

Good Strategy, Bad Strategy—The difference and why it matters

Richard Rumelt, UCLA (Crown Business, 2011)

“Good strategy has a basic underlying logic: coherent action backed up by an argument, an effective mixture of thought and action. I call this basic underlying structure the *kernel*. A good strategy may consist of more than the kernel, but if the kernel is absent or misshapen, then there is a serious problem. Chapter 5 describes how the kernel of a strategy contains three elements:

- (1) a diagnosis that defines or explains the nature of the challenge,**
- (2) a guiding-policy for dealing with the challenge, and**
- (3) a set of coherent-actions that are designed to carry out the guiding-policy.”**

From <http://goodbadstrategy.com/about-the-book/>:

- **Good strategy is rare.** Many organizations which claim to have a strategy do not. Instead, they have a set of performance goals. Or, worse, a set of vague aspirations. It is rare because there are strong forces resisting the concentration of action and resources. Good strategy gathers power from its very rareness. [Ch. 1]
- **“Bad strategy” occurs when...hard choices are avoided, and/or when leaders are unwilling or unable to define and explain the nature of the challenge.** [Ch. 3]
- *Good Strategy/Bad Strategy* argues that...advantage flows from coordination and focus as well as from resolving the impossible ambiguity of reality into a problem that fits the organization’s resources and abilities, a problem on which the organization can actually go to work. [See Ch. 1, p. 99, and Ch. 9] **One of a leader’s most powerful tools is the creation of a proximate objective—one that is close enough at hand to be feasible...an accomplishment that organization can reasonably be expected to achieve.** [Ch. 7]
- Organizations experience significant entropy—the continual drift towards disorganization. Much of the useful work of managers and consultants is maintenance—the constant battle against entropy. Strategists must battle this never-ending drift towards disarray within their own organization. [Ch. 14]
- In formulating strategy, strategists engage in an internal quest for insight and an internal struggle against their own myopia. This book describes some practices which can help. [Ch. 17]
- Of course, an organization can shoot ahead...by successful innovation or by re-inventing a whole industry. But, the most common path to success is not raw innovation, but skillfully riding a wave of change. Changes in technology, law, costs, and buyer tastes are normally beyond...control..., but they can be harnessed. Just as a good sailboat and a skillful captain can harness the wind to advantage, so can a leader use a wave of change... [Ch. 13]

Free access to **Good Strategy, Bad Strategy** is available to all faculty and staff with a CalNet ID. Log on to **blu.berkeley.edu** and select “e-Learn” from the column on the left. In e-Learn, select “Books24x7” from the column on the left. Search by title or author.