

Why a Winning Strategy Starts With a Challenge, Not an Opportunity

A strategy is a mixture of policy and action designed to surmount a high-stakes challenge. It is not a goal or wished-for end state. It is a form of problem-solving—you cannot solve a problem you do not comprehend. Thus, challenge-based strategy begins with a broad description of the challenges—problems and opportunities—facing the organisation. They may be competitive, legal, due to changing social norms, or issues with the organisation itself.

In performing a diagnosis, the strategist seeks to understand why certain challenges have become salient, about the forces at work, and why the challenge seems difficult. In approaching this work, you should use the tools of analogy, reframing, comparison, and analysis in order to understand what is happening and what is critical.

The Crux of a Business

In a new book, *“The Crux: How Leaders Become Strategists”* Richard Rumelt makes short shrift of such vagueness as ‘big audacious goals’ for the business. He sets out a process **that puts the biggest challenge your company faces** at the heart of your strategy: **finding the crux, seeking an edge, and avoiding distractions.**

The crux is the key issue where action will best pay off, and Rumelt reveals how to pinpoint it so you can focus energy on what really matters. As understanding deepens, the strategist seeks the crux—the one challenge that is both critical and appears to be solvable. This narrowing down is the source of much of the strategist’s power, as focus remains the cornerstone of strategy.

The strategist should understand the sources of “edge,” or power, or leverage that are relevant to the situation. To punch through the crux, you will use one or more of them. Willpower is not enough.

To do strategy well, avoid the bright, shiny distractions that abound. Don’t spend days on mission statements; don’t start with goals in strategy work. The chase of the quarterly profit/sales targets (in isolation) are obvious instances of distractions from your business strategy. Others include the myth that everything needs to flow from a “mission” or confusing management with strategy.

Rumelt illuminates in his book how business leaders can overcome obstacles, navigate uncertainty and determine the best path forward.

The Key Question For Leaders Is, Where Can They Win?

This puts addressability at the centre of any strategy. As Rumelt acknowledges in his book - addressability stands in contrast to the approach adopted by many business executives today.

Strategies are not supposed to map out a broad path for the future. **The hard part, that makes a real difference, is turning the broad intent into actions that firms can pursue right now.** That requires you to break down challenges into smaller chunks.

An Example

Let’s assume that a group of people is trying to do this for Intel. The big challenge is that **Moore’s Law** is coming to an end and Intel can no longer enjoy the high margins it did as long as Windows-Intel was the de-facto standard for personal computers.

A discussion of this issue is likely to produce a decent list of tough challenges including the rise of AMD, manufacturing problems, a weak position in the mobile market, the continuous struggle to catch up in AI where Nvidia has done well, and the cultural adjustment to move beyond the era of guaranteed dominance.

After a spirited discussion about these challenges, **the next step is scoring each of them on a scale of 1-10 to determine how critical a particular challenge is for the business and whether the company will be able to address the issue in over the next three to four years.**

When Rumelt ran through this exercise with a group of five executives from Intel in early 2020, the manufacturing issue scored highly on both dimensions. Intel has not been able to solve this issue yet, whilst also trying to receive subsidies from the US government to produce computer chips in America.

The Crux is Crucial

Identifying the crux is an important first step. Yet, without surmounting it the only satisfaction lies in understanding your organisation's demise. Here asymmetries come into play. **What distinguishes you from your competitors? Or put differently, which asymmetries are you able to exploit?**

The first asymmetry you could exploit is information. Think of a real estate agent who is well connected to everyone in his community and finds out who wants to sell or buy way before any of his out-of-town competitors.

The second is know-how. Google's algorithms, combined with its engineers skills in handling big data from maps gives it an edge when it comes to mobility solutions.

Third is finding a unique business position others cannot occupy. The Nigerian conglomerate Dangote Industries, for example, built strong relationships with successive governments resulting in import duties holding international players at bay.

The fourth source of asymmetry is efficiency, typically based on scale and experience. Tesla had long been haunted by a lack of manufacturing experience. Not too long ago it seemed like the company was simply not able to scale.

Conclusions

Management is about getting things done, often relying on metrics that help you to determine whether you are meeting your objectives. **"A strategy,"** Rumelt writes, **"is a reasoned argument about the forces at work in a situation and how to deal with them. Don't let the metrics drown out the thought."**

Strategy is not about setting financial targets, statements of desired outcomes, or performance goals. It is about finding the crux and taking decisive, coherent action that will make positive differences for the business.



If you would like further information on implementation of The Crux approach to strategy, please access the article from McKinsey & Company titled **"Getting Strategy Wrong—and How to Do It Right Instead"** from Richard P. Rumelt, **please click on the link [HERE](#).**

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