

Rumelt, Richard P. – Good Strategy/Bad Strategy, The Difference and Why It Matters*Crown Business, 2011, [Business] Grade* ★★★★★

This book on strategy is a new favorite of mine. I bought it six months ago and have already reread it twice. I resisted buying it for over a year because of the title but now after reading it, I have come to appreciate the title. The Bad strategy-part is a long awaited, elegantly expressed crusade against the too common superficial “fluff” within strategy, the use of slogans with words such as “superior,” “excellence” and “world-class” as symbols for progress. But bad strategy is more: failure to face/define the challenge, statements of desire instead of plans for overcoming obstacles and bad strategic objectives (“a dog’s dinner of objectives” or “blue-sky objectives”) that don’t address critical issues. I now realize that I have met many CEOs during the years who do not fully understand the kernel of strategy. “Executives who complain about “execution” problems have usually confused strategy with goal-setting”. Kudos for the attack on the annoying boasting; I believe it’s a much-needed awakening. One of the most interesting chapters is titled “Why so much bad strategy?” Almost everyone will recognize Rumelt’s features for it.

Richard Rumelt is an acclaimed Professor of Strategy at UCLA, and McKinsey even calls him “Strategy’s Strategist” in their review of this book. Good Strategy/Bad Strategy is written in the Ben Graham tradition of “Intelligence Investing” with the sole purpose of trying to convey a life’s work of true beliefs to the next generation. It’s obvious that neither a publisher’s tight deadline nor money/marketing have been in focus. Compared with my other favorite book within strategy creation, Greenwald’s Competition Demystified, this book has more of a bottom-up approach, focusing much more on management’s choices and coordinated reinforcing actions than on potential ownership of strategic resources.

What is good strategy then? The concept of strategy is pretty straightforward – to leverage your skills versus your weaknesses and to apply your strengths to the most promising opportunities. It sounds so simple in thought, still – according to Rumelt – few corporations have a strategy, and, even more interestingly, they don’t expect you to have one either. Few companies are prepared for competitors with a focused, coherent strategy – good strategy is

unexpected! There are three elements or stages in a strategy with rigor. I have to quote Dr. Rumelt on this:

- “A diagnosis that defines or explains the nature of the challenge. A good diagnosis simplifies the often overwhelming complexity of reality by identifying certain aspects of the situation as critical.
- A guiding policy for dealing with the challenge. This is an overall approach chosen to cope with or overcome the obstacles identified in the diagnosis.
- A set of coherent actions that are designed to carry out the guiding policy. These are steps that are coordinated with one another to work together in accomplishing the guiding policy.”

To me, the best metaphor for strategy is how a medical doctor operates when meeting a new patient. He/she would do all three steps, and would absolutely not forget the action, e.g. prescribing medicine. Strategy is about action. It is not uncommon to hear CEOs make statements like “Strategy is overrated or mainly for academics”. Maybe it’s because they have been too exposed to filling in the blanks in Vision/Mission /Values-templates, but more probably it is because they believe strategy stops with the “guiding policy”. Rumelt claims “The coordination of action provides the most basic source of leverage or advantage available in strategy.” The reading on the coordination aspects are extremely interesting, especially the discussion on how to manage chain-link systems in order to make them difficult to replicate.

The major part of this well-written book is about the “sources of power”. The sources – e.g. leverage, design, proximate objectives, chain-link systems, focus and advantages - will not surprise you, but the advice on these issues will almost certainly have an impact on your thinking. Being an avid “Buffett-follower”, Rumelt’s thoughts on sustainable competitive advantages in the subsection “Why you cannot get richer by simply owning a competitive advantage” enhanced my understanding on the subject.

The purpose of the book is to “give you a leg up toward crafting good strategies”. Dr Rumelt succeeded with his part – now it is up to us...

Michael Persson, February 25, 2013