

# A simple way to define the Strategy of your company

*The essence of strategy is choosing what not to do.*

*Michael Porter*

Be simple is the first and most important rule .

Even in defining the strategy to become a truly High Performance Company.

*A complicated strategy cannot be communicated, it cannot be applied and it cannot be pursued.*

**Very simply strategy is nothing other than finding and cultivating our own competitive advantage.** If this starting point is clear, all the rest will be simple That is to say, even more simply, **understanding or deciding what we can do differently and better in comparison to our competitors, and to pursue it:** defining the elements of the offer of products and services that put you in the condition for which customers buy from you and not from your competitors.

Let's start by saying immediately that a competitive advantage must have certain characteristics:

- it must be **unique** (if too many firms already have it, then why should it make us different?);
- it must be **hard to imitate** (therefore to be able to be sustainable);

- it must **create more value** for the client, compared to the alternatives.

We have said that the first point in defining a strategy is that of knowing one's own market, one's competitors and obviously the product to the best. But first and foremost you must **reach a shared definition of who you are now**. But why, you will say, is there a need to discuss what we are? Certainly, every member of your management, you will discover, probably sees the company in a different way, or only sees a part of it. Meet with your management team and answer some questions.

### **Step 1: Where are you and who are you? (now you need to Analyse)**

Describe your competitive arena. Who are your competitors? Who sells products similar to yours? Who sells to customers similar to yours? Who sells an alternative product or service to yours? Why do your customers buy from your competitors? What do they seek from them that you are not able to offer?

This analysis must have done gathering the greatest possible amount of information about your market, and, especially about your competitors (turnover, margins, market share etc.)

*Key question:*

*who are your 3 main competitors and why do your customers buy from them?*

Speaking of "your market", in what business are you? What do you really offer your customers? How do you create value for them? If you talk to your customers, what do they say about you? Why do they buy your products? What do they look for in your products? Which products and customers ensure you some margins today? Which no?

*Key question:*

*what do you really offer your customers?*

**Step 2: In what are you unique and what is important for you?** (now you need to **Reflect**)

Now try to define where you are already different. What do you do extremely well? What makes you better than your competitors today? What are the specific competences that make you different, and that allow you to best satisfy your customers? In what way are you better than your competitors?

**Step 3: Where is your market moving?** (now you need to **Assess**)

Now analyze the market trends, the "external situation":

The markets (consumers), The competition, The technology, The markets of suppliers, The markets of labour, The economy, The regulatory context.

Try to define the opportunities and the risks of the external context. Ask yourself: which are the most serious threats that could strike you in the future? What are the hurdles to the growth of your sector and your firm? How are the tastes of your customers changing? What are they asking for today, and what will they want in the future? Have a brainstorming session with your management team.

*Key question:*

*how and where will my market be moving in the future?*

**Step 4: Where do you want to go and what do you want to be? (Now you need to **Dream**)**

Now it is the moment to define your future. This process cannot only be rational; we have seen that it must be **rational-creative-entrepreneurial**.

Some questions can help you.

In an ideal world, how would you like your firm to be described in five years' time?

Describe it, or draw it. Be creative, dream.

What should you change in the organisation, in the products, in the services? Who should your target customers be? What characteristics will they have? How will you be able to satisfy them in a unique and differentiating way? Will you focus on unique products or on lower costs? What type of organisation will you need? In what way is it different compared to the current one? What type of people will you need? Will your present competitive advantage allow you to be unique even in the future? Do you need to develop new competences?

Will your "company of the future" be able to overcome the greater difficulties that you have defined? Will your "company of the future" be able to put your competitors in difficulty and steal market share from them? Or "to create new markets?"

How must your P&L be in five years' time? What top line must you have? What margins and costs?

*Key question:*

*in what unique way will I want to satisfy my customers in the future?*

## **Step 5: What must you do to move toward your desired future?**

(Now you need to **Plan**)

What can you do immediately to move in the direction that you have defined? What changes must you make in terms of organisation, people, products, investments, sales processes and marketing processes? How can you focus on the customers and products that give you more margins?

Some questions that might be useful to you in this process:

If you started your activity with the competences that you have today, what would you NOT do anymore? What would you do differently? What would you do immediately?

*Key question:*

*What can I do immediately to move toward my desired future?*

We have said that it is fundamental to aim for simplicity. **When you define your plan of action, ask yourself what you can simplify, outsource or eliminate?**

Once you have all the information at your disposal (don't forget, the process must be shared), you must gather it all in a document that is simple, logical and easily communicable.

Finally, you can revise your KPIs , so that now they reflect your new desired future state. If today your business model is, for example, tied to costs, you will have many indicators linked with the costs themselves; if tomorrow you want to be unique for the speed with which you serve your customers, then you must have KPIs that reflect this new strategic intention.

**Lastly, don't forget to create operational plans for every function.** Indeed you have to remember that often, in the end, the execution is more important than the strategy!

If we want to simplify even more, there is a definition of strategy that I like a lot: Richard P. Rumelt, defines strategy as a kernel divided into 3 parts.

Indeed Rumelt says that strategy is a "type" of problem solving made up of a diagnosis of the challenge that awaits us (that derives from our analysis of the market and the current situation, steps 1,2 and 3), the guidelines to tackle this challenge (step 4) and finally an action plan to develop these guidelines (step 5).

We often find ourselves faced with strategic documents with a sophisticated analysis of the market, of very clear (in theory) actions and a slide at the end that says that implementation will be done subsequently. **It is instead fundamental to consider that implementation is a fundamental part of the strategy.....**

*Simone Gibertoni*

From from "[High Performance Company Manifesto](#)" by Simone Gibertoni