# What about Strategic Options? Lessons from Fiat's Turnaround

**Andrea Beretta Zanoni**
Department of Business Economics
University of Verona
Via dell'Artigliere 19
37129 Verona
Italy

**Silvia Vernizzi**
Department of Business Economics
University of Verona
Via dell'Artigliere 19
37129 Verona
Italy

**Edoardo Pauletta D'Anna**
Business Strategy Research Group
Via Vincenzo Monti 33
20123 Milano
Italy

## Abstract

*The aim of this article is to analyze the strategic choices made by Fiat in the years after 2004. Specifically, by adopting the case study methodology, it examines the strategic options available to management from 2008 onwards, when Fiat embarked upon a path towards a remarkable industrial and financial turnaround.Through the lens of Fiat' case, the article contributes both from an academic and a practitioner point of view, to shed light on the role of strategic options on the process of business model's shaping.*

**Keywords:** strategic options, strategic analysis, business strategy

## *1. Introduction*

Fiat is an iconic firm for better or for worse. Established in 1899 in Turin, Fiat is one of the oldest players in the automotive sector. The company was a central player of the Italian economic miracle; its stylish models became a symbol of Italy's economic recovery after the tragedies of the Second World War.

Fiat's car making adventure has been characterized by alternate phases of strong growth and stability, and deep recession coupled with competitive and financial weakness.

Following the energy crisis of the 1970s (with its traumatic labor strikes) Fiat enjoyed a period of rapid expansion in the 1980s and early 1990s. However, in the second half of the 1990s a radical change in the economic outlook brought hard times for Fiat, and the firm found itself on the verge of bankruptcy in 2004.

The aim of this article is to analyze the strategic choices made by Fiat in the years after 2004, following the appointment of the charismatic Canadian Italian CEO, Sergio Marchionne; specifically, it examines the strategic options available to management from 2008 onwards, when, despite an unprecedented slump in European automotive sector, Fiat embarked upon a path towards a remarkable industrial and financial turnaround[1].

[1] For furtherdetailssee "Rebirth of a Carmaker" The Economist, 24th April 2008; "Chrysler's Sergio Marchionne: The Turnaround Artista", Time Magazine, 18th June 2009.

Though Fiat's renaissance has been widely debated amongst academics, journalists and practitioners, we believe that the underlying motives, the strategic choices and ultimately the lessons to be drawn from Fiat's turnaround have not been fully grasped either in contemporary organizational scholarship or in the popular business press.

This article therefore seeks to bridge that gap by analyzing the strategic choices that enabled the Fiat Group to emerge from the financial crisis of the early 2000s and to become, at the start of 2014, after the Chrysler' acquisition, the world's seventh largest carmaker. In terms of theory and practice, our conclusions may be a convenient starting point for developing models of strategic analysis and strategic practice.

We begin by defining the theoretical framework to deepen awareness of some key strategic concepts. This is followed by a case study analysis, a methodology widely used in management studies (Yin, 1984; Eisenhardt, 1989; Berg, 2009) owing to its usefulness in assessing qualitative characteristics in organizational settings and in corporate strategy. The choice of Fiat as case study is motivated by the importance that Fiat had and still has in the Italian economic context and by the dramatic relevance of its turnaround process. Moreover, the choice of a single case study approach enabled us the necessary wealth of detail and completeness that the case data required in order to understand the choice of strategic options and the aims attributed to them.

Therefore the case study has been chosen as the methodology for analyzing Fiat' strategic options.

The main information sources for the case study were Fiat Group company documents and the following databases: IHS Automotive, Il Sole 24 Ore, The Financial Times, The Economist, UNRAE and the Italian Stock Exchange, in addition, to dossiers published by consulting firms and banks, including Deutsche Bank, Unicredit, IntesaSanPaolo, and Merril Lynch.The paper concludes with a discussion of the evidence provided by the analysis, and reflects on the most important implications for future research and practical application.

## *2. Strategic Options and the Business Model*

The theoretical focus of this article is concerned with the concept of strategic options (Schwenk, 1984; Duhaime & Schwenk, 1985; Chi & McGuire, 1996; McGrath &Nerkar, 2004; Gavetti et al, 2005) and the relationship between strategic options and a firm's business model.

Strategic options are the instruments, choices and actions that link together the evidences emerging from the strategic analysis process with the actions a firm has to choose to modify its business model so as to realize the strategic vision. In other words, strategic options bridge the gap between the analytical phase of the strategic project elaboration with the decisional phase.

After the scenario analysis and the analysis of the competitive position of the firm and its competitors, managers can identify and evaluate the set of strategic options the firm has at its disposal to modify its business model in order to get its desirable goals. After the evaluation of the set of potential strategic options a firm has to choose the one / the ones that better fit with its strategic vision and move on with the implementation.

Implementing the strategic options in order to realize the strategic vision means act on the business model of the firm, and on its different aspects. Due to the relevance of the relation between strategic options and business model it could be useful to get a little more deeply in the concept of business model.

Though the concept of business model is well established in strategic literature, it was explicitly moved into public consciousness with the advent of the internet in the mid-1990s, and has been gathering momentum ever since (Mendelson, 2000; Geoffrion & Krishnan, 2003).

Despite being a widespread concept both in the literature and in practice, no clear definition of business model exists; the use of the term 'business model' is the result of some sort of 'tacit knowledge' recognized by practitioners and academia (Zott et al, 2011).

The reasons for this lack of a clear definition of business model (Magretta, 2002; Ghaziani & Ventresca, 2005; Zott & Amit, 2008; Chesbrough, 2010; Lecocq et al, 2010; Baden-Fuller & Morgan, 2010; Lambert & Davidson, 2013)[2] are numerous and probably originate in the interdisciplinary nature of the concept (straddling economics, strategy, organization, etc.) that makes any attempt to identify a single theoretical framework both complex and ambiguous (Teece, 2010).

In recent years scholars have sought to provide background and content to the concept of business model.

The most successful approaches appear to revolve principally around three aspects: 1) the networked nature of value creation, 2) the relationship between business model and firm performance and 3) the distinction between business model and other strategic concepts (such as competitive advantage) (Seddon et al, 2004; Zott & Amit, 2008; Zott et al, 2011).

Despite conceptual differences between the analytical approaches, scholars seem to agree that the business model can play an important role in a firm's strategy, by explaining how the activities of the firm work together to execute its strategy, thus bridging strategy formulation and implementation (Richardson, 2008). In this sense, the business model can be perceived as a reflection of a firm's realized strategy (Shafer et al, 2005; Casadeus-Masanell, 2010).

For the aims of this paper and adopting the perspective of linking the business model to the dynamics of strategy realization and implementation, we define the business model as the set of strategic choices required to implement the firm's strategic vision within the chosen time horizon. In this sense, strategic options can be defined as the means by which a firm can modify its business model so as to realize its strategic vision.

A firm's strategic vision is the "macro – goal" it sets out to achieve (Normann, 1977; Coda, 1988; Bryant, 1997). It is a general sort of goal, one that embodies the strategic intentions and provides the basis for defining the firm's competitive objectives.

To realize its strategic vision, a firm must use an appropriate business model, in the sense of a set of choices relating to:

1. which businesses to operate in (Abel 1980)[3];
2. which strategic positions (Porter, 1980; Håkansson & Sneotha, 1995; Fiegenbaum et al, 1996; Cockburn, 2000; Ries& Trout, 2001; McNamara et al, 2003; Bowman, 2008) to adopt in each business, in other words how the firm intends to supply its products within a particular business (type and range of products, geographical areas, degree of differentiation from competitors etc.);
3. the firm macro structure required to maintain the strategic positions, i.e. resources (material, immaterial, financial, organization and human), as well as degree of vertical integration within the business, external growth policies, corporate and organizational structure of the firm, etc.

According to the aspect of the business model on which they act, strategic options can take different shapes: choices and actions related to business areas, choices and actions related to strategic positions and choices and actions related to macro operating structure.

One example of a strategic option is the decision to add a new supply system or to take over a competitor to acquire new technologies or to enter a new geographical area.

Due the variety of shapes they can take, strategic options can be classified on the basis of a number of variables. For example, in his strategic option grid Grundy (2004)classifies strategic options according to five criteria: strategic attractiveness; financial attractiveness; implementation difficulty; uncertainty and risk; and stakeholder acceptability.

[2] Though the concept of business model is widespread in practice and in strategic theory, there is still no unitary definition; the concept is often used without a clear idea of its theoretical boundaries. In a 2001 review of its use in the literature, Zott, Amit and Massa highlighted how of 103 publications dealing with the concept of business model only 19% provided a definition of the concept. Moreover, existing definitions partially coincide, generating considerable confusion and a multitude of different interpretations.

[3] Business denotes the specificcombination of threedimensions: needs that are satisfied (or functionsperformed for customer); groups of customerswhohave a need; technologies, in the general sense of industrial processing or the provision of services to satisfycustomerneeds. SeeAbell (1980).

Here, in this article, strategic options are classified in terms of two principal dimensions:

1) the impact of strategic options on the initial business model:

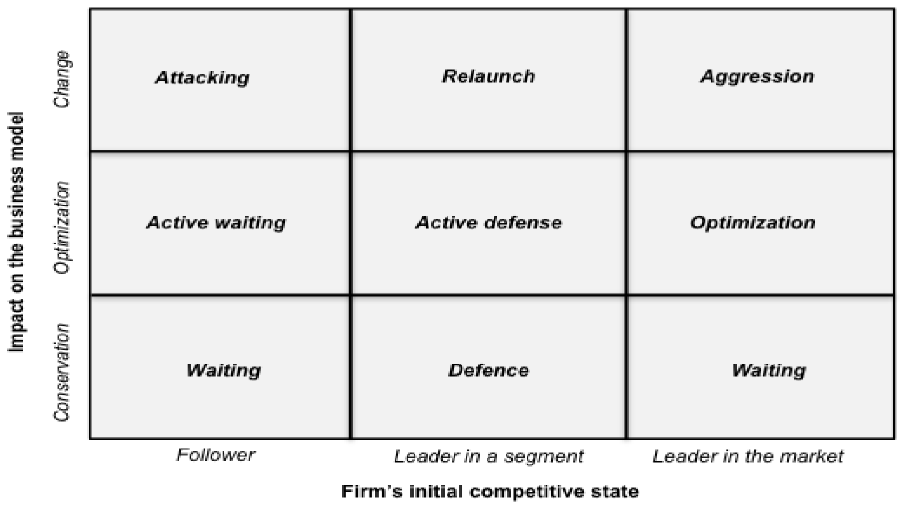
- conservation options: these essentially maintain the business model;
- optimization options: these change the business model (business, strategic position or macro structure) optimizing it without modifying its underlying structure;
- change options: these result in a structural change to the business model.

2) the firm's initial competitive state:

- leader firm[4] in a given market segment;
- leader firm in an entire market
- follower firm.

By combining the two dimensions (implications for the business model and initial situation) it becomes possible to identify nine types of strategic options; these are presented in the matrix below.

**Figure 1: The Nine Types of Strategic Options**




In addition to the two principal dimensions, each strategic option can also be assessed in relation to the following parameters:

- expected economic and financial returns over a specific time horizon;
- degree of operating and financial risk relating to these returns.

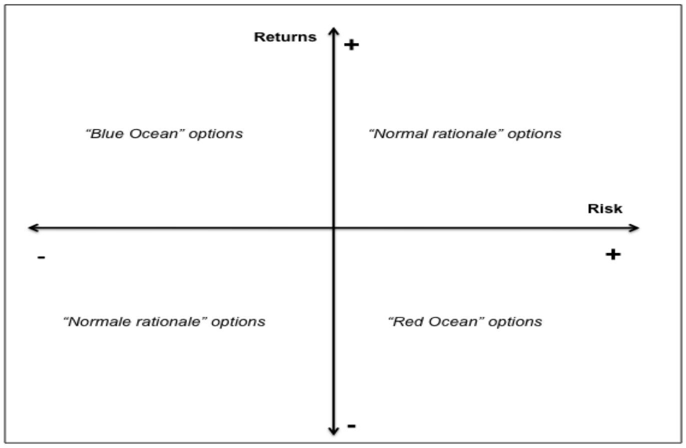
Economic and financial returns depend on the time profile of revenues and costs, and of cash inflows and outflows.

The degree of risk depends on how uncertainty is measured in both the business (operating risk) and financial (financial risk) dimensions.

Leaving aside risk propensity – whether high or low – returns and risk should normally follow the same trend: as the degree of implicit risk grows, so should expected returns and vice versa (top right and bottom left in the figure below).

[4] A leader firmisonethat, within a marketsegment or market, has a competitive advantage (in terms of cost or differentiation). For more on the concept of competitive advantages Porter (1985).

**Figure 2: Returns and Risk Matrix**




Anyway, expected returns and risk do not always respond to 'normal rationale'; this is the case of areas known as 'red' or 'blue oceans' (Kim & Mauborgne, 2005), to use the terminology that has become fashionable in recent years.

In the first area, the red ocean, the options worsen both risk and returns with respect to the initial situation. Of course these are unfavorable options, chosen only in the absence of alternatives: by definition, the red ocean implies a worsening of competitive conditions.

In the opposite case, the blue ocean, a lower degree of risk is associated with increasing expected returns. This is made possible by very innovative positions that enable the firm to outplay competition and exploit first mover advantages.

## 3. *Case Study*

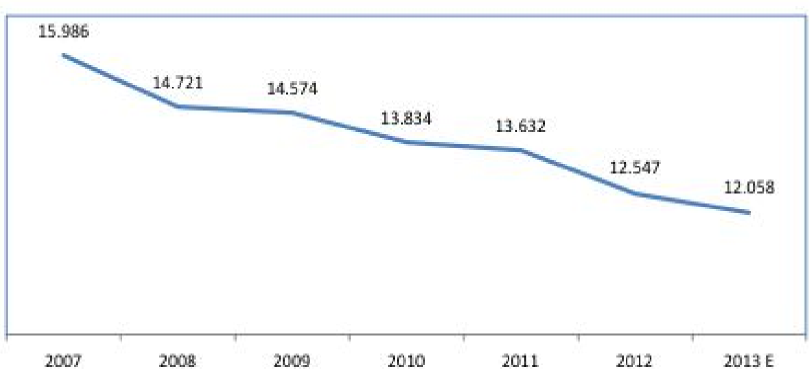
### 3.1 2008 – 2013 Global Recession and Crisis in the European Automotive Industry: A Revolution in the Strategic Scenario

The year 2008 was probably a turning point in modern economic history: in that year the effects of an unprecedented global financial crisis revolutionized the global economic scene.

The European business cycle worsened in 2010, owing to increases in the sovereign debt of the more structurally fragile states whose financial balances had been hard hit in the first phase of the global recession.

The automotive market is traditionally one of the most vulnerable to recessions: from 2008 onwards, there was an output shock. The European auto market contracted by 10% between 2007 and 2009, and 25% between 2008 to 2013.

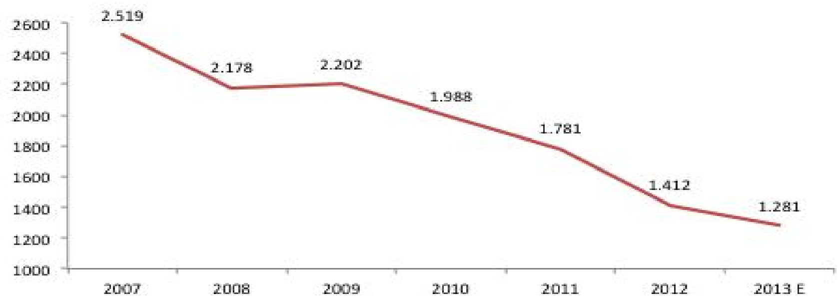
**Figure 3: New Cars Registration EU 27 + EFTA (000)**




Source:IHS automotive, 2013

In this scenario, the Italian automotive market slumped (despite massive government support in the form of car-scrapping schemes in 2009 that partially reversed the downward trend): in 2013 new car registrations were 50% lower than in 2007.

**Figure 4: New Cars Registration Italy (000)**




Source:IHS automotive, 2013

Such a massive contraction brought into question the sustainability of the European automotive sector, forcing market players to carefully reassess their strategy: some experienced the downswing passively, while others, by means of strategic repositioning, transformed the threat into an opportunity and exploited the crisis to gain ground on competitors and grew by embracing new market opportunities.

As seen in the past and in other contexts, the crisis became a catalyst for strategic renewal.

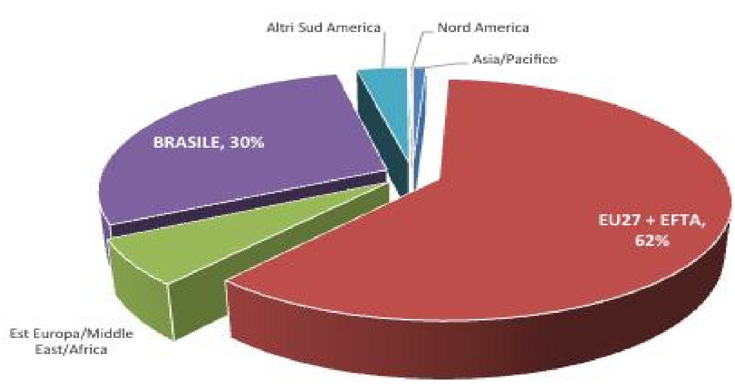
### 3.2 Fiat's Automotive Business on the eve of Global Recession

The year 2008 was a pivotal moment in Fiat's history. Having avoided bankruptcy (given as certain by numerous analysts in 2004 for the car making division at least), the company was engaged in a complex and far-reaching restructuring operation that ensured continuity of business during the period 2004–2008 and boosted Fiat's competitiveness in Italy and in Europe: the success of several models launched in the previous 5 years continued, alongside a respectable pipeline of new product launches that strengthened the main brands (Fiat, Alfa Romeo and Lancia).

Nevertheless, at the start of 2008 the competitive condition of Fiat remained critical in a number of aspects:

1) Lack of geographical market diversification. Around 92% of the global auto sales volumes of the Group's three main marques (Fiat, Alfa Romeo and Lancia) were concentrated in two markets: Europe and Brazil (62% and 30% of sales in 2008 respectively). In Europe, Italy alone accounted for 60% of total sales. This level of geographical concentration exposed the firm to a high degree of business cycle risk in these markets.

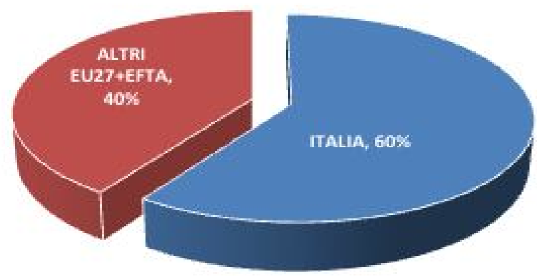
**Figure 5: Fiat Group: Sales Breakdown World (2008 – volume)**




Source:IHS automotive, 2013

2) Market coverage focused on small, low cost segments. 70% of Fiat's sales volumes were generated in small, low cost segments by sales of Panda, 500 and Punto (in Europe) and Palio, Siena and Uno/Mille (in Brazil). These small (and mostly cheap) cars had low retail prices and unit margins. Therefore high sales volumes were required to sustain a profitable competitive position. Furthermore, a high degree of business concentration in this type of segment exposed the firm to substantial financial risk, since a market contraction could have resulted in sales volumes that were insufficient to guarantee the financial sustainability of competitive positions.

**Figure 6: Fiat Group: Sales Breakdown Europe (2008 – volume)**




Source:IHS automotive, 2013

3) Inefficient production configuration. Most of the Group's output capacity was based in Italy, a country with very high production costs and low productivity, while the Brazilian facilities served the local market only. This production configuration was critical, particularly considering the Group's market position in segments with low unit margins, as stated above.
4) Lack of financial solidity. During the period 2004-2008, Fiat Group's annual accounts clearly reflected the financial crisis; despite the renewed competitiveness (that required additional financial resources) in 2008, the continuing financial vulnerability limited investment capabilities.
5) A technology gap with respect to competitors. During the financial crisis, and to a certain extent during the initial years of the turnaround, Fiat Group found itself lagging behind its competitors in terms of technology, as a result of insufficient financial resources to support adequate R&D investments. This technology gap constituted a potential obstacle to renewed competitiveness in an almost saturated European market with competition progressively intensifying, increasingly stringent environmental and safety norms, and ever more demanding consumers.

### 3.3 Fiat's Strategic Options: Identification and Choice

Figure 1 confirms Fiat Group's position in 2008 as a follower.

On the eve of the global financial crisis, Fiat's range of options was confined to the left part of the matrix, in other words due to the follower position its management could opt for an attacking strategy, an active waiting strategy or a waiting strategy.

Each of these three options envisages a number of different strategic choices relating to four key dimensions:

- geographical coverage: from focalized to global geographical coverage;
- market coverage: certain segments only or extensive market coverage;
- brand : generalist or premium;
- innovation: low to high perceived product innovation.

Changes made within these dimensions result in more or less radical changes in a firm's business model.

For example, a shift in geographical focus from one continent to a global presence results in a significant change in geographical coverage and hence in strategic position; the shift from generalist to premium brand results in a change in purchasing motivations, supply system and target (taken to the extreme, even in the identification of a new business).

Naturally, not all options have the same impact on the business model. The difference between options designed to preserve, optimize or change the firm's position depend on the intensity of movement in each dimension.

As is often the case, the strategic choices made by Fiat's management did not clearly represent one of the three directions, but rather were a combination of attacking and waiting strategies that brought into play on the one hand options with a major impact on the firm's business model and on the other hand rather more conservative options.

### 3.3.1 The First Strategic Option: Attacking. The Chrysler gamble

The first strategic option adopted by Fiat was an attacking option, one that brought about a profound change in the Group's business model.

This particular strategic choice tackled one of Fiat's structural weaknesses, its strong geographical concentration, and it was implemented by investing in the US Chrysler Group (Caputo, 2012) to achieve greater geographical market diversification.

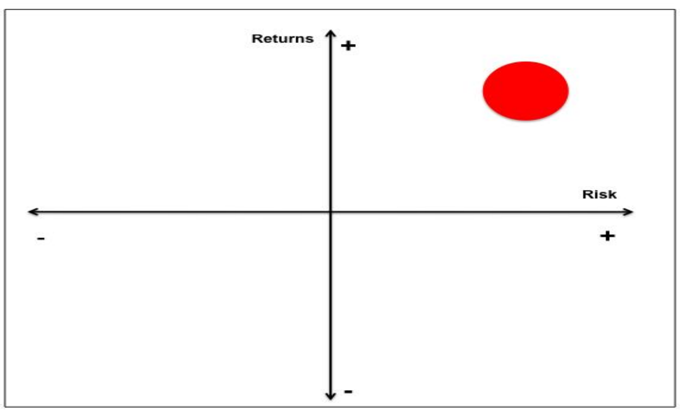
Fiat's management was all too aware that market overexposure in Europe and in Italy (the worst hit by the global recession) was one of the Group's most critical pre-crisis factors (in the conviction that the costs of developing new models outweighed their performance potential in a depressed market); therefore, it opted to direct all available resources towards penetrating the US market. Historically, this was one of the world's largest automotive markets (where Fiat had never previously succeeded) that offered far better recovery prospects than the domestic market.

So as to implementing this first attacking option, on 10 June 2009 Fiat acquired its first 20% stake in the US Chrysler Group (the historical US car maker that had run into crisis in previous years), exploiting US government support to the firm (by then on the verge of bankruptcy) in the form of a bridging loan to fund restructuring.
Fiat increased its initial 20% stake through a series of subsequent investments, up to 65% at the end of 2012 and completed the Chrysler acquisition at the beginning of 2014.

Due the great impact on Fiat' business model, traditionally focused on the European market, the choice of broadening the geographical scope was a deep change in Fiat competitive attitude.

In terms of expected returns and risk, this option belongs to the top right area of figure 2, with high expected returns (high revenue and financial inputs and greater production efficiency potential) coupled with higher risk (in both operating and financial terms).

**Figure7: Strategic Option 1: "Attacking"**



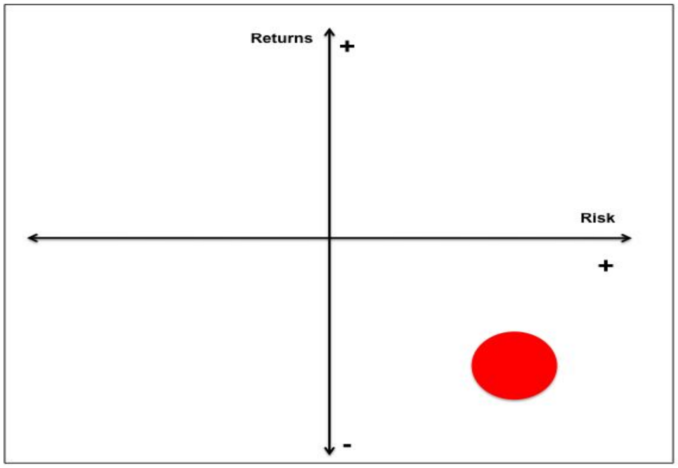

### 3.3.2The Second Strategic Option: Waiting. Slow-Down in New Product Development

In conjunction with the first attacking strategic option, Fiat's management opted to implement a temporary waiting strategy, partly dependent on the successful completion of the Chrysler operation. This option entailed the suspension (or considerable slow-down) of investments in product development for the European market (from 2009 onwards). The temporary waiting strategy ensured Fiat's financial sustainability during the recession and facilitated the investments required to complete the Chrysler operation.

Moreover, as the Group's management has publicly confirmed, the decision to hold back investments in product development for the European market was based on the conviction that new model launches in a depressed market would not generate sufficient returns on the massive R&D expenditure involved, and would jeopardize the survival of the Group's European car-making business.

Nevertheless, the natural side-effect of this strategy was a decline in market share: in recent years Fiat has recorded the biggest decrease of all market players.

**Figure 8: Strategic Option 2: "Waiting"**




In terms of expected returns and risk, this option belongs to the bottom right area of figure 2, the red ocean, characterized by low expected returns and a high degree of risk related above all to the tightening of competitive conditions and the loss of European market share.

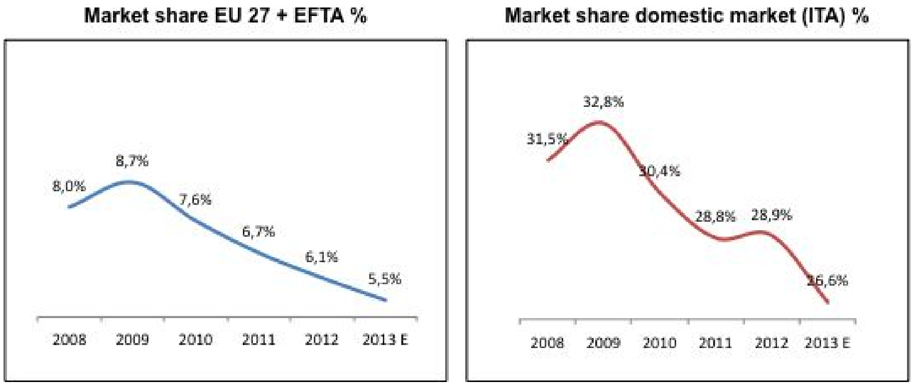
It is interesting to compare Fiat's defensive strategic option (waiting option) with that implemented by the French PSA Group (Peugeot-Citroen) in the same period.

Despite many similarities with Fiat Group, and consequently the similar range of strategic options on the eve of the recession, PSA Group made a number of radically different choices with respect to Fiat, focusing on intensive renewal and development of its European product range (with 22 new models launched in the four years period from 2009 to 2013)[5].

The differences between the two diametrically opposed approaches is reflected in the market share trend of the two Groups in the last five years (figures 9 and 10). Comparison of market share performance highlights how PSA Group successfully maintained a constant market share while Fiat Group recorded a dramatic decline. These results should however be interpreted in the light of the rather different investment strategies pursued by the two Groups.

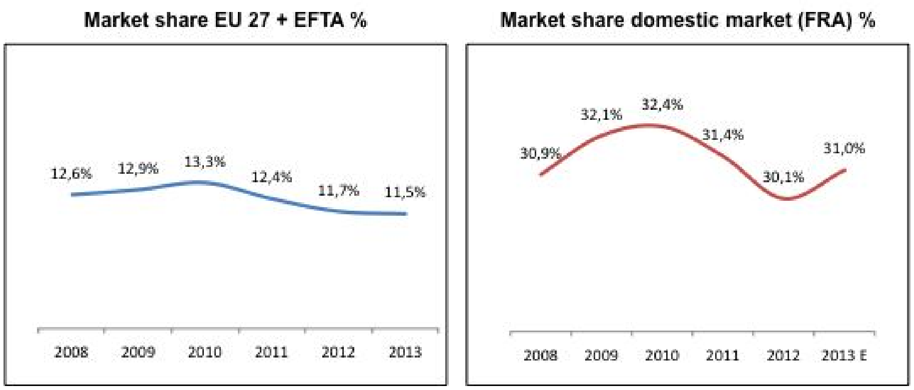
[5]Main Citroen new models launched in the period 2009-2013: C-Zero (2010), C-Elysee (2012), C3 New (2010), DS3 Hatchback (2008), DS3 Cabrio (2013), C4 New (2010), DS4 (2010), DS5 (2011), C4 Aircross (2012), C4 Picasso New (2013), C4 Grand Picasso New (2013). Main Peugeot new models launched in the period 2009-2013: iOn (2010), 208 hatchback (2012), 301 Sedan (2013), 308 hatchback (2013), 508 Sedan (2010), 508 Station Wagon (2010), RCZ (2009), 2oo8 (2013), 4oo8 (2012), 3oo8 (2009), 5oo8 (2009),

**Figure 9: Fiat Group market share**




Source:IHS automotive, 2013

**Figure 10: PSA Group Market Share**




Source:IHS automotive, 2013

In this case, therefore, two apparently very similar market players interpreted the competitive scenario and the range of strategic options in a radically different way. Fiat chose to avoid the recession in its main market (by pursuing geographical diversification) to the detriment of its competitive position. Conversely, PSA opted to consolidate its position on the domestic and European markets by updating its product range with models capable of solid sales performance when the market recovered.

Even today, it is difficult to establish which was the better strategy. On the one hand, Fiat's internationalization strategy is complete (at least as far as the Chrysler acquisition is concerned) but to see the results Fiat need some more time; on the other hand, depressed European sales prevent PSA from reaping the benefits of its heavy investments in product range renewal and modernization.

### 3.3.3The Third Strategic Option: "Attacking". Repositioning after the Recession

Fiat's final strategic option (yet to be implemented, despite a number of announcements by the Group's management) has a different time horizon and is linked on the one hand to global economic recovery and on the other hand to the completion of the Chrysler acquisition[6], that took place just a few months ago.

The second attacking strategic option consists of a product range shift from the small, economic segment (generalist brand) to the premium segment, a major change in the Group's strategic position, to be achieved over a number of years and following the successful completion of the Chrysler merger.

The objective of this third option, designed to complement the first two, is to boost sales margins through an increase in unit prices by means of brand repositioning and placing products in a higher market segment.

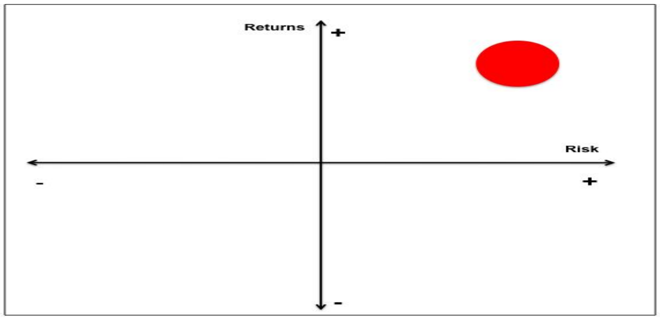
[6] The Chrysler acquisitionwas completed in January 2014.

This strategy is exemplified in the decision to develop the Fiat 500 concept (initially belonging to the micro-car segment) into a complete product family in other market segments (the 500L in the small MPV segment; the 500X in the compact SUV segment; and possibly a 500 in the small hatchback segment). The objective is to transform a successful name and model (500) into a well-known, high level brand capable of justifying its position in a higher price range than the traditional Fiat commercial brands (e.g.. Punto, Idea, Sedici, etc.).

The recent declarations made by the Group's management relating to the re-launch of Alfa Romeo as a premium brand also fit in with this scenario.

In terms of expected returns and risk, this option belongs to the top right hand area of figure 2, characterized by high expected returns (higher revenues and financial inputs) and a higher risk (both in operating and financial terms).

**Figure 11: Strategic Option 3: "Attacking"**




### 3.4 Discussion of Fiat's Strategic Options

In recent years Fiat Group's management has made a number of very clear strategic choices that even today, and certainly in the near future, will have significant effects on the firm's business model in relation to its competitors. Though not yet complete, certain positive and critical aspects of the new strategic direction can be analyzed.

The principal positive effects can be summarized as follows:

- The FGA Business Unit (the European automotive business) has survived both the prolonged recession and the turnaround process. Such an outcome could not be taken for granted even 10 years ago (the same is true of many European competitors) and is undoubtedly a management success, confirming the validity of strategic choices made in recent years.
- The strategy allowed Fiat's European automotive business to post a profit during the recession from 2008-2011 and to contain losses in 2012-13 at a time when the European car market witnessed an unprecedented drop in sales (in the 2012 financial year FGA suffered a loss of 700 million euros in contrast to the 5 billion euro losses of the PSA Group).
- The strategy of suspending capital expenditure (while Fiat's stake in Chrysler grew, reaching 100% today) enabled Fiat Group to close 2012 with plenty of cash and thereby complete the acquisition in 2014 and ensure a significant source of self-funding for the future. This aspect is crucial, since completion of the takeover will free up Chrysler's cash flow in the near future (and possibly generate surplus liquidity from Chrysler's Wall Street listing), making it possible resume investments in European products and fully implement the policy of brand repositioning in the premium market segment[7].
- Greater diversification (both actual and potential) of the Group's business translates into a reduction in risk, which in turn lowers the cost of raising funds.

The key critical aspects can be summarized as follows:

[7]Certain contractual clauses negotiated by the US government at the time of Fiat's acquisition of its first 20% stake in Chrysler expressly forbid the use of Chrysler Group's liquidity to fund Fiat SpA's operations and/or investments. Until the takeover was complete, the cash flows generated by Chrysler had to remain in that Group. Upon completion, with the creation of one company, it will be possible to use cash flows to invest in all the new Group's business and markets.

- The chosen strategic position inevitably resulted in weak performances in EMEA, both in competitive terms (decrease in market share, widening of the product technology gap, etc.) and in terms of the knock-on effects of the suspension of investments on Fiat's European stakeholders (e.g. employees, suppliers, governments, etc.) caused by lower sales and under-saturation of production facilities.
- The announced intention to resume product investments and start product range renewal from 2015-16 seems unlikely to occur within the intended timeframe.The launch of new models in this two year period would have required hefty investments in 2013 and 2014, an option not compatible with the strategic priority of acquiring 100% of Chrysler and merging the two firms.
- The strategy of limiting and delaying product investments implies a competitive disadvantage for Fiat products. A new generation of products launched later than those of competitors risk lagging behind in competitive terms (technology, content, etc.). This aspect is even more critical in terms of competitive repositioning in the premium market segment.
- The decision to reposition the brand in a high segment necessarily implies a reduction in sales volumes (despite higher margins) with respect to the more generalist pre-recession position. It is therefore reasonable to suppose that in the coming years Fiat Group will be faced with unsustainable excess output capacity, and will be forced to make drastic and painful industrial rationalization decisions.

## *4. Conclusion*

Fiat Group has in recent years been the protagonist of a high-impact turnaround that is even more significant when viewed in the light of the global economic recession and its adverse impact on the automotive sector in particular.

Fiat's re-launch has been made possible by the identification and implementation of certain strategic options, each with specific (current and future) risk and return profiles, which in an innovative, synergistic way had (and in future will continue to have) a significant impact on the Group's business model.In the coming years, it is likely that Fiat will continue on its path of profound change by making new strategic choices; for example, by seeking new alliances to complete the process of diversification and global extension (into Asia), to recoup the technology gap, or to rationalize its brands.

The aim of this article is to underline the relevance and the links among the different strategic options that have changed and will continue to change Fiat's business model. Moreover, this article was aimed at describing the reasons of one of the most significant turnaround of the recent year.By describing these options and the synergies among them, some interesting opportunities to advance strategic management research and practice have emerged.

This work contributes to the literature by adding a new strategic perspective on the analysis of strategic options. Traditionally, strategic options literature is traced to strategic decision making literature (Mintzberg, 1990, 1994; Porter 1985) and it is focused on the opposing perspectives defined as the 'design' versus the 'process' school. In this paper, without deny the relevance of this strategic roots, we used a partially different perspective of analysis focusing on the relationship that strategic options have with one of the core concept of strategic management literature: business model.

Through the lens of Fiat' case, the article contributes to shed light on the role of strategic options (strategic choices and actions) on the process of business model's shaping. Moreover, from a more practical point of view, the classification of strategic options given in this paper and based on two key dimensions (implications on the business model and initial competitive state), to which the extra dimension of expected risk and returns was added, could represent an useful scheme by which a firm can identify and evaluate the strategic actions at its disposal.

Indeed, within the field of strategic management the theme of strategic options offers not only analytical, creative and process-related potential but also significant behavioral and political value. Further developments both in practice and through research are awaited to reveal the full potential of the concept of strategic options for the practice of strategic management.

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