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As Your Company Evolves, Hold On to What Makes It Unique

Discovering your company's essence requires looking closely at what customers value, what competitors struggle to imitate, and what experimentation reveals about the organization's strengths. *by Stefan Thomke*

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Yaroslav Danylchenko/Stocksy

On May 25, 2026, Ferrari unveiled its first electric vehicle, the Luce, at a tightly controlled event for about 200 journalists. Reactions to its divisive styling were visceral. Luca di Montezemolo, Ferrari's former chairman, said the company risked "destroying a legend." Italy's deputy prime minister, Matteo Salvini, remarked that it looked nothing like a Ferrari. The day after the unveiling, Ferrari's stock fell 8.4%, though

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it recovered within about a week. For the Luce's interior and exterior design, the company had collaborated with an outsider: Jony Ive, Apple's former design chief, and his firm LoveFrom.

The debate over the Luce centered on Ferrari's "DNA" and its boundaries. The company's cars have long been known for beautiful, aerodynamic shapes that stir the emotions of fans and customers. To achieve them, designers and engineers negotiate conflicting objectives until they find the best solution. The goal has never been the fastest, most beautiful, or most comfortable car in the world but a magical blend of the three. "Ferrari is all about the emotion behind the driving experience," the late CEO Sergio Marchionne once explained. With the Luce, many fans felt the company had lost exactly that: its essence.

The Luce controversy raises a question every business leader should be able to answer but few can: *What is your company's essence?* Not a mission statement or a brand slogan, but something no competitor can do as well and that customers would miss if it disappeared. Pressed on the question, many managers describe their strengths in terms that could apply equally to their competitors: better customer service, faster product development, efficient production.

Aristotle would have recognized the problem. He defined a thing's essence by its category plus what distinguishes it within that category: humans, for example, are animals (the category) that reason (the distinction). In Aristotle's terms, these managers name only their category. Ferrari's employees, by contrast, have long understood that their advantage lies in how they balance competing dimensions of performance, a judgment refined over decades and embodied in the company's engineering and design process. Did Ferrari's leaders put that essence at risk by stepping outside this process to work with

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LoveFrom? Has electrification changed what the balance can be? Or is the Luce simply an experiment?

Essence relates to a distinction Harvard Business School professor Michael Porter drew in his 1996 HBR article, "What Is Strategy?" Operational effectiveness, he argued, means doing the same things as rivals, only better; strategy means deliberately doing different things, or doing similar things differently. Most companies, he observed, chase best practices, imitate one another, and end up indistinguishable. Is essence, then, strategic or operational? I would argue it is both. An essence is doing things differently *and* better than anyone else, and it lasts only when processes and products embody it, as Ferrari shows. That is why a single car could provoke such an outcry: Fans saw the Luce not just as a new model but as a statement about what Ferrari is becoming.

How to Detect Your Company's Essence

Consider Lego, which defines essence as *the few things it does better than anyone else, that solve a real problem, and that make money*.

When Jørgen Vig Knudstorp became CEO in 2004, the company was on the ropes, with falling sales and stagnant growth. His predecessor, an experienced turnaround specialist, had launched a restructuring program to cut $140 million in costs and laid off 10% of the staff, yet Lego sank deeper into financial distress. Turning the company around required overhauling its business systems and repeatedly asking probing questions such as "Is this really true?" "Do we really believe in that?" and "Why does the company exist?"

That probing led Lego to rethink its essence, which in turn guided management decisions. Knudstorp compared finding an organization's essence to finding purpose in life: You don't decide it; you detect it. For

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Lego, detection has been a never-ending journey of discovery, asking the same questions again and again, and the leader's job is to generate and synthesize the inputs.

Some of the most valuable inputs came from Lego's community of fans. Listening to them, the company realized that its building instructions mattered more than it had thought, because they allowed ordinary users to create extraordinary constructions. Lego expanded the resources devoted to instructions, and their quality and style improved. (Today, many are digital and 3D.) Another insight was that Lego connects pieces better than anybody else's. Its bricks must hold together firmly yet be easy for a small child to pull apart, and new bricks must fit ones made decades ago. Only extremely tight molding tolerances make that possible.

That insight exposed a costly mistake, one Knudstorp's own team had made. In 2006, as part of its rescue plan, Lego outsourced much of its manufacturing to Flextronics in a bid to streamline its supply chain and reduce costs. Instead, the move resulted in longer lead times, higher purchasing costs, and shorter lives for injection molds. Two years later, Lego ended the partnership, brought manufacturing back in-house, and invested in cutting-edge injection molding technology.

What makes an essence worth having? "First of all," Knudstorp explained to me, "it's a good idea that you have a unique purpose." But uniqueness alone isn't enough. He illustrated the point with the only pizzeria in the 10,000-person village where Lego has its headquarters: "You're very competitive in the town, but when you move over to the next town, you lost all competitiveness. Being the only pizzeria in a small town is not a good strategy or a great purpose for competing more broadly, unless it's a really good pizza, of course."

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Second, he said, "essence needs to be something that's quite rare, hard-to-imitate, and very important for obvious reasons." And third, "it must be something that's highly relevant to society—in our case, to both children and parents. So, essence is something that solves a problem and is valuable enough for customers to be paying a good price for it. And if you can do all of those things, you'd better be good at creating that value and then extracting a margin from it—the value-capture piece—because the rareness and uniqueness also help you command a price that makes you a profitable producer."

Knudstorp's probing questions launched a transformation in how the company operated. Having nearly gone bankrupt two decades ago, Lego became the most successful company in its industry. In 2024, it reported revenue of about $10.3 billion and a net profit of DKK 13.8 billion ($1.9 billion), a margin of roughly 19%.

Test an Essence's Boundaries

Detecting an essence tells you what it might be; testing reveals where its boundaries lie. When companies aren't sure, their leaders can treat each assumption about what is essential as a hypothesis to be supported or rejected, the approach I describe in my forthcoming book, *The Scientific Mindset: How Thinking Scientifically Drives Better Business Decisions*.

Most companies never get that far. They settle the question with opinion: the conviction of a senior designer, the belief of a CEO, a shared assumption that "this is who we are." Such judgments may be right, but nothing tells you whether they are, which is why acting on them carries the most risk.

Informal experiments do better. A prototype shown to a few customers, a new practice tried in one market, and a concept put in front of the fan community yield real evidence, even if they cannot isolate the cause.

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Rigorous experiments do better still: They manipulate one variable (the presumed cause) while holding others constant, revealing cause and effect. A carmaker might show loyal customers two designs that differ in a single feature to learn whether it changes their response. The more rigorous the test, the more confidence its results deserve, and the less a company is betting on belief alone. But rigor can come at a price: the more realistic the test, the more it exposes the company to customers who care most. Being wrong with a prototype is cheap; being wrong in a global launch is not. That makes the Luce a bold bet rather than an experiment.

Sometimes, an essential practice can become so entangled with a company's identity that testing is considered off the table. At A. Lange & Söhne, a maker of complex mechanical watches, almost everything has changed over the decades, including materials, machining, complications, and design. One thing has not: Every watch is assembled twice. The watchmaker adjusts each part until the movement runs smoothly, then takes the watch apart, has the parts cleaned and finished again, and reassembles it with oils and replacement parts to minimize wear. The watch already worked after the first assembly; the second achieves a level of perfection that is difficult to measure. The practice is an embodiment of Lange's essence: precision and craftsmanship. And for now it passes each of Knudstorp's criteria. It is rare: Other watchmakers reserve double assembly for their most expensive pieces; Lange applies it to every watch it makes. It is hard to imitate: The practice is inefficient and demands rare skills. And customers pay more knowing the watchmaker has gone to such great lengths.

The real risk isn't the practice; it's deciding never to test it. The easier question to test is whether the embodiment still works; the harder one, which comes along less frequently, is whether the essence itself still does.

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Markets and tastes keep shifting, so the continuing question for Lange is whether double assembly still sets it apart from rivals who also sell craftsmanship. That question is testable: Show prospective buyers the same watch, tell only some of them it was assembled twice, and compare each group's willingness to pay. What should prompt such a test? Potential customers who don't know the story, a generation that cares more about resale value than how a watch is made, or rivals making the same claim.

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Ferrari may yet be proved right about the Luce. But by stepping partly outside the process in which its designers and engineers negotiate speed, beauty, and comfort into cars that stir emotions, the company left itself to learn the answer in public, with a finished car and its reputation on the line. Lego had already learned this lesson the hard way. It, too, handed an essential process—injection molding—to Flextronics, discovered two years later what it had given away, and brought production back in-house. Its mistake played out in factories, not showrooms.

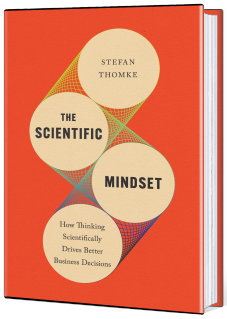
"Existence precedes essence," Jean-Paul Sartre argued in a famous 1945 lecture. "...man first exists, encounters himself and emerges in the world, to be defined afterwards." So it is with companies. They act first and recognize afterwards what those actions made them, which is why an essence is not declared, only detected, and why detecting it is an experimental process: Leaders form hypotheses about what is essential, test them through the products and practices they commit to, and learn from the results.

Technology and tastes change, and when they do, it can be how an essence is embodied that changes, and not necessarily the essence itself. Ferrari's essence is the emotion of driving; the shapes and

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sounds its designers and engineers have negotiated over the decades are how that emotion has been delivered. The leader's job is to know which is which, and that judgment demands evidence. Through every experiment they run and every product they launch, companies can learn what they can change and still be themselves. The challenge for business leaders, as Lange's CEO Wilhelm Schmid once told me, is "how to grow without losing yourself."



Stefan Thomke is the author of *The Scientific Mindset: How Thinking Scientifically Drives Better Business Decisions* (Harvard Business Review Press, 2026).

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