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# Good Strategy Bad Strategy: The Difference And Why It Matters



## Synopsis

Clears out the mumbo jumbo and muddled thinking underlying too many strategies and provides a clear way to create and implement a powerful action-oriented strategy for the real world. Developing and implementing a strategy is the central task of a leader, whether the CEO at a Fortune 100 company, an entrepreneur, a church pastor, the head of a school, or a government official. Richard Rumelt shows that there has been a growing and unfortunate tendency to equate Mom-and-apple-pie values, fluffy packages of buzzwords, motivational slogans, and financial goals with "strategy." He debunks these elements of "bad strategy" and awakens an understanding of the power of a "good strategy." A good strategy is a specific and coherent response to and approach for overcoming the obstacles to progress. A good strategy works by harnessing and applying power where it will have the greatest effect in challenges as varied as putting a man on the moon, fighting a war, launching a new product, responding to changing market dynamics, starting a charter school, or setting up a government program. Rumelt's nine sources of power—ranging from using leverage to effectively focusing on growth—are eye-opening yet pragmatic tools that can be put to work on Monday morning. Surprisingly, a good strategy is often unexpected because most organizations don't have one. Instead, they have "visions," mistake financial goals for strategy, and pursue a "dog's dinner" of conflicting policies and actions. Rumelt argues that the heart of a good strategy is insight into the true nature of the situation, into the hidden power in a situation, and into an appropriate response. He shows you how insight can be cultivated with a wide variety of tools for guiding your own thinking. Good Strategy/Bad Strategy uses fascinating examples from business, nonprofit, and military affairs to bring its original and pragmatic ideas to life. The detailed examples range from Apple to General Motors, from the two Iraq wars to Afghanistan, from a small local market to Wal-Mart, from Nvidia to Silicon Graphics, from the Getty Trust to the Los Angeles Unified School District, from Cisco Systems to Paccar, and from Global Crossing to the 2007-08 financial crisis. Reflecting an astonishing grasp and integration of economics, finance, technology, history, and the brilliance and foibles of the human character, Good Strategy/Bad Strategy stems from Rumelt's decades of digging beyond the superficial to address hard questions with honesty and integrity.

## Book Information

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## Customer Reviews

Clears out the mumbo jumbo and muddled thinking underlying too many strategies and provides a clear way to create and implement a powerful action-oriented strategy for the real world. Developing and implementing a strategy is the central task of a leader, whether the CEO at a Fortune 100 company, an entrepreneur, a church pastor, the head of a school, or a government official. Richard Rumelt shows that there has been a growing and unfortunate tendency to equate Mom-and-apple-pie values, fluffy packages of buzzwords, motivational slogans, and financial goals with "strategy." He debunks these elements of "bad strategy" and awakens an understanding of the power of a "good strategy." A good strategy is a specific and coherent response to and approach for overcoming the obstacles to progress. A good strategy works by harnessing and applying power where it will have the greatest effect in challenges as varied as putting a man on the moon, fighting a war, launching a new product, responding to changing market dynamics, starting a charter school, or setting up a government program. Rumelt's nine sources of power—ranging from using leverage to effectively focusing on growth—are eye-opening yet pragmatic tools that can be put to work on Monday morning. Surprisingly, a good strategy is often unexpected because most organizations don't have one. Instead, they have "visions," mistake financial goals for strategy, and pursue a "dog's dinner" of conflicting policies and actions. Rumelt argues that the heart of a good strategy is insight into the true nature of the situation, into the hidden power in a situation, and into an appropriate response. He shows you how insight can be cultivated with a wide variety of tools for guiding your own

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**Exclusive: Walter Kiechel Reviews Good Strategy Bad Strategy** Walter Kiechel is the author of *The Lords of Strategy*. Until January 2003, Kiechel served as editorial director of HBP and senior vice president in charge of its publishing division, with responsibility for the Harvard Business Review; HBS Press, the company's book-publishing arm; the newsletter unit (which he helped start in 1996) as well as HBP's video, reprints, and conference businesses.

Considering the source, this is a shocking book. For over 40 years Richard Rumelt has made distinguished contributions to the field of strategy, in his theorizing, teaching, and consulting. Now comes the deponent to tell us that what purports to be strategy at most organizations, not just companies but not-for-profits and governments as well, hardly merits the name. Instead it represents what he calls "bad strategy"--a list of blue-sky goals, perhaps, or a fluff-and-buzzword infected "vision" everybody is supposed to share. Refreshing stuff this, seeing the corporate emperor revealed not in his imagined suit of armor but rather in something resembling a diaphanous clown suit. Rumelt drives the point home with a simple explanation for why most organizations can't do "good strategy": the real McCoy requires making choices, feeding a few promising beasties while goring the oxen of others at the management table. But the jeremiad, fun as it is--and it is fun, Rumelt has a good time punching holes in the afflatus of bad strategy--isn't my favorite part of the book. That would be the second section, with the slightly daunting title "Sources of Power." To be useful to a practitioner, a book on strategy needs not only a straightforward framework but also a certain craftiness, a set of ideas that prompt the reader to think "What a neat idea" or "How clever of them." Rumelt has the clear, elegant framework in what he calls the "kernel"--a diagnosis explaining the nature of the challenge, a guiding policy for dealing with it, coherent actions for carrying out the policy. In "Sources of Power," though, he goes deeper than the merely crafty to identify potential levers of for strategic advantage--proximate objectives, design, and focus, among others--that transcend the purely economic. Repeatedly he demonstrates how to think down through the apparent challenge, with questions and then questions of those questions, to get at what can be the

bedrock of a good strategy. In a final section on thinking like a strategist, we get a sense of what a delight it must be to sit in Rumelt's classroom, or with him on a consulting assignment, as he leads us through the best kind of Socratic dialogue to appreciate the kinds of blinders or mass psychology that can pose the final barriers to our forging clear-eyed strategy. If you want to make strategy, or be an informed part of the ever-evolving conversation around the subject, you will need to read this book. My bet is that you'll enjoy the experience. --Walter Kiechel

"The most interesting business book of 2011." --Financial Times "So much that's said and written about strategy is from my point of view complete junk, that I get excited when I hear someone focusing on strategy in a coherent and useful way...A very good book." --Forbes "The year's best and most original addition to the strategy bookshelf." --Strategy+Business "The whole middle section, about sources of power, is valuable particularly the explication of the limitations and nuances of competitive advantage." --Inc "Clearly written, thoughtful...This book is painful therapy but a necessary read nonetheless." --Washington Times "Represents the latest thinking in strategy and is peppered with many current real world examples. Good Strategy/Bad Strategy has much to offer and has every chance of becoming a business classic." --Management Today "Drawing on a wealth of examples, Rumelt identifies the critical features that distinguish powerful strategies from wimpy ones and offers a cache of advice on how to build a strategy that is actually worthy of the name. If you're certain your company is already poised to out-perform its rivals and out-run the future, don't buy this book. If, on the other hand, you have a sliver of doubt, pick it up pronto!" --Gary Hamel, co-author of Competing for the Future "Brilliant a milestone in both the theory and practice of strategy... Vivid examples from the contemporary business world and global history that clearly show how to recognize the good, reject the bad, and make good strategy a living force in your organization." --John Stopford, Chairman TLP International, Professor Emeritus, London Business School "Penetrating insights provide new and powerful ways for leaders to tackle the obstacles they face. The concepts of "the kernel" and "the proximate objective" are blockbusters. This is the new must-have book for everyone who leads an organization in business, government, or in-between." --Robert A. Eckert, chairman and CEO of Mattel "Richly illustrated and persuasively argued the playbook for anybody in a leadership position who must think and act strategically." --Michael Useem, Professor of Management at the Wharton School, University of Pennsylvania, and author of The Leadership Moment "Rumelt

writes with great verve and pulls no punches as he pinpoints such strategy "sins" as fluff, blue sky objectives, and not facing the problem. --James Roche, former Secretary of the Air Force and president of Electronic Sensors & Systems, Northrop Grumman. "This is the first book on strategy I have read that I have found difficult to put down." --John Kay, London Business School

I wasn't sure what to expect, and feared a turgid business book. But this is anything but. Mr. Rumelt's writing is clear, lively and opinionated. After several disastrous years working for a supposed expert in strategic planning, I am finding "aha!" and "OMG, Right?" moments on every page. Highly recommended for any leader who wants to improve his or her strategic thinking, and ability to spot a bad strategy a mile away. (After reading this book, I fear it'll be like shooting fish in a barrel).

I don't rate many of my purchases on here, but this book has become such a mainstay in my marketing consultancy references, that I had to review it. I've read it twice from cover to cover, and a dozen other times I've skimmed, jumped and searched the appendix. I have highlights, notes, pictures, dog ears and bookmarks on virtually every paragraph, and it's actually the only book I keep in my bag -- right next to my laptop. Three ways it helped me: IT DEFINED STRATEGY If you were to ask 20 people in business, "How do you define strategy?", you would get 20 different answers. This book resulted in me being able to define it for my clients, but also acknowledge how it's PER THE NAME - IT CALLED OUT BAD STRATEGY For years in my startup and advertising career, I always struggled with pinpointing why most strategies didn't seem like actual strategies; they seemed like fluffy B.S. Per the name of this book, I realized after reading GOOD STRATEGY, BAD STRATEGY that what I was seeing was perfectly-defined bad strategy. And I learned that I wasn't an outsider for thinking this, I was actually thinking about it better. IT LEVEL-SET ME I was also humbled a bit by this book. I used to always talk a little big-time like my strategic thinking made me too good for execution and tactics. Surprisingly, Rumelt focuses heavily on the importance of tactics and execution as a part of strategy. And the way he explained it made total sense, and actually got me excited about the small details. If you're in business, you need this book.

From a storied career of academic studies, Richard Rumelt coalesces his experiences with notable figures, such as Steve Jobs of Apple and Andy Marshall of the U.S. Department of Defense, and misguided characters, such as a headstrong CEO of a no-name graphics arts company, to form

Good Strategy Bad Strategy by explaining how to avoid disordered strategic thinking and formulate real strategies. Rumelt's own strategy in this guide is to juxtapose cases that display good strategy with those that fall short, resulting in the discovery of many commonalities of bad strategy. Through scathing narratives of entities that believe fluff and goals are real strategies, Rumelt argues that strategy must have a basis in action instead of a superfluous claim or set of goals. Rumelt's guide to correcting an organization's strategy starts with asking "what's going on here," builds by developing "what has to happen," and often ends with transformational decisions such as Intel's 1980s exit from its DRAM business. He puts forth his kernel of strategy as a blueprint to developing a good strategy. This kernel involves a diagnosis of the problem, a guiding policy that focuses on the criticalities, and a subsequent set of coherent and coordinated actions. Bad strategy is justly characterized as an absence of these three elements, leaving the culprit with a misunderstanding of the facts which leads to vacuous statements about sustainability and desired rates of return. Many of Rumelt's examples point to a bad strategist actively avoiding the difficult decisions while sidestepping the actions the kernel of strategy requires. The kernel seems obvious when viewed theoretically. Actually implementing it requires tremendous forethought, insightful analysis of an organization's current and future states, and a willingness to act. Rumelt does not introduce the kernel of good strategy until chapter five. It would benefit the reader to briefly survey the kernel prior to commencing the earlier chapters so as to have an objective frame of reference when reviewing introductory examples in the book. As a professor at UCLA, Professor Rumelt structures portions of his argument through case studies he has conducted via lecture. While narrating prior class interactions and case discovery, Rumelt discusses how Wal-Mart was able to obtain and maintain an advantage over Kmart. Unfortunately, Rumelt loses a portion of his impact as the anticipated revelation is reliant on a classroom setting, and he is unable to translate a "Susy said" and "Joe retorted" cadence into a structured thought process. The writing in the classroom style segments feels belabored. However, there are valuable lessons buried in this format. Those include a discussion on TiVo in which Rumelt challenged students to push past their initial solution to a strategic challenge. Rumelt redeems himself in the case of Nvidia and other straightforward examples. He abandons the class narrative and subsequently describes a succinct and manageable implementation of the kernel of good strategy. From Rumelt's

work, one can easily come to the conclusion that good strategy is uncommon and significantly lacking from most businesses and politicians today. Rumelt provides a basis for understanding strategy in its simplest form - good versus bad. He expands upon this through his kernel of strategy and by reviewing many notable examples of bad strategy, with a few illustrations of good strategy interspersed between. Rumelt utilizes his classroom as a setting to cultivate the conversation of good versus bad strategy and again, heavily relies on the cases. While the book tends to seem primarily focused on examples, they actually provide the easiest medium for understanding what strategy truly entails and how the details are the difference between good and bad.

I just recently learned of this book, and have been wowed by it since I started it. A must read for business types and those interested in strategy. Take George Santayana's advice Wow...

Provides a clear framework for what strategy is and isn't. Nothing really ground breaking for anyone with an MBA but an extremely well structured and concise description of how to structure strategic thinking. Essentially a cliff notes for strategy. Gives several examples of failed strategy, would have liked more insight into his thinking process.

This book is easy to read and follow. I've found it valuable in understanding and formulating strategy. It will be my go-to book even after I'm done with my class. The concepts can be used in any situation.

Richard Rumelt's book is a call to action for anyone involved in an enterprise. Strategy is a much maligned term that is used to elevate anything and everything. 'Good Strategy, Bad Strategy' takes the best pieces of advice and pieces together a crisp manifesto for strategy development. If ever, a case had to be made for considering 'management' as a profession, this book would rank among the prime supporting artifacts. My key takeaways from Prof. Rumelt's book are 1. Strategy is contextual 2. Hopes and goals don't make a strategy - focussed actions and steering the ship does 3. A SWOT check is never frozen in time - everything changes, so keep focus on proximate objectives 4. Strategic statements are hypotheses, neither forecasts nor predictions 5. Read 'If' by Rudyard Kipling, twice a day!

I read a lot about strategy, business models and the like. This may be the best. It is so well written and the examples cited are superb.



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