

## Developing and reviewing strategy

### Good Strategy

In his book '*Good strategy, bad strategy. The difference and why it matters*<sup>1</sup>', Richard Rumelt says: 'good strategy is the exception, not the rule. More and more organizational leaders say they have a strategy but they do not'. There can be a lot of confusion around defining strategy. Strategy is not well intentioned but vague goals. Strategy is **not**:

- vision : where we want to be-an indeterminate future goal
- mission: why the organization exists -the motivation for being in the business
- values: what we believe in and how we will behave

The above may be valuable but they are *not* strategy. According to Rumelt: 'A good strategy has...a kernel [that] contains three elements: a diagnosis, a guiding policy and coherent actions.' So strategy is about what organisations *do*.

### The context and the challenge

He goes on to say that strategy is: 'a cohesive response to an important challenge....' Clearly then work will need to be done to understand exactly what the challenge is and this means a careful understanding and evaluation of the landscape. This is the overall 'context' and may include an understanding of issues beyond the narrow domain in which the organisation currently operates. There are the other major components that need to be understood before an effective strategy can be developed:-

#### **Customers**

The organisation will need to develop a clear understanding of its customers' needs. It will go on to identify *unique* or at least compelling ways to meet those needs. There is an important underlying issue here: that some needs may be better met elsewhere so. Who exactly then are the customers the organisation is to serve?

**Competition:** Where else do customers go to meet their needs? An organisation will only be competitive if it is delivering products and services to its customers better than competitor's offering. It means understanding in what precise circumstances the organisation is competitive. Is it good at particular aspects such as quality or price?

#### **Capabilities:**

Thinking about competitively meeting customer needs and understanding the competition will in turn mean a sometimes painful assessment of the organisation's *real* capabilities and resources, rather than an overoptimistic

---

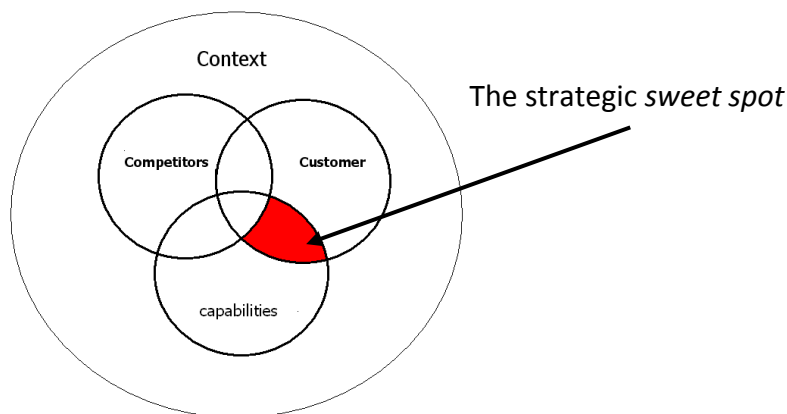
<sup>1</sup> Good Strategy Bad strategy. By Richard Rumelt. Profile books. 2011 ISBN 978 1 84668 4807eISBN978 1 84765746 6

assessment of core competencies. And it's not just about having great capabilities: they have to be the right ones. They will need set the organization apart from competitors, or be superior to those of rivals.

A useful way to bring all this together is inspired by work done by David Collis and Michael Rukstad.<sup>2</sup> They break the process down into three deceptively simple elements:-

- **Objective:** The single precise objective that will drive the organisation over the next 3-5 years or so. Of course an organisation will pursue a number of goals but it can be very helpful to pull them together in one overriding objective. Needless to say that objective will need to be measurable.
- **Scope:** Who are your customers? What services should you provide? Often this can be most helpfully understood by identifying what the organisation will *not* do: what needs it will *not* address.
- **Advantage:** This is the most critical aspect in developing an effective strategy. It means really understanding the distinctive value that the organisation brings to the customer.

Bringing these factors together will identify the strategic 'sweet spot.' This is where the organisation's capabilities meet customer needs in a way that rivals can't, given the context in which it operates. This is therefore the place where the organisation will get most return on its investment. It's not to say the organisation does nothing else. However a focus on the 'sweet spot' highlights the areas of *genuine* potential strength where it can make the *biggest* difference and add the *most* value.



Ken Chad, Director  
Ken Chad Consulting Ltd  
16 Regency Court Brentwood. CM14 4LU  
Tel: +44 (0) 7788 727 845  
Email: [ken@kenchadconsulting.com](mailto:ken@kenchadconsulting.com)  
[www.kenchadconsulting.com](http://www.kenchadconsulting.com)  
Twitter @kenchad