter five forces, which namely are bargaining power of suppliers and buyers, barriers to entry, threat of substitution and industry rivalry, is to deeply analyze how the company should develop its strategy in order to exploit potential opportunities coming from the environment but at the same time to protect itself from threats and competition<sup>35</sup>.

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<sup>33</sup> AIFI, Pwc, 2013, *Guida al Business plan*

<sup>34</sup> Johnson G., Whittington R., Scholes K., Angwin D., Regnèr P., 2006, Financial Times Prentice Hall

<sup>35</sup> Porter M. 2008. *The Five Competitive Forces That Shape Strategy*, Harvard Business Review.

## Product-Services Analysis

This part of the strategic provides a detailed description of the current products and services of the company and their future development. It has to be specified whether products or services are ready to be on the market or their time to market, the time needed to be launched. The focus must be on the distinguishing characteristics of products from competitors, the indication of the presence of patents, strengths and weaknesses compared to other players and possible threats due to competition or obsolescence. To continue with this section the production and selling mix for each product or service have to be introduced by highlighting also prices, costs, margins and the composition of target customers. To conclude this part in a detailed way, it is very useful to include an analysis of the market trend of the products portfolio in order to catch also possible changes and opportunities. Following this analysis eventual innovations on existing products should be introduced, in particular by illustrating the degree of change in terms of strategic positioning they would bring<sup>36</sup>. As in the previous section, presenting analysis by using frameworks is more effective and it allows to speak more directly to the reader. For the product portfolio analysis the representation given by the Boston Consulting Group matrix. The two major drivers of product portfolio analysis are relative market share and market growth rate for each product or service line. The BCG matrix represents the simplest portfolio planning tool for determining the balance within the products<sup>37</sup>. Product's life cycle and position in the market are highlighted by placing each product in 4 different quadrants within a graph based on the two axes market share, horizontal axe and market growth, vertical axe. The four BCG matrix quadrants are:

Cash cow: this quadrant is placed on bottom left in the matrix and represents a business unit in phase defined by large market share but a slowly growing industry. Cash cows are in the so-called mature phase where it is advisable to use the generated cash for investing in other businesses.

Star: its position is top left in the matrix so the combination is given by a large market share in fast growing industry leading to a situation where the business unit generates cash but needs capital for keeping up with the expansion.

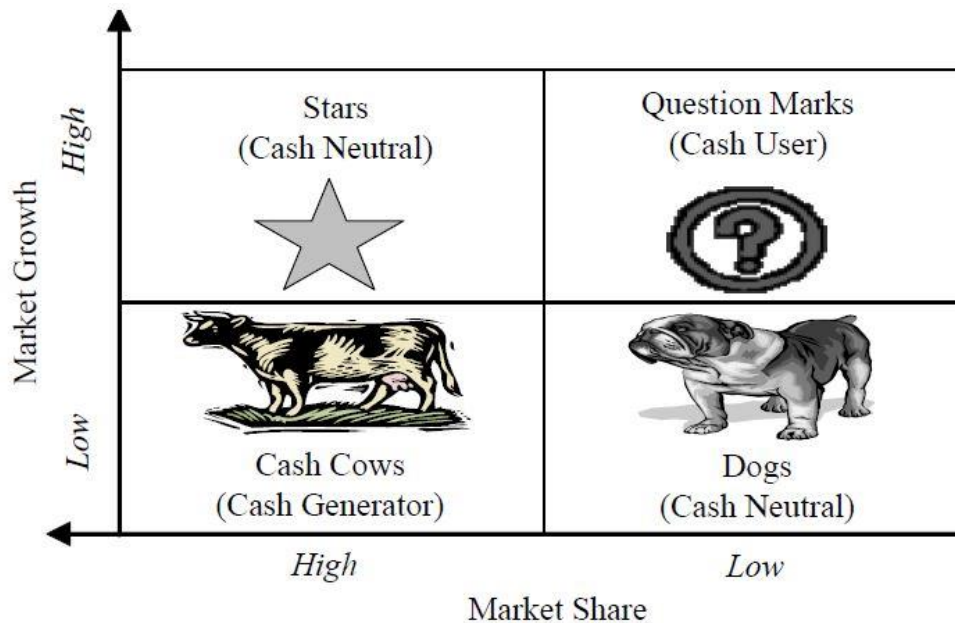
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<sup>36</sup> AIFI, Pwc, 2013, *Guida al Business plan*

<sup>37</sup> Mohajan H.K.,2017, *An analysis on BCG growth sharing matrix*, Noble International Journal of Business and Management Research, vol. 2, Issue 1. pp. 1-6.

Question mark: on the right of the matrix this represents a business unit presenting a slow market share in a fast-growing industry so they need investment to enhance their market share and moving the star quadrant.

Dogs: this business unit, on the bottom right, is in the slowly growing industry and has gained a small market share so unless any strategic initiatives this unit has to be liquidated<sup>38</sup>.



*From International Federation of Accountants, Malaysian Institute of Accountants, 2006. Business Planning Guide: Practical Application for SMEs*

The BCG matrix is a useful framework for allocating different resources to business units and comparing performances of each line of product. Moreover this instrument provides an effective picture of the strategic balance of the company's business areas.

<sup>38</sup> International Federation of Accountants, Malaysian Institute of Accountants, 2006. *Business Planning Guide: Practical Application for SMEs*

## Market Analysis

Market analysis, to be exhaustive, must answer at least to questions related to target market and specific customers, the size of the market, market segmentation, market trends and market cycles, competitors, customers purchase path, distribution channels and margins among segments. To begin with target market is the market the company wants to serve and having a detailed idea of what are the main characteristics of it represents one of the cornerstones of this section. The distinctive elements of target market include information about the potential buyers as their needs, demographic and geographic features, current and expected trends. Market size is another measure that must be taken into account as it shows the number of individuals making up the market and the company wants to reach. Some key figures which are relevant in this sense are the number of products target customers purchased in a year, seasonal or cyclical trends and geographic location<sup>39</sup>. Next important step for conducting a satisfying market analysis is embodied by the market segmentation. This means a deep investigation of the market identifying groups of customers with similar characteristics and which react in a different way to competitive strategies. Market segmentation results in an extremely relevant activity as it may find that some segments are more profitable than others, some segments have more tight competition than others or some segments show higher growth rate and development opportunities<sup>40</sup>. Market positioning means describing how products and services of a company are perceived thought by customers related to the competitors. To this purpose the positioning map comes as a really helpful framework in order to have a clear picture of the company positioning. This map is made up by two variables which can vary according to the market and they have to be chosen carefully looking in particular at the correlation degree between them. The outcome of the map is the discover of groups of enterprises with the same strategy combination and the consequently expectations on possible movements in the map<sup>41</sup>. To conclude the market analysis it is crucial to conduct a proper competitor analysis. Managers, nowadays, in such a competitive environment make no more decisions in terms of absolute value of their product but by comparing competitors' product offering with the one of their own company<sup>42</sup>. Competitor analysis is not only about identifying competitors' products and the segments they serve but it is advisable to identify also their strengths and weaknesses in order

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<sup>39</sup> Deloitte & Touche, 2003, *Writing a business plan fourth edition*, Accelerator

<sup>40</sup> International Federation of Accountants, Malaysian Institute of Accountants, 2006. *Business Planning Guide: Practical Application for SMEs*

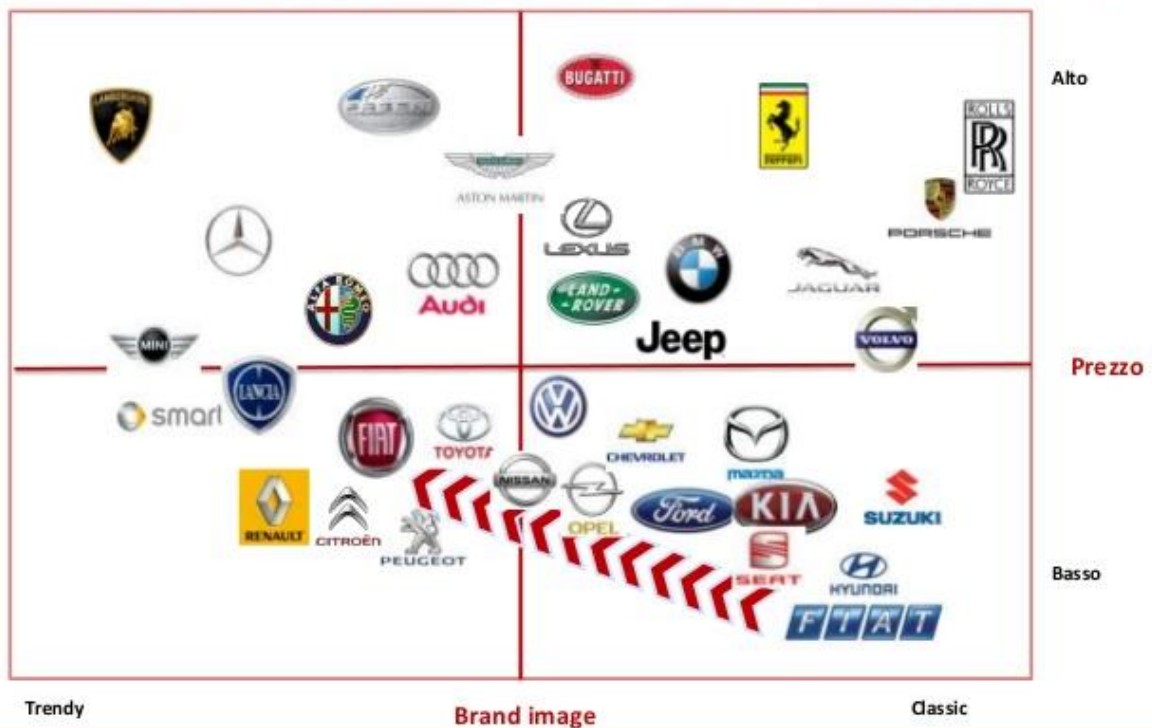
<sup>41</sup> Borello A., 2009. *Il business plan, dalla valutazione dell'investimento alla misurazione dell'attività d'impresa*, McGraw-Hill Education.

<sup>42</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore



to catch opportunities to take advantage on them. As competition is something that makes the readers concerned, identification of the competitors and definition of the actions to counterbalance this risk are necessary to be credible with respect to the audience. Other information that must be included in the competitor analysis are their market share, in what ways they are superior or inferior in term of business, how they are expanding and similarities in operations<sup>43</sup>.

## MAPPA DI POSIZIONAMENTO (SETTORE AUTOMOTIVE)



Fonte: Ing. Renato Giacobbo Scavo, professore di competitive analysis presso l'Università degli studi di Bari Aldo Moro, aggiornata con informazioni raccolte da dati primari tramite insight.

LUISS Guido Carli

<sup>43</sup> International Federation of Accountants, Malaysian Institute of Accountants, 2006. *Business Planning Guide: Practical Application for SMEs*

## Marketing Plan

This section deals with concrete implementation of a sales plan which means matching the long-term strategic aims, presented in the previous sections, with those current objectives which will lead the company in the following years. A solid marketing plan needs all the information provided in the section above as demand, market and competitors analysis since the plan must be updated according to the external environment<sup>44</sup>. First step for the drawing up of the marketing plan aims is to link the corporate objectives to an operative sales plan showing consistency between the marketing levers and the objectives. Second step is given by a detailed description of the human resources needed for the sales and the incentives system based on the results. Third step is to provide parameters as standard in order to quantify the deviations and eventually redefine objectives and strategies. Once the objectives are clarified, the next task needed is the framework of the marketing levers. To this purpose there is a proper framework which summarizes 4 marketing levers or the so-called marketing mix of the 4P:

**Product:** it does not include just the production output but the whole offer attached to the product comprising post sale services or customer care activities. In the description of the product the focus must be on its functionality, quality and the satisfaction of customer needs or latent needs.

**Price:** pricing is one of the toughest activity for managers since there are many variable to take into account and the choice has to be done after a deep analysis. This element of marketing mix has to be treated in a unique way since it affects substantially the whole performance of the firm. Pricing choices influences above all the profitability, the position in the marketplace, the demand depending on its elasticity and the customer thought of the products and services<sup>45</sup>. Since this is an extremely relevant decision it may come helpful a framework for having a complete for better setting prices. This framework, called 3 Cs, focuses its attention on internal and external factors for determining prices. Internal factors deal with cost structure, production plan and time horizon for covering marketing expenses. External factors are, on the other hand, customer perceived benefits, willingness to pay, net sacrifice and benchmarking price against market and competitors. 3 Cs framework summarizes the aspects just mentioned by saying that prices have to be set considering factors deriving from Customers, Costs and Competitors<sup>46</sup>.

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<sup>44</sup> Kotler P., Keller K.L., 2016, *Marketing Management Global Edition* 15e. Harlow, Essex: Pearson,

<sup>45</sup> International Federation of Accountants, Malaysian Institute of Accountants, 2006. *Business Planning Guide: Practical Application for SMEs*

<sup>46</sup> Boesso G., Pastega L., 2018, *Strategic and Business Planning, Methods for effective financial forecasting*, Wolters Kluwer, Milano

Promotion: this area of marketing mix entails those actions related to the communication strategy which have as final goal to influence the purchasing decisions of customers for increasing revenues. The choice of the right mix of promotion tools depends on the characteristics of the served customers. An important distinction to be done is between direct and indirect advertising. Direct advertising means a type of promotion based on the company or its product, an example could be an interview to the company CEO published by famous journal. The main advantage of direct communication is its focalization on a specific target and this could lead to higher revenues than other mass communication media. On the other hand, indirect communication include the company or the product not at the center of the promotion but through an external event that may be a concert or product placement in a video or tv show<sup>47</sup>. Nowadays to win the actual challenges of the digital economy it is necessary to implement a new approach which is called marketing 4.0. This approach is a combination of online and offline relationships between companies and customers, it mixes style with substance. In a more and more digitalized world the touch of offline is the key to influence and lead customers to become advocates for the companies<sup>48</sup>.

Place: last section of the 4P framework deals with the distribution channels, which were already mentioned talking about the building blocks of the business model (1.4), sales channels and intensity for the commercial action. The choice in terms of distribution channels regards direct selling through retail stores or big distributors or department and it depends on the relationship with the final customer. Sales channels decisions are about having an internal resource for the salesforce or choosing to hire external sales agents for dealing with the selling process. The intensity of the commercial actions has to be weighted with respect to the returns coming from each sales channel or distribution channels. The choices in terms of distribution must coherent with the whole marketing plan and the image of the company as well. After having drawn up the marketing plan it is possible to structure the sales plan which is the most important part in order to perform the financial forecasts. Sales plan can be set up on the basis of historical information, industry trend, market factors or management estimations and opinions. Planning sales from historical results needs the use of mathematical and statistical tools to forecast future scenarios based on the demand trend. It is crucial to consider fundamental trends that allow to measure revenues growth in the long run. These trends usually are economic cyclicity, alternance of expansion and recession periods, and seasonality, the influence of the season on

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<sup>47</sup> Borello A., 2009. *Il business plan, dalla valutazione dell'investimento alla misurazione dell'attività d'impresa*, McGraw-Hill Education.

<sup>48</sup> Kotler, Philip, et al., 2016, *Marketing 4. 0 : From Products to Customers to the Human Spirit*, John Wiley & Sons, Incorporated., ProQuest Ebook Central,

the sales is the most relevant factor in the short run. The industry trend technique bases its forecast on the growth rate coming from the belonging industry. The hypothesis is that the company will perform a revenues growth in line with the one registered by the other firms in the industry without losing or gaining market share. The third approach links the sales trend to one or more market factors which are strongly correlated with the revenues. Market factors are statistical data which can indirectly build the basis for the sales forecasting even though they do not belong to exactly the same market. An example could be a motorbike helmet producer bases its forecast on data coming from the motorbikes as the number of units sold in the last year. The last approach is uniquely based on personal estimates of industry specialists or by managers working in different levels in the company. Data are then collected through group interviews which give as outcome shared and discussed estimates. On the other hand, there could be some pressures by the group which can focus their opinions on the same direction influencing others' thoughts. Next step is to represent the results coming from the analysis and the chosen approach for the sales planning. It may be useful to represent the sales forecasts divided by products or by strategic business area or again by distribution channels or customers<sup>49</sup>. Another variable to take into account in the sales plan representation is the time. It is very effective, for example, to present sales data divided per month. This division may result functional to many other analysis as break-even point or cash budget.

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<sup>49</sup> Borello A., 2009. *Il business plan, dalla valutazione dell'investimento alla misurazione dell'attività d'impresa*, McGraw-Hill Education.

## Financial position and projections

This section represents, for some readers, the most important part of a strategic plan since it could be the only one they will read. The document must include a credible and complete picture of the economic and financial situation of the company, fully coherent with the strategy and the future perspective of the business. Actual and historical balance sheet, income statement and cash flow statement are just the basis of this section since many other non-accounting information are needed. As a matter of fact, also reclassified financial statements of the previous years, usually 3 years, are included in order to have partial results that are useful for forecasting. Moreover, economics and financial projections, developed on the basis of the hypothesis in the strategy, give the possibility to verify results and implement eventually a restart of the process. They contribute to an adequate deepening on management strategic intuitions, to evaluate alternative actions to be undertaken and to effectively control projects progresses. The shortcoming regarding financial projections deals surely with the uncertainty. This downside sometimes makes managers reluctant to include them in the strategic plan by limiting it to the qualitative aspects. Combining precise formulas and unfunded assumptions anyone can get number he wants<sup>50</sup>. A counterbalance instrument for the uncertainty of forecasts can be found in the “what if” approach which is typical of planning document and also many other documents involving financial projections. Technically this approach is conducted through a sensitivity analysis which shows how expected results change by modifying a variable of a certain percentage. Sensitivity analysis then give the possibility to discover what are the most relevant variables affecting financial results. The uncertainty feature of this section requires a higher degree of periodical review than the qualitative part. Before describing the representation of financial information, the time period to consider is crucial for many reasons. The time horizon must be chosen in relation to different aspects coming from the competitive arena, product life cycle, volatility in customers preference, technology changes, time needed for implementing new investments or drastic revolutions in the business model. In addition, for the great majority of industries financial projections must include also documents reporting the situation on monthly or semiannual basis because of seasonality or just for the necessity of short period information. As aforementioned the most common and recommended time frame to use is between three to five years for developing an effective strategic plan<sup>51</sup>.

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<sup>50</sup> Graham B., 1973, *The Intelligent Investor*, 4th rev. ed. (New York: Harper and Row, 1973), pp. 315-316.

<sup>51</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore

This section, before presenting the numerical schemes, must explain in detail what are the assumptions on which numbers are based. Assumptions are formulated taking into account of different kinds of variables coming both from inside and outside the firm. Examples of exogenous variable can be the expected inflation or other macroeconomics variables while examples of endogenous variables are future machineries capacity or estimated human resources needed for the production. Assumptions represent one of the most relevant elements in the requisites of a strategic as it will be explained later on. It is crucial then to highlight the level of importance of each assumption in the determination of the financial forecasts. The parameter for estimating the importance of a variable is given by the impact of a minimum change in the variable on final performance. The planner needs also to make sure that another extremely relevant criteria is respected: the conservatism. The development of forecasts must involve conservative estimation criteria for avoiding revenues overestimates or cost underestimates. The conservatism, to conclude, is useful in order to not base the business on financial data which will not be met in the future.<sup>52</sup> Building up economic-financial schemes means elaborating three types of provisional documents: income statement, balance sheet and expected cash flow for the duration of the plan.

Income statement is that document showing revenues, expenses and profits for a fiscal year. It represents a summary of the business focusing on whether the business is profitable or not. It is advisable to report the income statement in the strategic plan in a reclassified format to give a better picture of revenues and costs deriving from different areas. This reclassification allows to highlight partial results of the core business, non-operating items, financial area, extraordinary, fiscal and own funds<sup>53</sup>. The distinction in the presentation of the income statement is very helpful to catch the soundness of a business and more importantly for valuation purposes as it will be showed below. The second step is to compare actual data with the forecasts for the period of the plan by giving evidence of the variances among the different years. Forecasts of revenues are based on the previous sales plan while usually cost items like cost of good sold, marketing expenses and general and administrative expenses are projected as percentage of revenues on the basis of the production plan<sup>54</sup>.

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<sup>52</sup> Borello A., 2009. *Il business plan, dalla valutazione dell'investimento alla misurazione dell'attività d'impresa*, McGraw-Hill Education.

<sup>53</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore

<sup>54</sup> Deloitte & Touche, 2003, *Writing a business plan fourth edition*, Accelerator

Balance sheet is, on the other hand, that document showing the business net worth through all the financial data of the company which can be summarized in three categories: assets, liabilities and equity. As for the income statement reclassified balance sheet is much clearer and more representative since it gives evidence of the core business investments and liabilities and the non-operating ones. The outstanding partial results are extremely useful both for valuation and cash flow purposes<sup>55</sup>. The base for the projections of balance sheet items is the investment plan first and financing plan. The latter is the result of a series of tough decisions regarding the best mix of equity and debt financing according to the different business life cycle. The forecasted balance sheet should demonstrate how the management will deal with cash, working capital and capital expenditure especially if the plan is targeted to potential investors<sup>56</sup>. Cash flow statement is the third document to be included in a financial section of a strategic plan. Building up the cash flow statement allows the management to know in advance when financing will be necessary or, on the other hand, when there will be cash surplus and so planning short term investments. Planning the expected cash flows is extremely relevant in particular from the lenders perspective since they need to know if the business will be able to generate enough cash to pay back the loans. As already mentioned for the sales plan, it results very useful to the planning purposes to present at least for the first year of the plan the expected cash flow situation on a monthly basis. Monthly cash budget is needed in particular to identify the peaks of liquidity shortages which have to be covered.

Developing financial forecasts for a period allows the management to set financial goals which must be aligned to the corporate strategy. The translation of strategy into financial measures gives management a strong tool since it highlights where and when the company may need additional resources and what business areas need to strive to meet the budget targets<sup>57</sup>. Financial goals are normally set through parameters that may derive from the three documents above like revenues or ebitda but they are often expressed as financial ratios. They are financial indicators which are helpful to understand whether the company is going in the right direction or not. They are grouped in different categories showing different aspects of companies' performance. Profitability ratios are used to compute the degree of firms' profitability, the most common one is ebitda margin given by ebitda/ net revenues. Operational efficiency ratios are useful to verify the quality of management performance, an example of operational efficiency ratio is given by return on assets made by operating income/total assets. Liquidity ratios deal

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<sup>55</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore

<sup>56</sup> Deloitte & Touche, 2003, *Writing a business plan fourth edition*, Accelerator

<sup>57</sup> International Federation of Accountants, Malaysian Institute of Accountants, 2006. *Business Planning Guide: Practical Application for SMEs*

with the ability of the firm of meeting short term debts, the most utilized is the ratio built by current assets/current liabilities. Last category is also the most relevant one since they are the funding ratios showing the financial structure of the company and they are often used as target in strategic plans. They are also known as leverage ratios and the most important is made by non-current debts/total equity<sup>58</sup>.

Companies who are looking for financial backing are required to include in the financial section the funding request. Financial needs resulting from the plan will be the “quantum” to be required to potential investor. If the plan is drawn up in a proper way the investor will have a detailed picture of how and when the company intends to use its money. In the funding request it is advisable to summarize the allocation of the investments in order to facilitate the reading to the investor. Next step is to determine how the ownership and financial structure of the company will be after having estimated the equity value<sup>59</sup> resulting from the projections and a proper standard or tailor-made valuation method<sup>60</sup>. The percentage of equity investors will own is given the amount of money requested divided by the equity value of the company. It could be relevant in order to get money from investors also to include in the section the role they will play in the company once they become the owners and also and more importantly an exit plan matched with their time horizon for the investment<sup>61</sup>.

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<sup>58</sup> International Federation of Accountants, Malaysian Institute of Accountants, 2006. *Business Planning Guide: Practical Application for SMEs*

<sup>59</sup> It is not in the purpose of this work to provide details on accounting and valuation techniques.

<sup>60</sup> Penman S.H., 2013, *Financial statement analysis and security valuation, Fifth Edition*, Published by McGraw-Hill, a business unit of The McGraw-Hill Companies, Inc.

<sup>61</sup> Deloitte & Touche, 2003, *Writing a business plan fourth edition*, Accelerator



## 1.5 Requisites of a Strategic Plan

Strategic plans, once they are structured in the form proposed earlier in this chapter, need to be checked through a due diligence activity looking especially at determined requisites. The starting point as already mentioned is given by the assumptions which are the essence for drawing up a credible and realistic plan. Credible and reliable assumptions are not a synonym of a successful plan. Planning activity is based on assumptions so they must be as much precise as possible and entail conservative features together with the consideration of different scenarios<sup>62</sup>. Borsa Italiana guidelines suggest three main areas to analyze to perform the due diligence of strategic plans: financial sustainability, consistency and reliability.

### Financial sustainability

This requisite deals with the exact estimation of future cash flows and the coverage of the planned investments with proper sources of financing. It is crucial to check the financial dynamics coming in support to strategic objectives presented in the plan. To this purpose expected cash flows from operation become more meaningful if compared to the planned outflows in particular regarding the working capital requirements related to the sales plan. Planned investments described in operational plan pertaining to different areas as marketing, technology or human resources need to be matched with proper sources of funding and timing of cash flows. A particular importance is attributed to the link between types of funding and uses in the due diligence activity as a balance between them has to be checked. Companies rely on different types of financing and often they are more into one source than another. This imbalance brings the reader to check different elements in the strategic plan, in the case of a company relying a lot on banks, creditworthiness' possible changes<sup>63</sup> then acquire more relevance than in companies relying on stock market. Last element to be checked regards those transactions occurring within the same group, the impact of the investments in the associated companies on the financial situation<sup>64</sup>.

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<sup>62</sup> Borello A., 2009. *Il business plan, dalla valutazione dell'investimento alla misurazione dell'attività d'impresa*, McGraw-Hill Education.

<sup>63</sup> Resti A., Sironi A., *Risk Management and shareholders' value in banking, From measurement models to capital allocation prices*, Wiley Finance, John Wiley & Sons Ltd.

<sup>64</sup> Borsa italiana, 2003 *Strategic Plan Guide*, [www.borsaitaliana.it](http://www.borsaitaliana.it)

## Consistency

The consistency requisite is part of a strategic plan due diligence since it deals with the alignment of different element of the plan and the realizability of the actions. Internal consistency within the strategic plan means the alignment of all the sections in order to support the business model. Most common issues arise from the action plan, it is usual that it goes beyond strategic aims or it is not in line with the corporate goals. Another point to be checked which is essential for valuation purpose is the consistency between the action plan and the forecasted data. Action plans showing huge increase in sales or penetration in some markets without including coherent marketing or selling expenses are not credible to the eye of the reader. Last element dealing with internal consistency is the evolution of the economics and financial setting of the firm. As a matter of fact, a huge positive change in revenues without substantial industry transitions or improvement in economics factors is not credible in particular if it is not in line with the historical data of the firm<sup>65</sup>. Action plans show another issue related to consistency which is the realizability. The focus is on the compatibility of the actions with respect to the available resources in the company, the timetable and other conditions or eventual restrictions that may be in place. Action plans which are commonly considered hardly realizable are those presenting some of the characteristics already mentioned above. Those plans showing huge improvements in sales or dramatic change in financial structure can be considered credible only if supported by historical data or management expertise. Actions which are based on resources not available should be excluded from the plan since they cannot be achieved within a time horizon of a few years. Only few industries presenting fast competitive cycles can plan shorter time for collecting and form resources. Last element of action plans which brings doubts on realizability is the entrance in a new market or new sectors. The factors that increase the difficulty of realizability are the need of highly specialized resources and competencies for achieving the goal and the realizability in a short time. To conclude, those strategic plans including penetration in new market or sectors should prove they have the skills to manage the process in a certain period of time. The credibility is clearly enhanced if in the management team there are experienced managers that can deal with these goals<sup>66</sup>.

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<sup>65</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore

<sup>66</sup> Borsa italiana, 2003 *Strategic Plan Guide*, [www.borsaitaliana.it](http://www.borsaitaliana.it)

## Reliability

Reliability requisite should be investigated looking at three main elements in a strategic plan: competitive context, historical results and visibility.

The first one compares strategic plans contents with those belonging to the same competitive arena in terms of credibility. A critical situation could be represented by an overestimation of market demand in performing sales planning due to an incorrect identification of the company competitive environment. Mistakes occur because firms do not limit their reference market in a proper way, in other words by considering product, channel, customer and geographic area. Other possible shortcomings may regard strategies pursuing the launch of new products which are not in line with customer needs or not supported by appropriate market research or for increasing market share without having conducted a proper competitors analysis forecasting their reactions. As for the sales planning companies may make mistakes in considering suppliers bargaining power which may lead to a wrong estimates of supply prices or extension in payments impacting both profit and cash flow forecasts<sup>67</sup>.

The second dimension pertains to the comparability with the historical results. The historical financial data of a company should be the basis for projecting future aims and the consequent performance. What the company has achieved in the past in terms of financial results influences substantially the reliability of a strategic plan so that relevant deviations become hard to be justified.

The third dimension to look at for the reliability requisite is the visibility. Visibility means the probability that revenues and profit forecasts have to be actually realized. A higher visibility is clearly associated to plans which base their forecasts on existing customer, on orders already in portfolio or on contracts negotiations in advanced status. Ambitious plans pursuing internationalization strategies or new market entrance could have a good visibility only if the company has already implemented actions and strategic moves in this direction.

The check of strategic plan results and of the assumptions that generated them represents an extremely necessary activity since the whole forecasting process is a complex task. It is quite common that the first draft leads to poor result and many reviews of the projections are needed. This activity represents also a management learning process for all the people involved<sup>68</sup>.

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<sup>67</sup> Borsa italiana, 2003 *Strategic Plan Guide*, [www.borsaitaliana.it](http://www.borsaitaliana.it)

<sup>68</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore

## 1.6 Conclusion

This chapter's purpose was to give a brief review of the literature supporting the relevance of the strategic plan instrument. The first section was dedicated to the description of the three main areas where strategic planning is a crucial activity. Management, above all, benefits from the planning as it gives a sense of direction and provides an opportunity of learning to different lines. Strategic plan's most important feature is represented by the setting of targets giving the possibility to perform controlling activity on the performance both at corporate and strategic business unit level. The third area is related to the selling feature of strategic plans since most of the times they are instruments to communicate to potential investors the need of funds, so they need to be as much attractive as possible and tailored according to the types of investors. This chapter then analyzed the common structure of strategic plans looking especially to the directives proposed by Borsa Italiana. It was given a particular focus on the use of frameworks in the different sections composing strategic plans since they will be objects of research in the following chapters of this paper. Last paragraph of this chapter dealt with the requisites to look for in a strategic plan when performing a due diligence. These requisites are the cornerstones for assessing whether a plan can result credible or not to the eye of the readers. Due diligence areas suggested by Borsa Italiana are financial sustainability, consistency and reliability. This way of analyzing strategic plans allows to look at them with a more skeptical and critic eye and to compare different plans on the same variables.

## 2 Research Method

### Introduction

This chapter presents the details of the research in particular by focusing on the description of the industry and the elements to look for in the later analysis. The research is meant to be a comparative analysis of strategic plans which have been drawn up by companies of the same sector. The analysis will be focused on the distinctive characteristics of strategic planning that have been presented in chapter 1. As already mentioned, the use of proper frameworks for representing strategies and environment will be stressed in the analysis together with the quality of the financial information. The comparison among strategic plans will be conducted looking at the requisites and the structure explained in the first chapter in order to have a benchmark. The final objective is to find which strategic plans are the most precise in following the literature and the guidelines.

Strategic plans, as deeply explained above, represent an extremely time-consuming activity and for this reason companies and managers are not likely to fully publish on their website but they prefer to limit them for internal use or just for investors. In Italian framework there are two main industries which are used to publish their strategic plans: banking and infrastructure. The reasons behind this disclosure policy could be found in the breadth of their businesses. Public constructions, transports, power and banking are subjects that attract an audience which goes far beyond companies' investors, customers or suppliers. The choice for this research is to analyze the strategic plans of 6 big players in the infrastructure industry. The research was set from the very beginning on the analysis of industrial companies, moreover banking industry comprises some features pertaining to regulation and financial information which are peculiar and usually has a unique plan structure so it would not have been consistent with the whole paper. The following sections of this chapter will focus on a brief analysis of the infrastructure industry and an introduction to the further analysis.

## 2.1 Infrastructure Industry

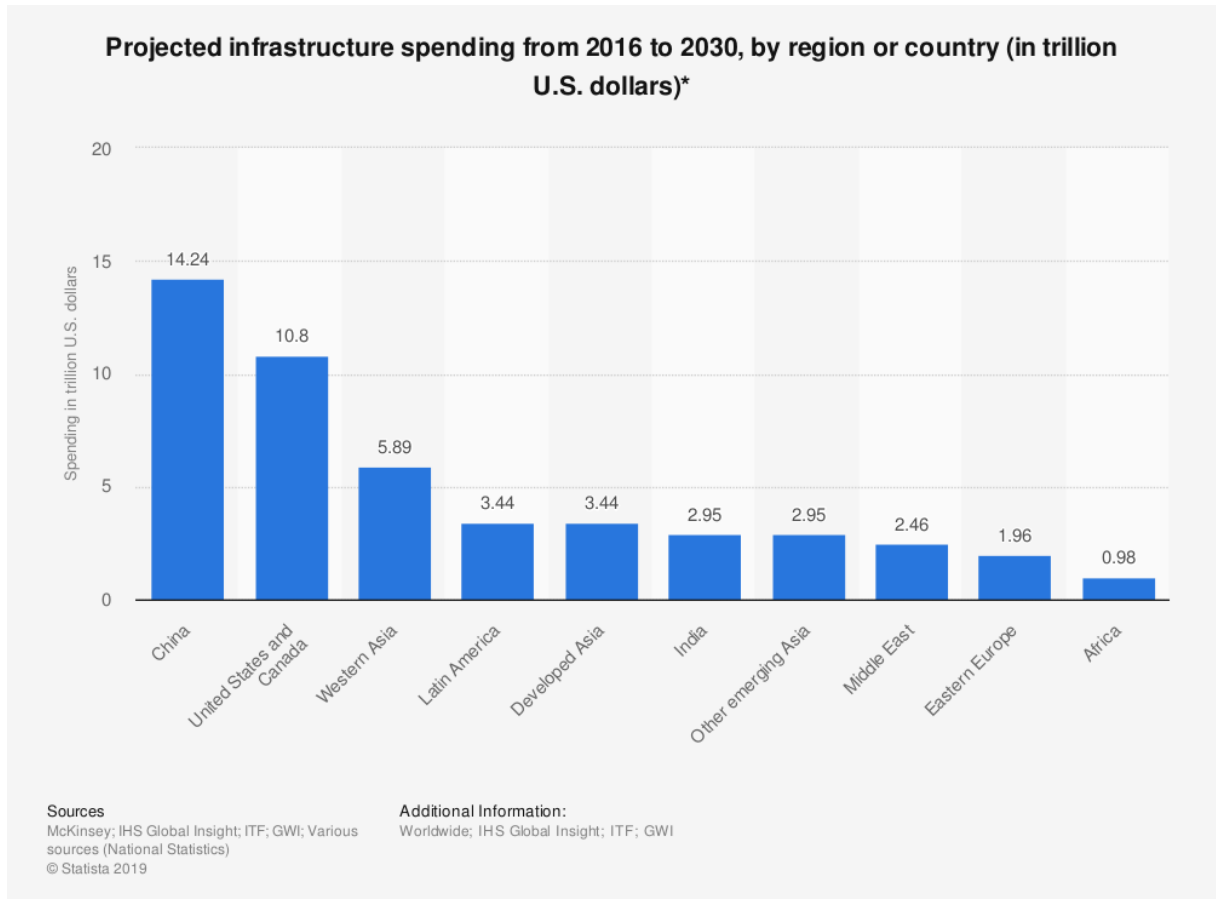
Infrastructures in advanced economies are used as growth flags and for confronting nations around the world. They deal with the basic needs of human beings as access to water and sanitation, electricity and all-weather roads<sup>69</sup>. Infrastructure investments as just mentioned include then transport (road, rails ports and airports), water, power and telecommunication. Governments of developing countries allocate a large portion of national income to the development of infrastructures to keep up with the rapid growth and support economic and social development. Transport, telecommunication, energy and water systems are crucial components for today communities as they connect people improving the quality of individuals life and businesses operations as well. There is no evidence of the full impact of infrastructure investment on GDP but most studies have revealed a positive correlation. It is relevant to have a picture of infrastructure investments size in order to better understand this industry. From a global perspective the annual average investment reaches an amount of US\$2.7 trillion, a figure which is equal to 4% of global GDP. The demand for utilities and transport is expected to increase a lot in the next 10 years leading to projected investments need of 57 trillion between now and 2030. The assumptions behind this figure are driven by an expected increase of energy consumption of 48% in the next 20 years and mobile and fixed data traffic has registered a 45% growth rate in the last 5 years and it will continue at this pace especially for the developing countries. This increased demand, as already distinguished, is due to different factors for developing and developed countries. For developing countries, which represent the great part of the demand surge, the main causes are increasing urbanization, industrialization and population growth. In the next 30 years urbanization in Asia is expected to grow by 33% while population in Africa will be doubled. In developed economies factors are related to the optimization of legacy infrastructure. There are a lot of bridges or railways in the US and in Germany which are 50 to 100 years old and need to be renovate to continue in their operations. Moreover, developed economies need utilities and transport investments in order to be aligned with market changes and requirements<sup>70</sup>. As this research scope is the analysis of strategic plans belonging to infrastructure firms, it is relevant to see the forecasts of the spending in this sector for the next ten years. The following graph shows the distribution by country or region of the investment till 2030. The distribution reflects the actual rankings of the leading world economies. China is positioned in the first place with a forecast showing investments for the

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<sup>69</sup> McKinsey Global Institute, 2013, *Infrastructure productivity: How to save \$1 trillion a year*, McKinsey Infrastructure Practice

<sup>70</sup> R. Nahas, J. Youssef, 2017, *Bridging the infrastructure gap: engaging the private sector in critical national development benefits, risks and key success factors*, Oliver Wyman

14% of the total. Second place is occupied by the US, 10% of total, confirming their completed reaction to the crisis and their economy current good moment. Third and fourth places are respectively assigned to western Asia and Latin America which, as aforementioned, represent the developing countries that lead infrastructure growth. The graph then shows that almost 60% of the total investments between 2016 and 2030 are made in emerging economies.



Source: <https://www.statista.com>

To conclude the global perspective, it is really helpful also for the following analysis having a representation of the leading global players in this industry. Next graph illustrates the top 20 companies in infrastructure sector ranked by revenues and highlighting other indicators as number of employees and the international standard industrial classification code. The ranking reflects quite perfectly what the previous graph has showed on distribution. As a matter of fact, the two largest company for revenue are Chinese and belong respectively to the power and construction industries according to their ISIC codes. Third position is covered by the huge American electricity player General electric and the fourth place is attributed to the Japanese wired telecommunication giant Nippon Telegraph and Telephon Corp. The toplist then includes some European important groups as the german Siemens AG, the Italian Enel S.p.a. and the

French Engie S.A. respectively belonging to the manufacture of machinery and equipment and power industries.

-	Company Name	ISIC code	Country	N. of Employees	Revenues US\$
1	State Grid Corp	3510	CHN	921.964	315.768
2	China State Construction Engineering Corp Ltd	7110	CHN	241.474	144.688
3	General Electric Co	2710	USA	295.000	123.693
4	Nippon Telegraph And Telephone Corp	6110	JPN	241.450	96.107
5	China Railway Group Ltd	4210	CHN	283.511	95.405
6	China Railway Construction Co Ltd	4210	CHN	259.460	94.873
7	Siemens AG	2811	DEU	351.000	88.412
8	Robert Bosch GmbH	2930	DEU	12.900	80.925
9	Electricite De France SA	3510	FRA	154.808	78.794
10	Enel SpA	3510	ITA	62.080	75.918
11	Uniper	3510	DEU	12.635	74.458
12	Engie SA	3510	FRA	5.461	73.743
13	China Minmetals Corp	0710	CHN	212.406	66.362
14	China Communications Construction Co Ltd	4329	CHN	118.765	64.820
15	Panasonic Corp	2640	JPN	257.533	62.903
16	Marubeni Corp		JPN	39.914	60.781
17	United Technologies Corp	3030	USA	202.000	57.244
18	Korea Electric Power Corp KEPCO	3510	KOR	43.688	51.822
19	Tokyo Electric Power Co Holdings Incorporated	3510	JPN	42.855	50.547
20	Citic Ltd	2410	HKG	127.610	49.059

Source: <https://www.statista.com> Toplist 750 construction companies

Before moving on and present infrastructure industry from the Italian perspective, it is important to know what emerging trends will characterize the following years of the sector. According to the yearly document by KPMG International “Emerging trends in Infrastructure” these trends will be driven by big data. Data driven models are already in place in some countries and utilized by governments and infrastructure authorities which have moved to a more evidence-based planning method. This attitude focused on evidence will allow governments to see opportunities which they unable to consider in the past and make better choices delivering better conditions for their communities. KPMG identified 10 emerging trends in infrastructure:

1. Government begins to reconfirm their role in supporting projects.
2. Data drives operational efficiency exploiting value for infrastructure owners.
3. Megaprojects require a lot of collaboration in particular if cross-border so they will be limited unless a new approach will be entailed.
4. The majority of business opportunities will come from emerging markets.



5. Evidence-based decision making by governments allowing to satisfy communities' needs.
6. Sustainability features of infrastructure projects continue to be in the center of the planning.
7. Progress and technology continue in their coalescing path despite political and social gyrations.
8. Competitions for new technologies is expected to increase in the next years in particular related to sustainable power.
9. Infrastructure projects need to be predictive on customer needs and not based on historical information.
10. Need for multi-plan projects permitting interdependencies to capture all future developments and changes<sup>71</sup>.

To conclude this section a brief overview of the Italian infrastructure situation is necessary since the firms which will be analyzed in the last chapter have their headquarters in Italy. There is a long-time debate about Italian infrastructure gap with respect to the other countries in the Euro area which would cause difficulties in economic growth and increased costs for enterprises. Together with the gap related to the European Union there is another gap to consider which is an internal one. As a matter of fact, it is proven that southern regions in Italy are less developed and suffer a lower degree of investments in infrastructure with respect to the northern ones. The causes behind these issues have been investigated by many scholars and a research by Banca d'Italia collected the results. The common thought behind the gap between Italy and the rest of European developed countries was that Italian governments were not in possess of enough financial resources to invest in infrastructure. This thought is then supported by evidence in the data reported by the research but it is necessary to make some specification. The disparity finds its cause in the allocation of the public spending, Italy gives more subsidies to state owned enterprises not belonging to the public utilities sector. This allocation policy explains more the gap with the other big European economies than the lack of financial resources. On the other hand, the second issue deals with infrastructure spending in southern area which was stable until the 90s when it started to slow down. Northern area infrastructure spending increased in the same period supported by the two Italian leading companies for transport and power Ferrovie dello Stato and Enel. This cause is in line with the one related to the comparison with other EU countries since it is a matter of a policy. In this case governments decided to invest in

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<sup>71</sup> KPMG International, 2019, *Emerging trends in infrastructure, 136005-G*.

the more productive areas of the country in order to pursue more the maximization of results goal than the redistribution one. The main aspect causing critical issues in Italy is attributable to the lack of programming. Italian governments do not plan infrastructure projects by making systematic reference to long-term objectives and cost benefit analysis. Moreover, fragmented financing sources lead to partial financing of the majority of public projects. Solving these issues would mean exploiting the potential and the know-how of many Italian companies which are global leaders but do not find business opportunities in in their country<sup>72</sup>.

In conclusion after having seen the biggest global players in infrastructure the following table shows the leading firms in Italian framework.

-	Company Name	ISIC code	Country	Employees	Revenues US\$
10	Enel SpA	3510	ITA	62.080	75.918
162	Ferrovie dello Stato Italiane SpA	4911	ITA	70.180	9.880
229	Salini Impregilo SpA	4329	ITA	34.440	6.511
244	Atlantia	4210	ITA	14.997	6.069
281	Hera Group	3510	ITA	8.411	4.935
283	Fincantieri SpA	3011	ITA	19.181	4.901
286	Italcementi SpA	2394	ITA	17.525	4.773
329	Iren Group	3510	ITA	6.226	3.633
352	Astaldi SpA	4290	ITA	11.510	3.156
361	Buzzi Unicem	2394	ITA	10.114	2.954
373	Snam	3520	ITA	2.883	2.768
383	Maire Tecnimont Group	4290	ITA	4.956	2.666
409	TERNA SpA	3510	ITA	161	2.327
525	ERG SpA	3510	ITA	715	1.134
558	Bonatti SpA	0910	ITA	0	884
588	Rizzani De Eccher SpA	4329	ITA	3.248	739
632	Italmobiliare SpA	2395	ITA	18.767	419
633	Compagnia Generale Trattori	7730	ITA	934	415

Source: <https://www.statista.com> Toplist 750 construction companies

In the top 750 construction companies provided by the statistic platform Statista there are 18 Italian companies among which just one is in the top 20 global ranking. The internal subdivision among the different areas of infrastructure spectrum shows that more than one fourth of companies belong to power. Other sectors which can count more than 2 companies in this ranking are construction installation and manufacture of cement.

<sup>72</sup> Banca d'Italia, 2010, *Le infrastrutture in Italia: dotazione, programmazione, realizzazione*, Workshops and Conferences.

## Research objectives

The goal of this research, as already mentioned in the introduction, is to conduct a deep analysis of strategic plans by searching those qualitative features presented in the first chapter. The six selected firms are *Fincantieri S.p.a.*, *Enel S.p.a.*, *Salini Impregilo S.p.a.*, *Terna S.p.a.*, *Ferrovie dello stato S.p.a.* and *Leonardo S.p.a.*. The latter was not included in the previous ranking of the leading infrastructure companies in Italy since it is classified under aerospace and defense sector. The choice of including it in the analysis was led by the relevance it plays as Italian firm, customer sharing with Fincantieri which makes some of their business units' operations very similar and the high quality of disclosed document. The deepening will be based on the Content Analysis method, which will be briefly explained later, investigating 4 main aspects of strategic plans: vision and mission, market analysis, goals and actions and key performance indicators. For the first aspect the focus will be on the quality of the statements and the time period. The second aspect will look at the use of frameworks for market analysis and the data used for building the assumptions. The third point will mark the soundness of the correlation between goals and actions and whether they are presented in the document or not. Fourth aspect will check the quality of key performance indicators both financial and operative ones.

## Content Analysis

Content analysis represents a scientific tool for producing valid and replicable inferences from texts or other similar matters to the frameworks of their use. The goal of this research technique is to provide more insights and a deeper understanding of the study object. It is applicable not only to text formats but also to images, maps, websites also numerical records. The crucial distinguishing point is the meaning as texts are produced to be meaningful to someone else and this feature cannot be ignored as well as the context they are in<sup>73</sup>. Inference, on the other hand, plays a very important role as it represents the analytical constructs through which the researcher moves from the text to answering the research questions. Content analysis literature then presents a distinction between quantitative and qualitative analysis stressing their different features as the former is guided by a positivist spirit or deductive while the latter is more led by humanistic tradition or inductive. Qualitative content analysis starts from general research questions but it is a continuous process it may leads to other patterns or concepts that were included in the research questions. Reconceptualization, redefinition and reinterpretation until some kind of satisfactory meaning is reached<sup>74</sup>. Quantitative content analysis is much stricter

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<sup>73</sup> K. Krippendorff, 2004, *Content Analysis, An introduction to its methodology*, 2<sup>nd</sup> Edition, Sage Publication Inc.

<sup>74</sup> E. Marsh, M.D. White, 2006, *Content Analysis, A flexible methodology*, Library Trends, The Board of Trustees, University of Illinois

and follows a predetermined pattern even if there is left space to the authority of the researcher. Its goal is to test the hypotheses through the content analysis, they may regard both what is already known and been researched and the research questions. The different steps in quantitative analysis include sampling method, coding and statistical tests to answer the research questions. Coding represents a substantial activity for both qualitative and quantitative analysis as it creates meaningful categories in order to test the hypotheses. Coding schemes should have clear definition in order to be reliable, researcher can create their own coding schemes or use other researchers' ones. Coding schemes must show validity and credibility by identifying all important factors in research questions and find the match of these factors in the data gathered. To conclude the analysis consists in answering the research questions by giving the big picture of the given subject developing conceptual depth through detailed observations. There are different opportunities of representation of the results that can rely on numbers or percentage, they can be tables or also a narrative explaining the conclusions<sup>75</sup>.

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<sup>75</sup> E. Marsh, M.D. White, 2006, *Content Analysis, A flexible methodology*, Library Trends, The Board of Trustees, University of Illinois

## Conclusion

This chapter has shown the framework of the research by illustrating the characterizing features of the infrastructure industry both from global and Italian perspective and the structure of the strategic plans analysis. Infrastructures are extremely important for a country since they represent in some way the degree of development. As a matter of fact, objectives for developed and developing countries are considerably different. It has been presented the top 20 ranking of infrastructure companies which confirmed the actual economic trend as the first three positioned are occupied by two Chinese firms and an American one. In the end of the global perspective global emerging trends, identified by the leading consulting firms KPMG, were discussed in the chapter stressing the increasing relevance in infrastructure planning of big data analytics, sustainability and inclusion. Italian overview of infrastructure industry and situation was briefly introduced as the objects of the following analysis are six Italian companies. Main issues which resulted from the research made by Banca d'Italia deal with the disparity of investments with respect to the developed European countries, the internal disparity of resources allocation between southern and northern areas and the lack of programming infrastructure project with long term vision. In the chapter last section research methodology was explained. The analysis will include a detailed deepening of the six selected companies' strategic plans with a particular focus on four main aspects individuated by the literature in chapter 1. The research method is the content analysis which will discover trends or patterns in the documents by searching for specific words or phrases.

### 3 Empirical Analysis

#### Introduction

This chapter will deal with the analysis of six strategic plans belonging to six among the most relevant firms in Italy in infrastructure industry. As already mentioned at the end of the previous chapter the selected research methodology for this work is the content analysis. Content analysis includes many articulations and declinations since it can be applied to many types of texts. The sample in this work is made by strategic plan documents which comprise texts, graph and images as well. The most suitable declination of content analysis for this kind of sample is the conceptual content analysis. This type of content analysis consists of identifying a concept for the sample examination and quantifying it by counting its presence. The basic process for building up a conceptual content analysis is:

- Decide research questions
- Choose a sample or samples to examine
- Code texts into manageable categories
- Analyze results, find patterns or trends.

The choice of the coding scheme as aforementioned represents the most important activity in the development of a content analysis. This work will be structured on the basis of 4 research questions and the coding scheme will look at the existence of words or phrases in texts corresponding to the searched concepts. Coding for existence means that the researcher would count a term once no matter how many it appears in the sample. The other way to code in conceptual content analysis is for frequency which, on the other hand, counts a term each time it appears in the texts. It is extremely to have a clear set of rules for coding in order to keep the process organized and consistent. The consistency given by the following of coding rules gives the requisite of validity to content analysis. The final point of the analysis is aimed to draw conclusions and generalizations. Interpretation of the results is crucial since conceptual content analysis is able just to quantify information<sup>76</sup>.

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<sup>76</sup> Columbia University's Mailman School of Public Health, 2019, *Content Analysis*, Population Health method, <https://www.mailman.columbia.edu/research/population-health-methods/content-analysis#Description>

### 3.1 Research Questions

There are 4 areas to be investigated through the upcoming content analysis of the strategic plans. As already mentioned in the second chapter the first question relates to vision and mission statements. In details the analysis wants to check the clarity of the statements and whether they contain inspiring, credible and long-term oriented messages. The second research question deals with market analysis, in particular looking at the presence of quantitative or qualitative data supporting the forecast and the presence of graph or specific frameworks for the market analysis. The third area to be investigated regards the relation between goals and actions. This is an extremely relevant part of the analyzed documents so the check wants to find whether there is clarity about this relation and the presence of quantitative data as well. Fourth point of analysis is about the key performance indicators presented in the document, the research in this sense wants to discover if the firms show just financial indicators or also other kinds of them. These 4 research questions are set in order to keep on track the content analysis and to create a precise conceptual framework to work in. They also represent the starting point for the coding scheme by giving the possibility to create content categories or subcategories addressing directly the a priori set research questions<sup>77</sup>. Content analysts need to bear in mind research questions to not get lost in abstractions or self-serving categorizations. Research questions also give the possibility to understand the analyst's perspective or point of view with respect to the texts. This analysis aims to verify whether the selected strategic plans documents respect or not what has been shown in the first chapter in the literature review about strategic and business planning. The coding scheme which will be shown later on works as a tool to capture the different shades of meaning contained in the texts to better answer to the research questions. Since research questions show different features what will be searched in the texts will be slightly different for each of them. As aforementioned when looking at the text for answering to the first research question words and phrases are the most suitable items. On the other hand, for the remaining questions there are also different items to include in the research as tables, graph and images.

Next section will briefly introduce the selected sample before moving to central part of the analysis which is the coding.

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<sup>77</sup> J. Saldana, 2009, *The coding manual for qualitative researchers*, Sage Publications Ltd

## 3.2 Sample

The selected sample is quite restricted since it is made by just six strategic plan documents but motivations behind this choice have already been explained in the second chapter. This section's goal is to introduce the six firms and a short overview of each disclosed strategic plan in order to provide a better comprehension of the context.

Fincantieri S.p.a.

Fincantieri S.p.a. is known as one of the most important building site firm in the world and leader for diversification and innovation. The company can count on a history of more than 200 years, more than 7000 ships built and today on 8600 employees. Fincantieri S.p.a. recorded last year 5 billion € in revenues and more than 25 bln € in orders already contracted. The firm is organized in 3 main business units:

- Shipbuilding, cruise ships of all types 45% market share globally, naval and high-tech ferries and mega yachts. This unit contributes to more than 50% of the revenues
- Offshore including special vessels for exploration, aquaculture and fisheries
- Equipment systems and services, ship interiors, naval services and ship components<sup>78</sup>.

Fincantieri strategic plan, as object of analysis, refers to the document “Business Plan 2018-2022” published on company website on 28 March 2018. This is an 18 pages document divided in 2 sections as the table of contents shows which are Section1 the market overview and strategic developments and Section 2 short and medium-term financial targets. Section 1 takes the majority of the document since it occupies 12 pages while the financial targets are treated in just 4 pages. The plan is subdivided for each business units since they have different objectives, operations business model as well. For each business unit Fincantieri management decided to present the related market overview and opportunities, the strategy and the action plan<sup>79</sup>. Such a strategic plan could look a little short but as already explained it has to be effective and capture the attention of the reader/investor. With respect to this content analysis despite the absence of some sections suggested by the guidelines exposed in chapter 1 Fincantieri strategic plan is complete enough to answer the research questions.

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<sup>78</sup> Fincantieri, 2018, *Investor Presentation*, Trieste April 2018

<sup>79</sup> Fincantieri, 2018, *Business Plan 2018-2022*, Trieste, March 2018



Enel S.p.a.

Enel S.p.a. is second greatest company with respect to revenues in Italy. Enel is a power multinational enterprise and one of the main integrated operators in energy and gas industries. The firm has its operations in more than 34 countries by producing energy in quantity higher than 90 GW and a gas and managing electricity infrastructure of more than 2,2 million kilometers. Enel results of last year registered revenues for more than 16 billion €, a competitive ebitda with respect to the competitors in the industry and almost 70.000 employees from all over the world. The company has started recently huge investments in renewables making them de facto a business unit, in particular for the wind and solar energy as it is shown in the strategic plan document. Today Enel is the leading private operator in renewable energies and largest retail player for number of customers worldwide<sup>80</sup>. Enel S.p.a. presentation of its strategic plan is a 150 pages document published on September 2<sup>nd</sup>2019. From a structure perspective is complete in its sections since it starts by illustrating the goals achieved up to now and vision and mission for the plan period which is 2019-2021. Enel strategic plan, after having clarified the pillars that will lead the following years actions, provides a section called capital allocation which can be classified as an investment plan. It continues with a section reporting the goals of each business unit setting both financial and operating targets. In conclusion the management placed sections related to the financial and risk management, earning targets and the forecasted consolidated financial statements. Furthermore, there are very detailed appendixes regarding environmental, social and governance matters<sup>81</sup>. From a content analysis perspective this kind of document provided by Enel entails all the aspects to find possible answers to the suggested research questions. The strategic plan in object despite its length utilizes a lot of graph and tables in all its section leaving less space to the text. As already written in the structure of this plan it is complete in the suggested sections of the guidelines even if presented with different section names so for the good development of the analysis this kind of plan is very suitable and complete. It will be very relevant for the sake of consistency to select in a proper way texts, data, phrases because of the length and the variety of subjects covered by document.

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<sup>80</sup> Enel S.p.a. website, <https://www.enel.com/it/aboutus/chi-siamo>

<sup>81</sup> Enel S.p.a., *Investor Presentation-Strategic Plan 2019-2021*, September 2019

Salini Impregilo S.p.a.

Salini Impregilo S.p.a. is an industrial group in the sector of complex infrastructure construction. The company is active with its operations in 50 countries and with more than 35.000 employees and it can be positioned among the largest global players in hydric and transport industries. Salini Impregilo is the result of more than 110 years of experience in infrastructure realization developed in 5 continents. Nowadays it operates in complex infrastructure by bringing its expertise in design, engineering and construction. The 4 main business units subdivision made by the company is based on the transport:

- Dams and hydroelectric power plant realization
- Highways, roads and bridges construction
- Railways and undergrounds
- Airports, public and industrial construction.

In 2018 Salini Impregilo accounted for 6 bln € revenues and a portfolio of new orders of 26 bln € after its recognition in the top 10 companies for the transport industry in the US in 2017<sup>82</sup>.

Salini Impregilo Strategic plan document was published in 2016 and deals with the period 2016-2019. It is a 30 pages document used by the top management to present the plan to the audience. The company strategic plan starts with an introduction of the business and the track record achieved until the date of presentation. The second part of the plan is dedicated to an overview of the global trends in infrastructure industry which prepares the field for the introduction of the strategy. The pillars of the business plan are then presented and immediately followed by the financial targets for the time period. In conclusion Salini management placed a panoramic on the US market and its opportunities, this is a very relevant market for the company in particular after an important acquisition, and at the very it positioned the vision statement<sup>83</sup>. The structure of the document is very different from the format proposed by the guidelines especially the choice of positioning the vision statement at the end of the document. This choice can be justified by the fact that it is presentation paper and the intent was to entertain and make the audience interested in the company. Despite this revolutionary strategic plan structure the document presents all the features researched in the content analysis which will be developed in the following sections.

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<sup>82</sup> Salini Impregilo S.p.a. company website, <https://www.salini-impregilo.com/it/gruppo/profilo.html>

<sup>83</sup> Salini Impregilo S.p.a., *Business Plan 2016-2019*

Terna S.p.a.

Terna S.p.a. is one of the most relevant electricity transmission grid operators. The firm is in charge of managing the high voltage Italian transmission grid which is one of the most advanced technologically speaking in in European area. Terna plays another very important role, especially for the recent trends in infrastructure industry, as it is committed in transforming electricity market towards the use of environment friendly sources. The company operates in a natural monopoly and its public service mission is to guarantee transmission and dispatching all over the country. 90% of Terna's business is linked to the Italian regulated market where it works as electricity supplier to both companies and individuals. Terna is then active on another business line on the non-regulated market where through its subsidiary Terna Energy Solutions provides skills and experience as transmission operator to commercial and industrial clients. The Italian firm is also present in the international framework through the controlled company Terna Plus which is responsible for the selling of consulting services globally. These activities mainly pertain to infrastructure development, systems integration and technical advisory. Terna's key figures outline the relevance of this firm since it manages more 70.000 km of high voltage lines, 2.2 bln € in revenues in 2018 and 6 bln projected investment in the next four years in regulated Italian market<sup>84</sup>. The strategic plan disclosed by the company is the document released on March 2019 in Milan whose title is "2019-2023 Strategic Plan Grids and Values, accelerating a sustainable growth". Terna's plan is developed in 52 pages and it is articulated as it follows:

- 2 sections dealing with global trend and market analysis
- Strategy overview of the different business lines
- 2018 Key figures
- Financial and operating targets for the length of the plan
- Dividend policy and closing remarks<sup>85</sup>

The structure of the plan is quite standard even though there is not clear presence of a section defining vision and mission of the company but it is deductible from the strategy and targets sections. As already found in Enel's plan also Terna's document is graph and table oriented while texts is less used.

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<sup>84</sup> Terna S.p.a. company website, <https://www.terna.it/en/about-us/introducing-terna>

<sup>85</sup> Terna S.p.a., 2019, *2019-2023 Strategic Plan Grids and Values, accelerating a sustainable growth*, Milan

Ferrovie dello Stato Italiane S.p.a.

FSI group is one of the greatest industrial players in the Italian context. The company is fully owned by the finance minister of the Italian Republic and operates through its subsidiaries in 4 areas. First operating area is transport where FSI works thanks to the well-known Trenitalia but also Busitalia for the passenger transport while for goods transport Polo Mercitalia is the company of the group focused on this activity. Second sector ranked by relevance for FSI operations is infrastructure in which the controlled companies take care of maintenance and utilization of the main railways infrastructures and the most relevant water links with the islands. Third and fourth areas regard the management of the real estates owned by the group in particular of the railway stations and the administrative and financial services offered by FSI. The group is the leader in the railway transport with 88% market share, more than 10.000 trains and 750 million passengers every day. FSI size in terms of key figures makes this firm the first company in Italy for investments which were more 7 bln € in 2018. Revenues are continuously growing recording in 2018 12 bln € and one of the highest ebitda margin with respect to the competitors which is about 20%. FSI group relevance in the country and also outside the national boundaries is given by the 83.000 employees working for the different controlled companies<sup>86</sup>. FSI strategic plan document which will be object of content analysis in this work is titled “2019-2023 Business Plan”. It is an 18 pages document and presents a standard format even if it is shortened in some sections. The plan starts by illustrating the key figures of 2018 and the strategic focus of the last ten years. The document continues then with the description of the new goals and the new focus for the plan. The structure of the plan follows a goal-action pattern in its central part. The conclusion of the plan is left to the financial targets for the company but also showing sustainability targets and the contribution to Italian labor market<sup>87</sup>. FSI Plan results in a almost standard format according to guidelines even if there are some lacks in some sections. Vision and mission statements are not clearly presented in the plan as well as market analysis has not its own section but it has to be deducted from other topics. For the sake of the content analysis the document represents a good data since it includes a great amount of text together with graphs and images so the word and phrases research can work with it.

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<sup>86</sup> FSI S.p.a. company website, <https://www.fsitaliane.it/content/fsitaliane/en/fs-group/fsitaliane-holding.html>

<sup>87</sup> FSI S.p.a., *2019-2023 Business Plan*

Leonardo Finmeccanica S.p.a.

Leonardo is ranked among the top ten firms in Aero space, defense and security globally. The firm is a long-term partner of choice for governments, institutions and private customers as well. Leonardo can rely on strong experience and capabilities contributing substantially with advanced manufacturing and technological skills. The firm operates in 4 different business lines through and joint ventures. The 4 Leonardo's businesses are:

- Helicopters: for commercial, private and defense use and it also offers training and support services.
- Electronics, defense and security systems: it deals with sensors, radars, missiles and weapon systems for naval, underwater and airplanes.
- Aeronautics: trainers, combat, tactical transport and multirole aircraft.
- Space: manufacture of satellite systems for telecommunication, navigation and earth observation.

Leonardo's headquarter is located in Italy but the company has enlarged its presence in more than 150 countries reaching 85% of export. In the last year Leonardo recorded more than 12 bln € in revenues and an order portfolio of 36 bln €. The strong relevance of this company in Italian panorama is also given by the huge workforce committed which reached in 2018 more than 46.000 employees<sup>88</sup>.

Leonardo Finmeccanica's strategic plan refers to the document published in January 2018 whose title is "Industrial Plan Presentation". The plan presents two sections where the first one is dedicated to the context and a general overview of the plan while the second is built to deepen all the aspects of the strategy. Section 1 shows both the achievements of the company but also the shortcomings and the issues faced in particular in 2017 as starting points for improving. Section 2 outlines the execution of the strategy by starting with the definition of the goals for the company and then showing the related actions to undertake. The document continues with the presentation of the commercial strategy in order to enhance Leonardo's presence and the financial plan where the targets for 2020 are set<sup>89</sup>. Leonardo's strategic plan is very well structured since it is aligned almost fully with the guidelines and the literature exposed in chapter 1. The management has utilized in a proper way the frameworks for describing the

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<sup>88</sup> Leonardo, 2019, *2019 Leonardo at a Glance*.

[https://www.leonardocompany.com/documents/20142/105147/LEONARDO\\_AtGlance\\_ENG\\_080419.pdf?t=1554731328462](https://www.leonardocompany.com/documents/20142/105147/LEONARDO_AtGlance_ENG_080419.pdf?t=1554731328462)

<sup>89</sup> Leonardo, 2018, *Industrial Plan Presentation*, Vergiate(VA)

positioning and the strategy such as SWOT analysis and competitors' analysis. The document is very complete in all its sections and it is surely suitable with the following content analysis.

### 3.3 Coding Scheme

#### Introduction

This section of the work aims to describe and present structure of the analysis which is mainly given by the set-up of a coding scheme. A code, in qualitative content analysis, can be conceived as a word or a phrase that is evocative, highlighting and able to capture an essence for a piece of language-based or visual data. The coding activity allows researchers to put things in systematic order, classify them and categorize them. Categories creation is functional to group coded data presenting similar features or belonging to the same families. Once the categories and subcategories are well defined through the text the next step for completing the coding is to bring this abstraction to reality. Theorizing part of the coding activity refers to the transfer process from the particular to the general. This is the progress of the content analysis towards the identification of a theory or literature coming out from the initial coding process itself that can generalize results<sup>90</sup>.

These are the different steps that are included in the coding scheme area of a content analysis. In the following paragraph, it will be presented the description of the path conducting to the codes and the reasoning behind the choice of different kind of them according to the nature of the research questions. The coding activity will be implemented manually in this work since data sample has not a big size and also because strategic plans are hybrid texts including graphs, tables, schemes and images. For the sake of the analysis the coding procedure will be performed without the help of data analysis software. Later in this section it will be proposed a table summarizing the different codes and their presence in the analyzed texts. The results coming out from the coding table will be then analyzed in the next section in order to find recurring pattern or trends and finally give an answer to the initial research questions.

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<sup>90</sup> J. Saldana, 2009, *The coding manual for qualitative researchers*, Sage Publications Ltd

## Research questions type identification

The appropriate coding method has to be chosen according to different factors. Many researchers affirm that sometimes there is not only one method to be applied but they are multiple. Furthermore, each inquiry is unique so the utilized method results most of the times in being a unique one. This content analysis work is based on 4 main research questions which can be classified as exploratory questions. Exploratory research questions are defined as open-ended questions which are used to get a better understanding of a phenomenon<sup>91</sup>. Research questions set for this work seem to belong to this kind of questions. First question looks at vision and mission statements which should be presented in the analyzed documents. The research question about this topic is not formulated as a closed-ended question but it asks how statements are treated and presented in the documents and highlighting some features to focus on. Second research question investigates the treatment of the market analyses within the six strategic plans specifically looking for qualitative and quantitative data used and the presence of proper graph or tables. Third question is about the relationship between goals and actions in the documents and it focuses on the clarity of the exposition. Fourth and last research question searches the quality of key performance indicators by checking the presence of both financial and operating ones. Having a clear picture of what the research questions are effectively asking is extremely useful in the further choice of the coding method. These research questions belong, as already mentioned, to the exploratory category which divides itself in two subcategories: ontological and epistemological. First subcategory deals with the study of reality, lived experiences and the nature of subjects. Second subcategory includes questions which are devoted knowing and understanding the subject of interest. The research questions presented above clearly belong to the epistemological subcategory since their goal is a deepening on the strategic plan instrument for a better comprehension of its specific features. The literature proposes different coding methods with respect to the research questions' subcategory. Epistemological research questions are assigned to a set of coding methods which vary according clearly to the analyzed. The proposed coding methods for epistemological questions are:

- Descriptive coding: attributing topics to features of the data, usually nouns are used, often utilized for social environment.
- Evaluating coding: assigning judgments.
- Magnitude coding: set intensity, frequency, direction and presence to codes.

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<sup>91</sup> J. Saldana, 2009, *The coding manual for qualitative researchers*, Sage Publications Ltd

- Process coding: also known as action coding, the codes are observable activities or conceptual actions.
- Themeing data: sentence of phrases to get the meaning of an aspect of the data<sup>92</sup>.

### Coding method

Given the data chosen for this analysis, as already said in the previous section, the coding method function to be used needs to include the presence for setting the codes. The sample is not large enough to research frequency of codes and it would not make a lot of sense. For these reasons the choice among the different coding methods presented for epistemological questions is the magnitude coding method. This coding method can be split in a two-step process since it starts as a descriptive method because there will be a first phase where the data will be summarized through words or phrases according to the researched. The second step, on the other hand, adds supplemental symbolic, alphabetical or numerical codes to the existing ones in order to identify presence, frequency, direction or evaluative content. When magnitudes and scales are utilized in content analysis the researchers need to identify a concept for the meaning of the text and quantify it through the use of a metric. The most widely used semantic metrics refer to two opposite adjectives placed on the two extremes of a line and range of intermediate scale points. This semantic metric is not suitable with the kind of research in this work but there is another scale proposed by the literature which is much more suitable. This scale, developed by Zillmann, is called "semantic aspect scale". It is usually presented as a 7-point unipolar scale ranging from 0, indicating the absence of an element, to 6, meaning the pervasive presence of the element. Such scale is suitable for attributes or qualities that may result more or less present or significant in a text<sup>93</sup>.

	absent		very much present
<b>Honesty:</b>	: 0 :	1 :	2 : 3 : 4 : 5 : 6 :

Source: K. Krippendorff, 2004, *Content Analysis, An introduction to its methodology*, 2<sup>nd</sup> Edition, Sage Publication Inc.

<sup>92</sup> J. Saldana, 2009, *The coding manual for qualitative researchers*, Sage Publications Ltd

<sup>93</sup> K. Krippendorff, 2004, *Content Analysis, An introduction to its methodology*, 2<sup>nd</sup> Edition, Sage Publication Inc.



## Codes Description

To begin with the implementation of the codes according to the magnitude method, already explained, the first thing to prepare are the so-called anchor codes. Anchor codes are represented by labels attached to the research questions in order group to upcoming codes under the belonging research question. Magnitude coding method includes a first step in which codes are categorized according to the research topics to make the reader understand the substance of the analysis. The research questions represent the 4 areas of analysis for this work so that codes will be split into them and consequently rated through magnitude coding.

To continue with the construction of the content analysis, the labels attached to the research questions are:

- V&M (Vision and mission)
- Market
- G&A (Goals and actions)
- KPI.

Given these anchor codes, codes themselves will relate to words, phrases, tables graph which could result in some correlation with the literature about strategic plans presented in chapter 1. Since one of the goals of the descriptive coding is to bring to the reader a basic vocabulary for understanding a phenomenon, in this analysis the semantic field for the codes is given by the findings in literature review presented at the beginning of the work.

Anchor codes work as umbrella topics for a first division of the codes but, inside them, it is necessary to operate an adjunctive subdivision in subcategories for analyzing in detail the presence of the research features in the text. Some of the aspects to be analyzed have already been presented in the research questions identification paragraph but it is relevant, for the sake of the analysis, to have a bright picture of the subcategories.

1. Vision and mission: as the analysis is based on the existence first aspect to be analyzed is the presence of a section dedicated to the vision and mission statements. Second aspect to be investigated will look at the content of the statements by searching for particular words ranging from the positioning to the corporate values.
2. Market Analysis: in chapter 1 the minimum requirements for conducting a complete market analysis have been presented. In this analysis the focus will be on the use of quantitative and qualitative data for presenting market trends and development. In addition, the research words will pertain to a semantic area related to the

infrastructure industry. The use of tables, graphs and specific frameworks for the market analysis as positioning map and competitors' analysis.

3. Goals and actions: the focus for this anchor code is on the clarity of the relationship between goals and actions in the plans, the way it is presented in the plan and the presence of operating target.
4. Key performance indicators: the subcategories for this aspect regards mainly the presence of both financial target and operating ones. It will be also researched the presence of historical together with the forecasted targets.

The structure of this content analysis can be summarized as follows:

- Six strategic plans belonging to firms of the infrastructure industry as sample data.
- 4 research questions related to the literature about strategic plans used as guidelines to code data.
- A scale ranging from 0 to 6 assessing the degree of presence of the researched aspects in the texts.
- Analyze the results and addressing the research questions.

As already explained in the previous paragraph the scale used for magnitude coding has been chosen in line with the aim of the analysis of verifying the presence of the above listed features. For each identified subcategory the degree of presence will be rated starting from 0 indicating total absence of the researched aspect to 6 meaning a complete presence of the element. Clearly the rating activity will be performed for each strategic plan in order to have also the possibility to rank the firms according to this level of analysis.

#### Codes list

This paragraph contains the list of codes which contributes to the composition of the analysis. The codes reflecting the whole inquiry will be presented already divided into the subcategories as explained in the previous paragraph.

V&M is the first anchor code attached to the first research question. The subcategories individuated for the codes under this topic are 2: presence and content. First subcategory looks at the text by checking the presence of a distinguishing sections highlighting vision and mission statements. Second subcategory verifies the formulation of the statements by looking at the presence of purposes, positioning, long term horizon and values.

<b>V&amp;M</b>		
<b>Subcategory</b>	<b>Codes</b>	
Presence	vision	
	mission	
	pillars	
	messages	
Content	years	
	positioning	
	market	
	new	
	sustainability	
	environment	
	target	
	long-term	

Market has been set as the second label for the anchor related to the research question about market analysis. Within this anchor code three subcategories have been identified: qualitative data, quantitative data and frameworks. Qualitative data subcategory includes those features of market analysis related to market changes, technology, social and environment matters. Quantitative data subcategory investigates the presentation data supporting market analyses. It will look in detail at some elements which industry specific for example related to transport, tourism and energy consumption. Third subcategory aims to verify the presence of specific frameworks for market analyses as positioning maps, competitors' analysis or Porter five forces.

<b>Market</b>		
<b>Subcategory</b>	<b>Codes</b>	
Qualitative data	trends	
	technology	
	social	
	environment	
	change	
	new	
	global	

<b>Quantitative data</b>		
years		
revenues		
demand		
growth		
passengers		
tourism		
customers		
consumption		
electricity		
power		
people		

Frameworks		map
		positioning
		competitors
		market share
		swot
		porter
		five forces

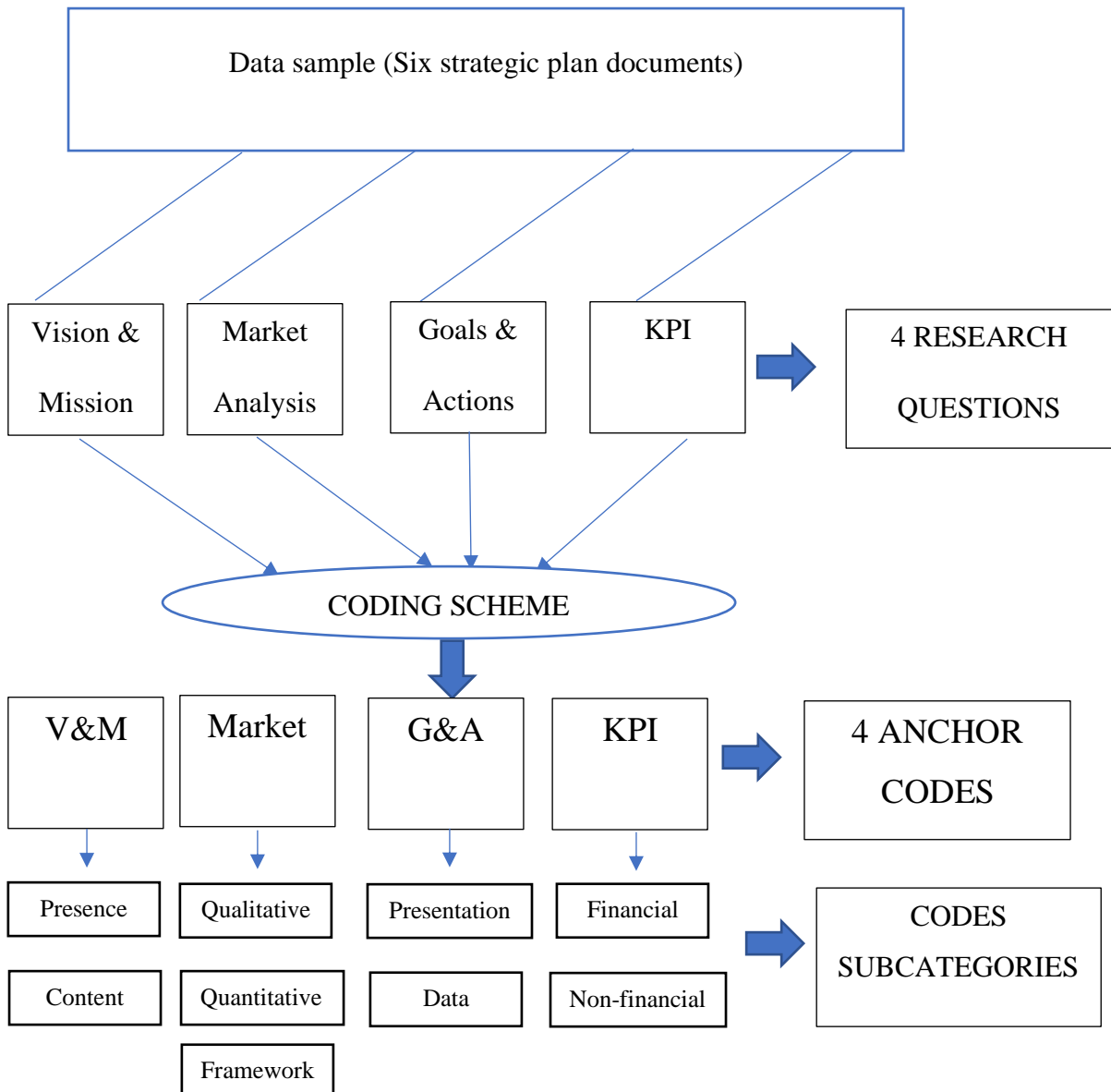
Third anchor code G&A refers to a very important part of strategic plans structure which is the relationship between goals and actions. The level of analysis for this topic is to check whether this relationship is clear in the documents, data provided and time horizon. Codes belonging to this part are split into two subcategories where first one includes quality of goals and actions presentation while second one verifies the nature of the data of the targets.

<b>G&amp;A</b>		
<b>Subcategory</b>		<b>Codes</b>
Presentation qualities		goals
		actions
		tables
		development
		hirings
		new
		investments
	Data	
		operating
		financial
		sustainability

Fourth anchor code KPI deals with key performance indicators placed as targets in strategic plans for the monitoring activity of the forecasted period. Codes individuated in the texts include classic financial ratios together with operating and sustainability related ones. As a consequence, the two subcategories for this label are: Financial and non-financial. Financial ratios contain both indicators coming from financial statements and from stock performances. Non-financial represents a subcategory created by negation so it includes a broader spectrum of targets ranging from emissions to digitalization and end-users.

Subcategory	Codes
Financial	Ebitda
	Ebitda margin
	FCF
	Payout ratio
	Dividend per share
	Net debt
	NFP
	EPS
Non-financial	capacity
	emissions
	customers
	passengers
	digitalization

At this point of the analysis it may result useful to sum up the findings which have been presented so far before moving to the next step of the analysis.



### 3.4 Findings Report

#### Introduction

This content analysis section shows the representation of the content analysis results in a way that makes possible to individuate patterns and trends. Results representation needs to satisfy three main requests:

1. Summarize inferences from the text in manner that they can be understood and discussed.
2. Find patterns and trends to provide the reader an instrument to address research questions.
3. Compare findings with data coming from other means to enhance confidence to the content analysis or provide missing information.

The structure of analysis has already been presented in short in previous sections but it is necessary to add some details. The coding scheme, largely discussed in paragraph 3.3, already gives a configuration to the analysis for addressing the research questions since it identifies topics within the texts which permit to read them with the right direction for this analysis. The proposed codes will be searched in each strategic plan document so that each firm will be analyzed and rated. The rating scale, explained in the previous section, offers a range of marks starting from 0 to 6. In details, 0 means that a determined code is not present at all in one among the six analyzed documents while 6 stands for a complete and satisfactory treatment of the topic. Intermediate scales, namely from 1 to 5, indicate a partial presence of the codes in the texts when below 3, the average rate, and a relevant presence but still not pervasive when between 3 and 6 rates. The representation method which is more suitable for this work of content analysis, among the numerous methods provided by the literature, is the cross tabulation. Cross tabulation is one of the most used technique by analysts to report frequencies of occurrence of values or categories<sup>94</sup>. This specific work actually utilizes a derivation of cross tabulation since the cells, where the frequencies were supposed to be, contain instead the rates associated to the presence of the codes. In facts when cross tabulations present nominal variables, namely not numerically ordered, the result is not correlations but associations. In this sense this content analysis assigns ratings according to the degree of occurrence of different codes in order to identify patterns and trends among the six selected documents.

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<sup>94</sup> K. Krippendorff, 2004, *Content Analysis, An introduction to its methodology*, 2<sup>nd</sup> Edition, Sage Publication Inc.

Content analysis report for this work has been structured in a fashion that facilitates to address the research questions. Tables of analysis are consequently 4 as the research questions or, in coding scheme language, anchor codes. Tables configuration has been developed as follows:

- Rows: they include all the codes presented in the previous section subdivided in the determined subcategories for each anchor code.
- Columns: first line is reserved to the six firms whose strategic plans represent the data sample. Second line is split in two different parts for each firm: Rating and Pages. Rating will be deeply explained later on while pages include the references where the codes are found within each text.
- Cells: they are spaces in which numbers, related to the rating and pages attached to each code, are positioned in the tables.

Ratings attribution needs a further explanation before showing the results in the tables. The code definition is the starting for assigning ratings. The literature defines codes as words, phrases or sentences which are capable of capturing a concept, an essence in a text<sup>95</sup>. The provided code list is mainly made by words that embodies a quality of some strategic plans features which are required or identified by the related literature. Given these assumptions the highest ratings, comprised between 3 and 6, have to be attributed to those codes that appear precisely in the texts as a minimum requirement. For example, given the code “job” if the precise word “job” was found in the text just once and it makes sense according to the belonging anchor code, the attached rating would be 3. 4 to 6 area of ratings is assigned looking at other features like degree of specificity, quality of presentation, clarity and consistency. The below average area of ratings is instead dedicated to those findings in the texts that do not present the right code. In details low ratings are attributed where codes are not found in the text, which would mean a 0 rating, or when synonyms and paraphrases are used and they are not as effective and clear as the right word would be.

Researcher’s discretion in this work it is clearly an important factor. Ratings, by the way, are assigned by trying to reward more those documents that are closer to the benchmarks proposed by the literature. This approach’s intent is to reduce as much as possible the bias brought by the researcher’s hand.

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<sup>95</sup> K. Krippendorff, 2004, *Content Analysis, An introduction to its methodology*, 2<sup>nd</sup> Edition, Sage Publication Inc.

## Results Report

This section's goal is to supply a detailed picture of the results obtained by the content analysis which has been performed on the six strategic plans. Before starting with results' presentation, it is relevant to explain the methods used for the research of the codes into the texts. The code list is made by words, for the great majority of it, and by some images-like codes including graphs, tables, maps and similar items. Word codes have been looked up in the strategic plans through the "Adobe Acrobat PDF Reader" Finder function indicating the precise portion of the texts where researched words appeared. Images like codes, on the other hand, have been found manually by the researcher paying attention to the relatedness between this type of codes and their belonging subcategory. This latter relatedness has meant a lot for word codes as well, specifically for attributing higher or lower ratings. As aforementioned the analysis sheet has been split in four different tables. Each table contains the ratings attributed to the codes belonging to one of the four research questions. Moreover, the outcome of each table is made by the average of the ratings for each code subcategory and the total average for each anchor code. The averages are clearly calculated for each firm whose strategic plan has been analyzed in this work in order to have the chance to assess which of them is closer to the benchmark proposed by the literature. The following results presentation, according to the latter purpose and being the goal of the analysis to conduct a comparative analysis of strategic plans, will expose the findings for each company. In conclusion results coming from all the documents will be presented as well to have a general picture of the analysis, address the research questions and identify trends and patterns.

Findings report focuses on the explanation of ratings attribution for each firm and it includes also some tables derived from the excel file where the analysis has been written down. The order of exposition will follow the one used previously in this work for consistency matter:

1. Fincantieri S.p.a.
2. Enel S.p.a.
3. Salini Impregilo S.p.a.
4. Terna S.p.a.
5. FSI S.p.a.
6. Leonardo S.p.a.



*FINCANTIERI S.p.a.*

Fincantieri's strategic plan document has been presented in 18 pages and it is the shortest among the six but its total average rating of 2,66 has made it the third highest rate plan. Starting from the top, the Monfalcone based company obtained an average rating of 2,8 for the first research question about vision and mission (V&M). Dedicated sections to these two items were not found in the text but a complete page reporting the pillars and the messages of the plan made the firm reach the aforementioned rating. In addition, relevant ratings have been attributed to the codes in the "Content" subcategory (average 3) especially "years" code obtained the maximum rating 6 since time horizons related to the achievements are properly presented.

Market anchor code obtained an average rating of 2,32 which is mainly driven by frameworks subcategory (0,42 average). These latter codes were basically not found in the text where none of the common frameworks were used except a map indicating the company's geographical presence. Qualitative and quantitative data subcategories were, on the other hand, rewarded with average ratings above 3. Fincantieri presented a structured graph reporting the numbers of global tourism and cruise passengers forecasted up to 2030 which is very supportive for revenues projections as well.

Goals and actions (G&A) research question has recorded the highest average rating for Fincantieri totalizing 3,18. This result is attributable for almost its entirety to the "presentation qualities" subcategory since it has reached an average of 4,14. It has been positively marked especially the subdivision of the strategy goals and actions for each unit of the firm and the clarity of exposition. A shortcoming for this anchor code has been the lack of goals and actions related to sustainability.

KPI's topic has reached an average rating a little below the average (2,4). The firm has been very exhaustive in financial indicators coming from financial statements but it has shown a total lack of stock market driven indicators. Net debt code's rating has been the highest, 6, since Fincantieri's management has stressed it many times in the document and its reduction is among the 2022 objectives as well.

<b>Company</b>	<b>V&amp;M</b>	<b>Market</b>	<b>G&amp;A</b>	<b>KPI</b>	<b>Total</b>
<b>Fincantieri</b>	<b>2,83</b>	<b>2,32</b>	<b>3,2</b>	<b>2,31</b>	<b>2,66</b>

*ENEL S.p.a.*

Enel's "Investor Presentation-Strategic Plan 2019" is the longest document (150 pages) among the six analyzed in this work and it has been rated with a total average of 4,06 which is the highest one. First anchor code V&M (average 4,33) thanks to the presence of two dedicated sections to the vision and to the plan pillars, has obtained high ratings in the codes "vision" and "pillars" while no evidence has been found about "mission" and "messages". Second subcategory "Content" of this anchor code, on the other hand, has been rated with an average of 5,12 since all the codes have been developed in a proper manner especially elements of innovation (new) and time horizons (years).

Market analysis area of investigation for Enel has shown the lowest ratings in facts this anchor code's average is only 2,8. The main reason behind the low ratings attributed is the lack of a precise portion of the text dedicated to market overview and global trends. Frameworks subcategory needs to be mentioned for the reporting of market share graph.

G&A has obtained an average of 4,8 explaining a relevant portion of such a high ranking for Enel. 4 codes in particular among the two subcategories have reached the top rating of 6. In Presentation qualities subcategory "action" and "investments" are the best in class thanks to an extremely clear and satisfactory action plan. In Data subcategory the precision of reporting of time horizons and sustainability targets have been rewarded with the highest rating.

KPI section totalized an average rating of 4,3 since researched concepts presented in the document are satisfactory under both the financial and operating subcategories. Enel has highlighted the relevance of value for shareholders (EPS) and digitalization by giving them spaces many pages within the document.

<b>Company</b>	<b>V&amp;M</b>	<b>Market</b>	<b>G&amp;A</b>	<b>KPI</b>	<b>Total</b>
<b>Enel</b>	<b>4,33</b>	<b>2,8</b>	<b>4,81</b>	<b>4,3</b>	<b>4,1</b>

*SALINI IMPREGILO S.p.a.*

Salini Impregilo's Business plan 2016-2019 has been drawn up in 30 pages and in this work has been ranked in the last position with its total average rating of 1,96. The main cause explaining this result is the complete of lack of some of the most relevant section composing strategic plans. As already highlighted in paragraph 3.2 vision statement in Salini document is positioned at the end of the document and represents the only element which has been rated in the subcategory "Presence" under V&M anchor code. Subcategory 2 "Content" has shown its best results in the codes "new" and "market" thanks to the section in the plan describing the drivers of the plan.



Source: Salini Impregilo S.p.a., *Business Plan 2016-2019*

Market is the anchor code with the lowest average of 1,6 in Salini Impregilo's strategic plan content analysis. Market analysis in Salini Impregilo's plan is made by a global infrastructure overview showing market growth up to 2020 but there is no evidence of any other drivers or trend making an impact on revenues and profitability forecasts. Frameworks are almost totally absent, only a map for reporting Salini Impregilo's world presence.

G&A research question is the one with the highest average rating in this plan (2,36). This has been possible thanks to a page in the document where, through a table, objectives and related actions have been presented clearly fulfilling the requirements. Relevant shortcomings have been identified human resources plan and sustainability.

KPI anchor code has obtained an average of 2,06. Salini Impregilo's management has been very precise in presenting indicators coming from income statement, balance sheet and cash flow

statement and dividend per share as well. Subcategory “financial” has reached actually the average rating 3. Operating targets and indicators were basically not found in the text.

<b>Company</b>	<b>V&amp;M</b>	<b>Market</b>	<b>G&amp;A</b>	<b>KPI</b>	<b>Total</b>
<b>Salini Impregilo</b>	<b>1,83</b>	<b>1,6</b>	<b>2,36</b>	<b>2,08</b>	<b>1,97</b>

#### *TERNA S.p.a.*

Terna, with its Strategic plan 2019-2023, has reached a total average rating equal to 3 and the consequent third position. Terna’s plan is articulated in 50 pages and covers almost all the sections provided by strategic plan guidelines. V&M topic has obtained an average of 2,9 as the plan has not dedicated a section to the vision but it is the only one with a full page on the mission statement. Still on the first anchor code, it deserves a mention the importance given to the sustainability as part of the plan’s pillars.

Market anchor code has been rated with 2,2 which is slightly lower than Terna’s average. Qualitative data subcategory has been developed much better than quantitative ones which actually were almost absent in the text except the data about electricity demand. Frameworks subcategory has not materially contributed to this section since no evidence has been found about them in the text.

G&A research question’s codes have reached relevant ratings in this analysis, totalizing an average of 4,18, and the second place behind Enel for this anchor code. Presentation qualities and Data subcategories have shown high ratings through the clarity of the tables reporting the linking between goal and action and the support data, especially investments, attached to them.

KPI anchor code has been valued with a rating equal to 2,7 which is in line with the total average of Terna. Financial subcategory needs to be mentioned since, in addition to the traditional financial statement derived indicators, Terna has given a lot of importance to the stock market related reporting EPS, DPS and Payout. Operating targets have been treated in a less precise way but some relevant targets for digitalization have been set in the text.

Company	V&M	Market	G&A	KPI	Total
Terna	2,91	2,2	4,18	2,7	3

### *FERROVIE DELLO STATO S.p.a*

FSI presented its business plan for the time period 2019-2023 in 19 pages, the second shortest document among the six. After having analyzed the text, the average rating for the four sections has been of 2,07 which means the second lowest result. V&M has been marked with a rating equal to 1,66 but subcategory Presence has obtained 0 in all included codes as there was no evidence of sections outlining vision, mission or pillars and messages of the plan.



Source: FSI S.p.a., 2019-2023 Business Plan

An average rating of 1,8 has been attributed to Market anchor code mainly because of a lack of market overview. On the other hand, data provided about “passengers” and “tourism” codes, in Quantitative subcategory, and the presence of market share indication, in Frameworks subcategory, have been rewarded with high ratings.

G&A represents an outstanding anchor code for FSI plan analysis since it has reached a total average of 3,36. The firm, despite not having dedicated a section to goals and actions, has succeeded in providing complete information about the actions they want to execute in order to accomplish the goals of the new model. Highest ratings have been attributed to “investments”, “operating“ and “development” codes due to the clarity of exposition which has been enhanced also by the use of images.

KPI's codes have got the lowest average rating of 1,46 among the four anchor codes. Financial subcategory has been the worst in absolute terms as company's management has just presented ebitda as indicator without even mentioning stock market performance related ones. Operating subcategory has some very positive content, especially with respect to the codes "customers", "passengers" and "digitalization", by setting clear targets for the time horizon covered by the plan.

<b>Company</b>	<b>V&amp;M</b>	<b>Market</b>	<b>G&amp;A</b>	<b>KPI</b>	<b>Total</b>
<b>FSI</b>	<b>1,66</b>	<b>1,8</b>	<b>3,36</b>	<b>1,46</b>	<b>2,07</b>

#### *LEONARDO S.p.a.*

Leonardo Finmeccanica's Industrial Plan Presentation is made by 78 pages placing it as the second longest document and still the second with respect to the total average rating which is 3,36. Starting from the first anchor code V&M, the analysis has ended up with an average rating of 4,67 for its codes making it the best result for this firm. This high rating has been possible thanks to a dedicated page for the vision and the pillars of the plan outlining the main levers for achieving the strategy. Content subcategory is extremely complete too, "positioning" and "market" codes have obtained the maximum rating as statements about them are very clear and effective.

Market related codes have been rated quite below the company's average obtaining total rating of 2,8. The negative valuation has come mostly from the second subcategory, namely quantitative data, because forecasted numbers about specific items as customers or passengers have not been treated in the text. The remaining two subcategories (qualitative and frameworks) have shown structured information about "trend" and "swot" analysis respectively.

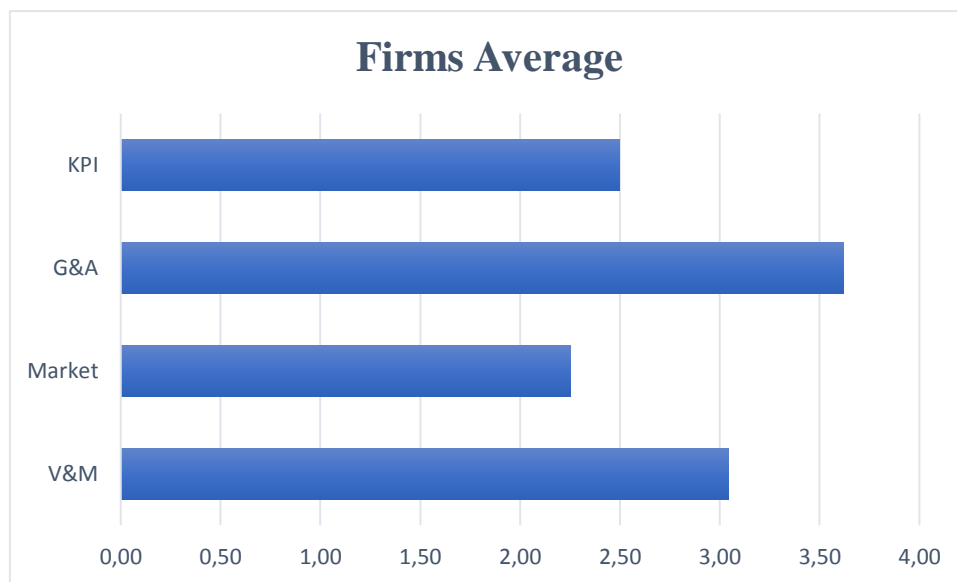
G&A anchor code has been valued with an average rating of 3,8 which is quite aligned with the total one. Leonardo's management has been very detailed in providing information about actions, corporate development and investments reach the predetermined goals. Codes in subcategory "Presentation qualities" have obtained an average 3,7 due to the total lack of information about human resources actions. Codes in second subcategory "Data" have been

rated with an average of 4 as they have been proposed in a satisfactory manner especially “sustainability” one.

KPI’ research topic for Leonardo has the shown the most negative performance since the average rating of its codes is 2,15. The causes have been found both in financial subcategory since the management have not supplied any of the stock market related indicators and in operating subcategory where no information have been provided about environmental targets.

Company	V&M	Market	G&A	KPI	Total
Leonardo	4,67	2,8	3,82	2,15	3,36

It is crucial for the findings report of this work to share results by shifting the focus from the companies to the research questions. The following graph presents the average rating calculated on results obtained by the six firms for the 4 research questions.



Goals and Actions topic is clearly the one with the highest score among the six firms as it has obtained an average rating of 3,62. As already mentioned this strategic plan section is extremely relevant for the reader to understand precisely what and how the firm intends to do for achieving the corporate strategy. This topic in the six plans analyzed in this work has been developed using clear and effective statements and tables for reporting the connection between goals and actions. The top 2 firms (Enel and Terna), in terms of rating, have been valued more positively than the others as they have dedicated many pages to this section and have included exhaustive information about investments related to the actions.

**Strategy**

Domestic Regulated: playing a leading role in energy transition (1/3)



Source: Terna S.p.a., 2019, *2019-2023 Strategic Plan Grids and Values, accelerating a sustainable growth.*

Vision and Mission research question is the second highest rating resulting from the analysis with an average score of 3,04. The insights of this topic have revealed a predominance of the vision over the mission as just Terna has dedicated a section to the mission statement. Enel and Leonardo have obtained ratings which are far above the other 4 firms respectively, 4,33 and 4,67, since they have provided complete sections for exposing their visions with effective graphs to capture reader’s attention and interest.

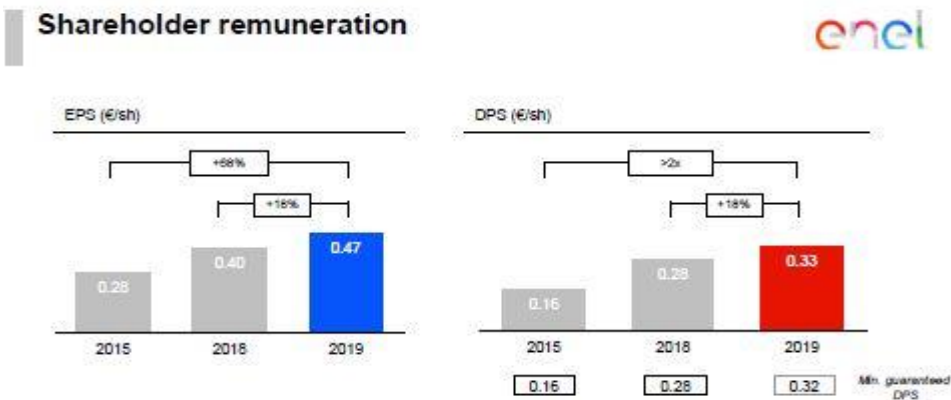


Source: Leonardo, 2018, *Industrial Plan Presentation,*

KPI’s area of investigation with an average rating among the six companies of 2,5 occupies the third position. Companies generally have reserved a section for the financial targets of the plan



but the results have shown a greater interest in providing indicators coming from financial statements with respect to the ones related to the stock market. Earning per share, for example, has been reported just by Enel and Terna.



Source: Enel S.p.a., *Investor Presentation-Strategic Plan 2019-2021*, September 2019

Market analysis is the lowest rated topic with an average score of 2,25. Companies have shown a low degree of precision in reporting information about global trend, market dynamics and competitors. This fact could be attributable in some cases to the little number of pages of some of the strategic plans so management decided to stress other sections leaving behind market analysis. The main driver of this rating is surely the subcategory “Frameworks”. Companies average rating restricted to this subcategory is 1,19 reflecting the lack of use of the tools which are very effective and easy to comprehend for depicting the market and competitive arena.

### Shipbuilding - Cruise: growing market



Source: Fincantieri, 2018, *Business Plan 2018-2022*, Trieste, March 2018

Before moving to the conclusions of the chapter, it is useful to sum up what has been presented in the findings report. As aforementioned there are two focuses in this analysis which are: 1 Companies 2 Research questions. To this purpose the first part of findings report has analyzed firm by firm the results obtained in the content analysis while the second part has been reserved to the treatment of the research questions. The following graphs provide a summary of the findings and propose a sort of ranking for the two focuses.

<b>Rank</b>	<b>Company</b>	<b>Rating</b>
<b>1</b>	Enel	4,06
<b>2</b>	Leonardo	3,36
<b>3</b>	Terna	3
<b>4</b>	Fincantieri	2,66
<b>5</b>	FSI	2,07
<b>6</b>	Salini Impregilo	1,97

<b>Rank</b>	<b>Research question</b>	<b>Rating</b>
<b>1</b>	Goals and Actions	3,62
<b>2</b>	Vision and Mission	3,04
<b>3</b>	KPI	2,5
<b>4</b>	Market Analysis	2,25

Next section will track the path of this analysis identifying the main trends and patterns given by the results. As conclusion of a content analysis results will be explained by bringing them from particular to general and matching them to the theories exposed in Chapter 1.

## Conclusion

This paper meant to outline the main features and the relevance of the strategic plan instrument and to compare different strategic plans belonging to the same industry. First chapter was dedicated to the definition of the purposes and the structure of strategic plan. The literature review revealed three main tools of strategic plan: Management, Performance and Communication. Management's function deals with the fact that strategic plans define a path to follow identifying boundaries, goals and values. Performance tool includes those strategic plans features regarding the control function, especially targets set in the plan are meaningful to verify whether the firm is pushing in the right direction or not. Communication purpose represents the motif behind the writing of strategic plans since they are targeted to capture the interest of a determined audience which may vary from shareholders to lenders or new investors. Structure of strategic plans is not mandatory but literature offered many common structures to adopt and suggested them to draw up an effective plan. Borsa Italiana guidelines represented the only manual setting detailed requisites for writing a strategic plan for listing in one of its segments. Strategic plan structure plan structure proposed in this paper was identified as follows:

- Executive summary
- Business overview
- Organizational and management structure
- Operational plan
- Industry analysis
- Product/services analysis
- Market analysis
- Marketing plan
- Financial position and projections.

Second chapter introduced the context of the analysis by briefly describing the infrastructure industry, identifying the biggest players in the world and in Italy and define the future trends. Once defined the framework of the analysis the six companies (Fincantieri, Enel, Terna Salini Impregilo, FSI, Leonardo) were presented by highlighting their businesses and shortly their strategic plans.

The empirical analysis in this work consisted in the development of a content analysis in order to compare different strategic plans of companies belonging to same industry by addressing the proposed research questions. Content analyses can be of different types and they need to be

chosen according to the nature of the research questions. This paper's 4 research questions belonged to the exploratory questions as they were open ended questions for understanding a particular phenomenon in a text. The 4 research questions dealt with the treatment of 4 important features within strategic plans which were:

1. Vision and Mission
2. Market analysis
3. Goals and Actions
4. Key Performance Indexes.

This kind of research questions so was investigated in the texts through a qualitative content analysis. The steps conducting this analysis included:

- Choice of magnitude coding scheme according to the epistemological questions
- Subdivision of research questions or Anchor codes in subcategories
- Placing codes under belonging subcategories
- Rating through Zillmann scale the degree of presence of the codes in the different documents
- Analyze results and compare the six firms.

Magnitude coding scheme allowed to perform a two-step analysis as it was split in a first part where codes were selected according to the concept that is researched, the so-called descriptive coding scheme. A second part, on the other hand, where degree of presence of the codes was rated with a scale from 0 to 6 looking also at the style of presentation, the quality of information and the consistency with the belonging subcategory.

The results were presented in way that allowed both to compare the strategic plans, ranking them from the best average rating to the worst one, and to address the research questions. The outcome of the analysis is summarized in the two following tables:

<b>Rank</b>	<b>Company</b>	<b>Rating</b>
<b>1</b>	Enel	4,06
<b>2</b>	Leonardo	3,36
<b>3</b>	Terna	3
<b>4</b>	Fincantieri	2,66
<b>5</b>	FSI	2,07
<b>6</b>	Salini Impregilo	1,97

<b>Rank</b>	<b>Research question</b>	<b>Rating</b>
<b>1</b>	Goals and Actions	3,62
<b>2</b>	Vision and Mission	3,04
<b>3</b>	KPI	2,5
<b>4</b>	Market Analysis	2,25

These results allow to make some final considerations by linking them to the theories and findings reported in the first chapter. First thought about this outcome derives from the fact that the top two firms in terms of ratings are the two companies with the highest revenues in the sample, namely Enel (75 Bln €) and Leonardo (12 Bln €). According to this content analysis their strategic plans showed, on average, the majority of the elements required by the literature. Chapter 1, to this purpose, included a paragraph affirming that larger and more complex companies are used to present in their plans much more formalized strategies than the smaller ones<sup>96</sup>. Another element that top two firms have in common is the length of the document as they presented the two longest documents (Enel 150, Leonardo 78) among the six analyzed. This fact is surely due to the nature of the analysis which rewarded more those documents developing concepts in extensive ways and including selected codes with high frequency. The correlation between the length and the effectiveness is not actually supported by the literature. Many authors sustained the belief that is not the length of a plan to make it effective since most of the times readers/investors just focus on the executive summary and/or financial section<sup>97</sup>. The table related to the research questions shows in the first position the goals and actions topic. This strategic plan section obtained the highest scores among the analyzed companies since each of them included in their plans one or more pages reporting goals of their strategies and the linked actions to achieve them. This result perfectly matches with the most important of the requisites proposed by Borsa Italiana: consistency. The alignment between corporate goals and the action is crucial for a plan to be considered as credible<sup>98</sup>. This element makes a lot of sense especially for valuation purposes since actions include investments, divestments or cost cutting which are useful for forecasting future companies' performance. The relevance given to goals and actions is attributable to another cornerstone of strategic plan which is its communication purpose. As already mentioned, actions proposed in the analyzed strategic plans presented also information quantifying the amount of investments required for a particular action. The most complete plans in supplying these data were Enel, Leonardo and Salini Impregilo. Including this information in strategic plans is extremely relevant for future or current investors/lenders/stakeholders in order to better comprehend how a company intends to spend money in the next 3-5 years. According to the findings in literature this element in strategic plans means a lot both for financial and strategic investors since planned actions for the future impact on goals of each of them. Respectively investments programmed for the plan time horizon are fundamental both for determining future market value of the company and

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<sup>96</sup> U.S National center middle market, 2018, Strategic Planning for growth, The Ohio State University

<sup>97</sup> Mazzola P., 2003. *Il piano industriale, Progettare E comunicare le strategie d'impresa*. Milano: Università Bocconi Editore

<sup>98</sup> Borsa italiana, 2003 *Strategic Plan Guide*, [www.borsaitaliana.it](http://www.borsaitaliana.it)

consequently calculating the sum to invest and for analyzing the future synergies which could be achieved<sup>99</sup>.

A conclusive thought is due to the research question about KPI where two among the major trends in infrastructure identified by KPMG were looked up in the texts: sustainability and digitalization<sup>100</sup>. Sustainability was included in major trends as central part of the planning of new infrastructures. The six selected plans showed a poor treatment of this topic and just Enel provided targets for reducing emissions in its time span. On the other hand, digitalization was a much more pervasive topic among the plans confirming the relevance of the trend. Fincantieri and Salini Impregilo were the only two that did not set any targets for digital improvements in their plans while the other five obtained high ratings and put digitalization in a central role.

The main limit of this analysis is surely linked to the small size of the sample which did not permit to use software for content analysis and to conduct more inferences. On the other hand, through manual coding activity it was possible to perform a deeper analysis by providing more insights coming from the texts especially regarding the non-word codes. The limited sample was a choice driven also by the small number of industrial firms disclosing strategic plans.

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<sup>99</sup> AIFI, Pwc, 2013, *Guida al Business plan*

<sup>100</sup> KPMG International, 2019, *Emerging trends in infrastructure,136005-G*

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