



### A Playing to Win strategy will answer five questions:

1. **What is our winning aspiration?** The guiding purpose of the enterprise
2. **Where will we play?** The geographies, customer segments, channels, products, and stages of production in which we choose to compete
3. **How will we win?** The competitive advantage we need to win in our chosen market
4. **What capabilities must we have?** What we will need to do at the highest level, in order to win in that way
5. **What management systems do we need?** How we will build, support, and measure those capabilities

These questions are interconnected and make up the **strategy cascade** that will be the foundation of our work.

Let's look at each question in turn, and then explore an example to make this more concrete.

1. **What is our winning aspiration?** The guiding purpose of the enterprise

A winning aspiration describes what our organization exists to do and is a choice about what business we're really in.

The aspiration sets the frame for the other four questions. It is concrete, specific, and ambitious. Think about winning *with* customers and *against* competition.

Take Southwest's winning aspiration: To deliver the highest employee and customer satisfaction, and to be the highest-profit airline in America.

Or Nike's: To bring inspiration and innovation to every athlete\* in the world (\*If you have a body, you're an athlete).

We want an aspiration that will allow us to *win*, not simply to play.

A too-modest aspiration is far more dangerous than a too-lofty one because the rest of our strategic choices build from this aspiration.

Winning is the only real path to sustainability. If we don't try to win, our chances of accidentally doing so are very low.

Once we set our aspiration to win, the remaining four questions directly relate to how we'll realize that aspiration.

2. **Where will we play?** The geographies, customer segments, channels, products, and stages of production in which we choose to compete

Where do we compete?

Which customer segments, channels, product categories, and geographies do we serve?

This is the playing field on which we choose to compete—the locations and customer segments we serve, the products we offer. We can define our playing field by:

- **Customer segment:** What groups of consumers will we target? Which of their needs will we meet?
- **Distribution channel:** How will we reach our customers?
- **Product type:** What kinds of products and services will we offer?
- **Geography:** In what countries or regions will we compete?
- **Stage of production:** In what stages of production, or what part of the value chain, will we engage?

Choosing where to play is also, of course, about choosing where *not* to play. We shouldn't attempt to serve everyone or accept our current choices as inevitable.

Many companies' go-to-market "strategy" is to create something to sell to everyone.

- But these products or services often *don't* sell, because they don't meet anyone's needs well.

The other mistake some companies make is to try to meet too many customers' needs.

- These organizations customize their products or services for virtually every customer.
- This is an expensive business model and difficult to scale.
- It's better to delight profitable segments of customers, not individuals. Let's look for clusters of customers with similar needs and whom we can serve well with a single approach.

A company like Southwest Airlines has made very specific where-to-play choices:

- Target price-conscious regular travelers.

- Sell through its own online channel on southwest.com.
- Serve only secondary airports with point-to-point service.
- Offer only one class of service.
- Fly only in North America.

Southwest chooses *not to play* internationally, at major hub-and-spoke airports, or with travel agents.

### 3. **How will we win?** The competitive advantage we need to win in our chosen market

A strong **where-to-play** choice is only valuable if we support it with a robust and actionable **how-to-win** choice. The two reinforce each other to create a distinctive combination—and are the heart of strategy.

In choosing where to play, we find a smart playing field; how-to-win choices determine what we will do on that playing field.

With where-to-play choices, we consider a specific set of dimensions (geography, product, etc.). There is no single, simple set of categories of how-to-win choices. There are, however, two very broad ways to win, within which there are many, many choices.

At a high level, there are only two ways to create a sustainable competitive advantage:

- To be a **low-cost player** or
- To be a **differentiator**

As Michael Porter wrote in *Competitive Strategy*, the only ways to win (in other words, to create more value than our competitors) are either:

- To operate with sustainably lower costs or
- To differentiate by offering a significantly better product or service

**Companies that compete on low cost** include:

- Walmart
- Vanguard Group
- Southwest Airlines

They provide a standard product or service that they make as cost-effectively as possible. They focus on driving costs out of the system. They don't try to serve customers who want something other than their standardized products or who seek additional, expensive bells and whistles.

- Southwest, for example, wins by providing cheap, fast, efficient, and simple service in the complicated air travel industry.

**Companies that compete on differentiation** include:

- Whole Foods
- Chipotle Mexican Grill
- Procter & Gamble

They provide products or services for which customers are willing to pay a premium over competitive offerings. To do so, the companies seek to deeply understand customers and their unmet needs, doing whatever it takes to delight those customers over the long term.

Differentiation may be based on the product quality, branding, breadth of offerings, customer service, and so on. Chipotle, for instance, differentiates on the basis of its product offering and fresh, organic ingredients.

#### 4. **What capabilities must we have?** What we will need to do at the highest level, in order to win in that way

Capabilities enable our organization to bring the where-to-play and how-to-win choices to life.

- But capabilities aren't *everything* we do or every activity in which we engage.
- Rather, they're the specific activities that, when performed well, help us win in the way we've chosen.

Sustained competitive advantage is unlikely to be the result of any one capability (e.g., having the best sales force in the industry). Instead, it arises from a set of capabilities that fit with and reinforce one another.

Each capability needn't be different from competitors', but the full set should be distinct.

Southwest Airlines, for example, has to be good at flying airplanes, but it doesn't need to be any better at this activity than the competition.

To be a cost leader in the airline industry, though, Southwest needs to have its planes in the air as often as possible. So it needs to have capabilities related to making frequent and on-time departures, including speeding up the turnaround at the gate.

To realize our where-to-play and how-to-win choices, we may decide to:

- Continue investing in current capabilities
- Build up new ones
- Reduce investment in nonessential activities

5. **What management systems do we need?** How we will build, support, and measure those capabilities

Companies often neglect this last question in their strategy work.

But even if we set a winning aspiration, determine where to play and how to win, and define the capabilities we need, our strategy can still fail—spectacularly so—if we don’t also establish management systems that support our choices.

Many senior leaders expect everyone in the company to easily translate a high-level strategy and key themes into quick and definitive action—to make the right choices every day.

But we need the systems—the processes, structures, and rules that build our capabilities and that reinforce and measure our organization’s strategic choices—to see a strategy through.

These systems include things like:

- Customer relationship management (CRMs) systems
- Innovation reviews
- Performance and incentive management processes
- Customer referral systems

Management systems are the checks and balances on our other four choices in that they tell us, as we make choices based on our new strategy, if it is working.

Southwest, for example, had to create systems for:

- Analyzing the profitability of different routes
- Hiring, training, and retaining friendly staff