

Twitter Thread by Ravencroft



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1/

Let's talk strategy.

In this thread, I'll share with you the primary lessons from Richard Rumelt's book "Good Strategy / Bad Strategy."

If you lead strategy or product and haven't read Rumelt's book, this thread will be well worth your time.

2/

There's a big difference between "good" and "bad" strategy.

Good strategy takes many forms, but always includes at least 3 components:

- A diagnosis of the challenge
- A guiding policy to deal with the challenge
- A set of actions to enact the guiding policy

A good strategy does more than urge us forward toward a goal or vision. A good strategy honestly acknowledges the challenges being faced and provides us an approach to overcoming them. And the greater the challenge, the more a good strategy focuses and coordinates efforts to achieve a powerful competitive punch or problem-solving effect.

Good Strategy / Bad Strategy

Richard P. Rumelt

3/

Bad strategy is not simply the absence of good strategy.

Bad Strategy tends to skip over pesky details such as problems.

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Bad Strategy tends to skip over pesky details such as problems. It ignores the power of choice and focus, trying instead to accommodate a multitude of conflicting demands and interests. Like a quarterback whose only advice to teammates is "Let's win," bad strategy covers up its failure to guide by embracing the language of broad goals, ambition, vision, and values. Each of these elements is, of course, an important part of human life. But, by themselves, they are not substitutes for the hard work of strategy.

Good Strategy / Bad Strategy

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Good strategy is unexpected.

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And because they don't expect you to have one, either.

The first natural advantage of good strategy arises because other organizations often don't have one. And because they don't expect you to have one, either. A good strategy has coherence, coordinating actions, policies, and resources so as to accomplish an important end. Many organizations, most of the time, don't have this. Instead, they have multiple goals and initiatives that symbolize progress, but no coherent approach to accomplishing that progress other than "spend more and try harder."

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Bad strategy usually comes with one or more of four major hallmarks:

- Fluff
- Failure to face the challenge
- Mistaking goals for strategy
- Bad strategic objectives

Fluff. Fluff is a form of gibberish masquerading as strategic concepts or arguments. It uses "Sunday" words (words that are inflated and unnecessarily abstruse) and apparently esoteric concepts to create the illusion of high level thinking.

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6/

Why so much bad strategy?

Not miscalculation, bad strategy is the active avoidance of the hard work of crafting a good strategy.

Strategy involves focus and, therefore, choice. And choice means setting aside some goals in favor of others.

This is both painful and difficult.

Not miscalculation, bad strategy is the active avoidance of the hard work of crafting a good strategy. One common reason for choosing avoidance is the pain or difficulty of choice. When leaders are unwilling or unable to make choices among competing values and parties, bad strategy is the consequence. A second pathway to bad strategy is the siren song of template-style strategy—filling in the blanks with vision, mission, values, and strategies. This path offers a one-size-fits-all substitute for the hard work of analysis and coordinated action. A third pathway to bad strategy is New Thought—the belief that all you need to succeed is a positive mental attitude.

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7/

The antidote to bad strategy is the strategic kernel which contains:

- A diagnosis
- A guiding policy
- A set of coherent actions

These are important so let's look at them one at a time.

Good strategy is coherent action backed up by an argument, an effective mixture of thought and action with a basic underlying structure I call the kernel. The kernel is not based on any one concept of advantage. It does not require one to sort through legalistic gibberish about the differences between visions, missions, goals, strategies, objectives, and tactics. It does not split strategies into corporate, business, and product levels. It is very straightforward.

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8/

Diagnosis.

Clear diagnosis is the foundation of any good strategy. It's also frequently missed.

The diagnosis provides perspective and should replace the overwhelming complexity of reality with a simpler story, a story that calls attention to what's most important.

The diagnosis for the situation should replace the overwhelming complexity of reality with a simpler story, a story that calls attention to its crucial aspects. This simplified model of reality allows one to make sense of the situation and engage in further problem solving.

A diagnosis is generally denoted by a metaphor, analogy, or reference to a diagnosis or framework that has already gained acceptance.

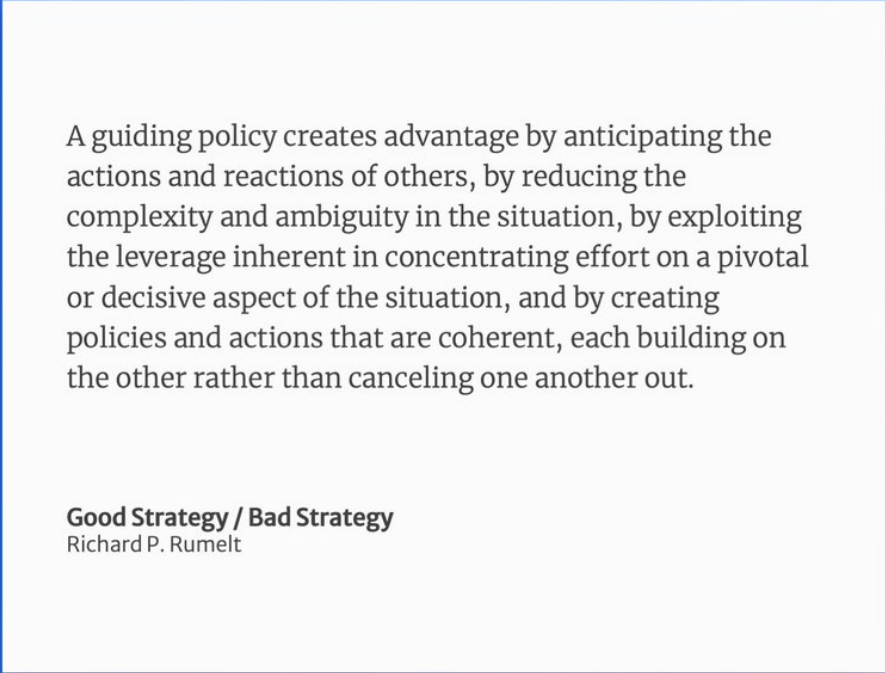
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Guiding Policy.

The guiding policy outlines a plan for overcoming the obstacles found in the diagnosis.

Many people use the term "strategy" for what we are calling a "guiding policy."

A good policy leverages advantage to tackle the obstacles identified in the diagnosis.

A quote by Richard P. Rumelt from 'Good Strategy / Bad Strategy' is presented in a white rectangular box with a subtle drop shadow, set against a solid blue background. The text is centered within the box and reads: 'A guiding policy creates advantage by anticipating the actions and reactions of others, by reducing the complexity and ambiguity in the situation, by exploiting the leverage inherent in concentrating effort on a pivotal or decisive aspect of the situation, and by creating policies and actions that are coherent, each building on the other rather than canceling one another out.'

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Coherent Action.

Many people call the guiding policy "the strategy" and stop there.

This is a mistake.

Strategy is about action, about doing something.

To have punch, actions should coordinate and build upon one another, focusing organizational energy.

In many situations, the main impediment to action is the forlorn hope that certain painful choices or actions can be avoided—that the whole long list of hoped-for "priorities" can all be achieved. It is the hard craft of strategy to decide which priority shall take precedence. Only then can action be taken. And, interestingly, there is no greater tool for sharpening strategic ideas than the necessity to act.

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11/

Let's pause for a second to recap:

We now know what to look for to diagnose bad strategy.

We also know the three elements of every good strategy.

Now let's turn our attention to some practical nuts and bolts.

What are some of the sources of power used in good strategies?

In very general terms, a good strategy works by harnessing power and applying it where it will have the greatest effect.

A good strategy is an approach that magnifies the effectiveness of actions by finding and using sources of power.

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12/

Using Leverage

A good strategy draws power from focusing minds, energy, and action.

That focus, channeled at the right moment onto a pivotal objective, can produce a cascade of favorable outcomes.

This is leverage.

Strategic leverage arises from a mixture of anticipation, insight into what is most pivotal or critical in a situation, and making a concentrated application of effort.

To achieve leverage, the strategist must have insight into a pivot point that will magnify the effects of focused energy and resource.

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13/

Proximate Objectives

One of a leader's most powerful tools is the creation of a good proximate objective—one that is close enough at hand to be feasible.

A Proximate objective names a target that the organization can reasonably be expected to hit, even overwhelm.

Every organization faces a situation where the full complexity and ambiguity of the situation is daunting. An important duty of any leader is to absorb a large part of that complexity and ambiguity, passing on to the organization a simpler problem—one that is solvable. Many leaders fail badly at this responsibility, announcing ambitious goals without resolving a good chunk of ambiguity about the specific obstacles to be overcome. To take responsibility is more than a willingness to accept the blame. It is setting proximate objectives and handing the organization a problem it can actually solve.

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Chain-Link Systems

The performance of a chain-link system is limited by its weakest subunit, or "link."

When there is a weak link, a chain is not made stronger by strengthening the other links.

The excellence of a well-managed chain-link system is hard to replicate.



There are portions of organizations, and even economies, that are chain-linked. When each link is managed somewhat separately, the system can get stuck in a low-effectiveness state. The problem arises because of quality matching. That is, if you are in charge of one link of the chain, there is no point in investing resources in making your link better if other link managers are not.

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Using Design

It's useful to think of strategy as a design problem because designers think in terms of mutual adjustment.

No problem gets solved in a vacuum and there are high gains to getting subtle combinations just right.

I am describing a strategy as a design rather than as a plan or as a choice because I want to emphasize the issue of mutual adjustment. In design problems, where various elements must be arranged, adjusted, and coordinated, there can be sharply peaked gains to getting combinations right and sharp costs to getting them wrong. A good strategy coordinates policies across activities to focus on the competitive punch.

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16/

Focus

Simply focusing on a smaller set of problems to solve is a source of power. Because most companies don't focus.

This one is simple, not easy.

If a business is really successful, then there is usually a good strategic logic behind that success, be it hidden or not. But the truth is that many companies, especially large complex companies, don't really have strategies. At the core, strategy is about focus, and most complex organizations don't focus their resources. Instead, they pursue multiple goals at once, not concentrating enough resources to achieve a breakthrough in any of them.

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The past few tweets have talked about sources of advantage.

We covered:

- Leverage
- Proximate objectives
- Chain-link systems
- Design
- Focus

With these in hand, let's turn our attention to actually finding, using, and managing that advantage.

One way to find advantage is to exploit a wave of change.

Such waves are largely exogenous, resulting from shifts and advances in technology, cost, competition, politics, and buyer perceptions.

Most high growth businesses find a wave to ride.

The other way to grab the high ground—the way that is my focus here—is to exploit a wave of change. Such waves of change are largely exogenous—they are mostly beyond the control of any one organization. No one person or organization creates these changes. They are the net result of a myriad of shifts and advances in technology, cost, competition, politics, and buyer perceptions. Important waves of change are like an earthquake, creating new high ground and leveling what had been high ground.

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These waves are like wind in a racing boat's sails. They provide raw, sometimes turbulent, power.

Finding new waves always requires getting into the gritty details. To make good bets on how a wave of change will play out you must know enough to question the experts.

20/

As change starts, you must be able to dig beneath that surface and discover the fundamental forces at work.

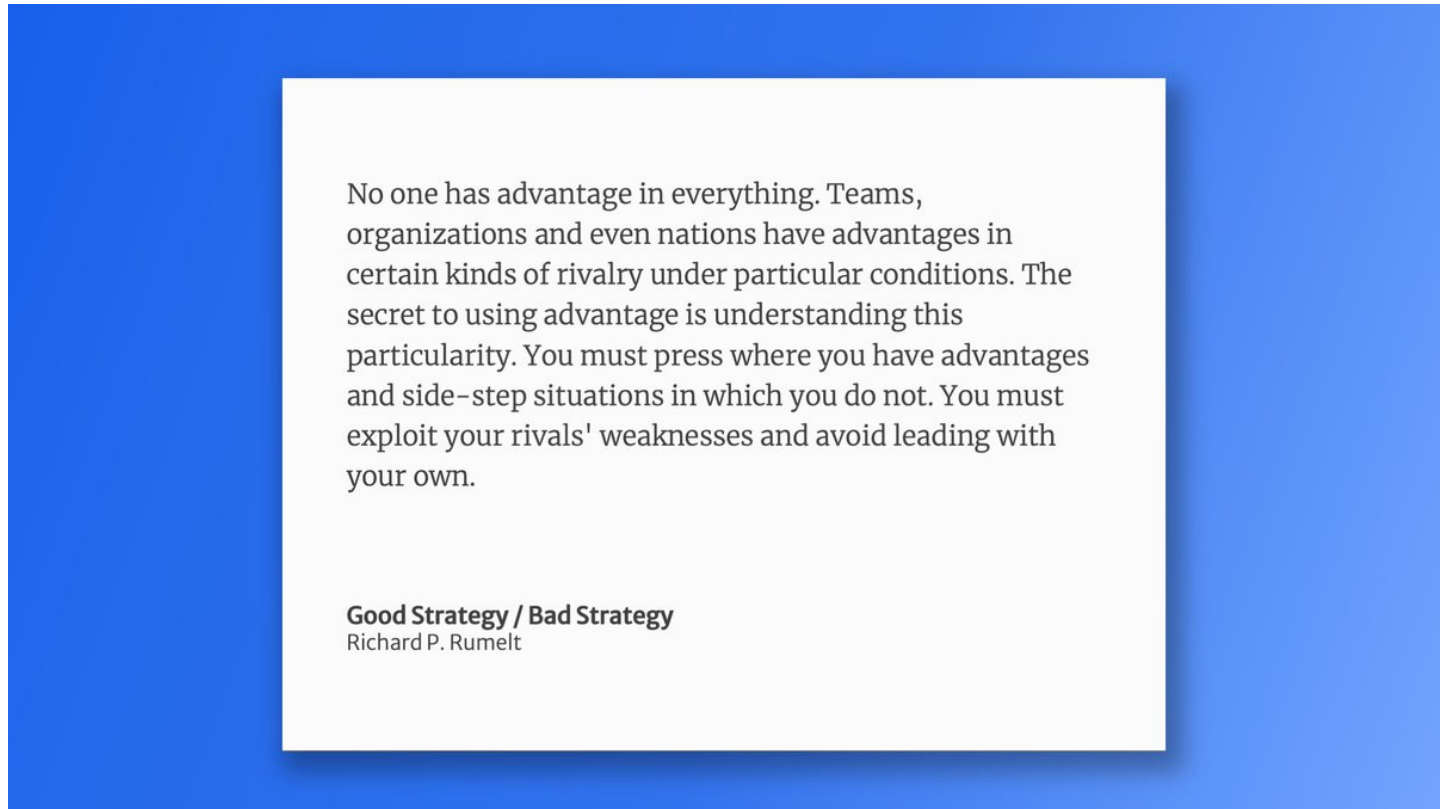
Leaders who stay "above the details" may do well in stable times, but riding a wave of change requires an intimate feel for its origins and dynamics.

21/

Once advantage has been identified, attention turns to maximizing that advantage.

This again requires focus: Focus on strengths and avoidance of weaknesses.

You must press where you have advantages and side-step situations in which you do not.

A quote by Richard P. Rumelt is presented on a blue background. The text is contained within a white rectangular box with a subtle drop shadow. The quote reads: "No one has advantage in everything. Teams, organizations and even nations have advantages in certain kinds of rivalry under particular conditions. The secret to using advantage is understanding this particularity. You must press where you have advantages and side-step situations in which you do not. You must exploit your rivals' weaknesses and avoid leading with your own." Below the quote, the title "Good Strategy / Bad Strategy" is written in bold, followed by the author's name, "Richard P. Rumelt".

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22/

You must also manage against inertia and entropy.

An organization's greatest challenge may not be external threats or opportunities, but instead the effects of entropy and inertia.

Organizational inertia generally falls into one of three categories: the inertia of routine, cultural inertia, and inertia by proxy.

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23/

This is the tool box. We've covered the framework for good strategy, some sources of advantage, and how to find, use, and manage that advantage.

Let's finish up with a few thoughts on how you personally might actually *do* the work of strategy.

24/

First, it's helpful to understand that Good Strategy is more science than art.

Good strategy is built on functional knowledge about what works, what doesn't and why. It's ultimately a hypothesis about what will work.

It requires logic and work, which anyone can do.

To generate a strategy, one must put aside the comfort and security of pure deduction and launch into the murkier waters of induction, analogy, judgment and insight.

A strategy is, like a scientific hypothesis, an educated prediction of how the world works. The ultimate worth of a strategy is determined by its success, not its acceptability to council of philosophers or a board of editors. Good strategy work is necessarily empirical and pragmatic.

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25/

The problem is that humans aren't nearly as rational or logical as we think we are.

So the work of strategy quickly becomes managing your personal emotions, fears, and irrationalities.

The trick is to choose how you approach each problem and guide your own thinking.

To put it simply, our minds dodge the painful work of questioning and letting go of our first early judgments, and we are not conscious of the dodge.

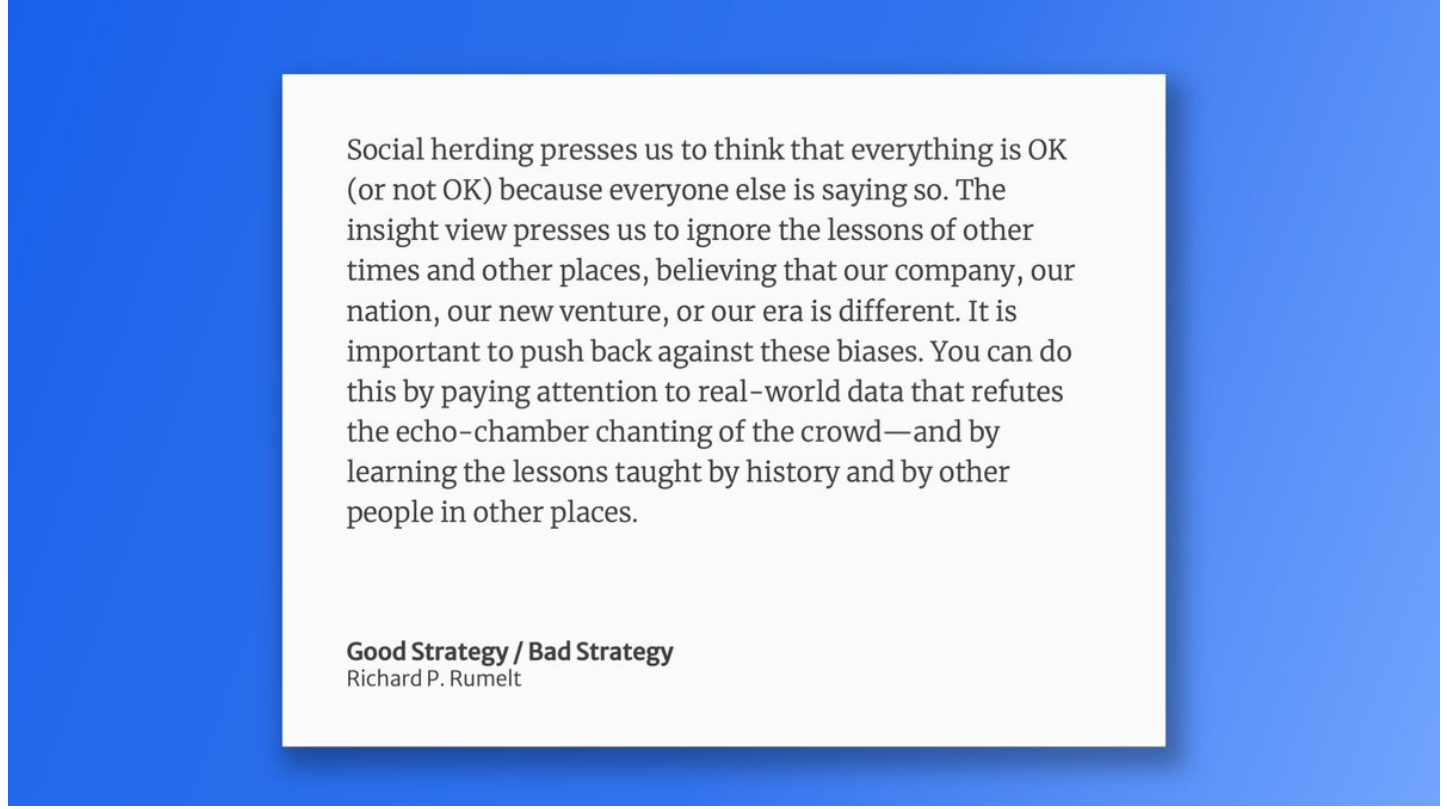
But you do not have to be captive to that unconscious dodge. You can choose how you will approach a problem; you can guide your own thinking about it.

This personal skill is more important than any one so-called strategy concept, tool, matrix, or analytical framework. It is the ability to think about your own thinking, to make judgments about your own judgments

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Again, much of the work of good strategy is sifting through the noise of your environment, drilling in to the data available to you, and ultimately facing your own fears.

It's personal and hard. Which makes it exceptionally valuable.



Social herding presses us to think that everything is OK (or not OK) because everyone else is saying so. The insight view presses us to ignore the lessons of other times and other places, believing that our company, our nation, our new venture, or our era is different. It is important to push back against these biases. You can do this by paying attention to real-world data that refutes the echo-chamber chanting of the crowd—and by learning the lessons taught by history and by other people in other places.

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To summarize:

Good Strategy/Bad Strategy is *the book* to read about strategy creation.

Bad strategy is ubiquitous but good strategy can be created by anyone by using a straightforward approach.

But it requires you to think rigorously and fearlessly manage your emotions.

Thanks for reading.

If you enjoyed this thread, follow [@GoodStrategyHQ](https://twitter.com/GoodStrategyHQ) for more product strategy threads.

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"Talking to customers is a superpower."

But nobody actually teaches how to do it.

The Mom Test by [@robfitz](#) is a priceless guide for how to talk to (and actually learn from!) customers.

Here's the blueprint to take to your next interview:

— Ravencroft ([@ProductMonad](#)) [August 31, 2021](#)