



How does a business owner decide on their next move during a time of turmoil?

On the 21st October 1805 Britain faced a high-stakes challenge.

33 Franco-Spanish ships threatened the weaker 27 ship British fleet. This could have been the end of Britain's defiance of Napoleon's dominant land armies.

But at the end of the Battle of Trafalgar 22 ships were lost.

All were French or Spanish.

Admiral Nelson lost none, and his legend as Britain's greatest naval commander was secured, even though he lost his life.

Nelson's strategy...

He worked out the critical challenge in his situation.

Then he worked out a way of coordinating and focusing actions to deal with it. He won.

No strategy means losing...

In business, at sea and just like in chess, having no strategy means losing.

Bad strategy won't help you either. Instead, get clear on good strategy:

"The term 'strategy' should mean a cohesive response to an important challenge." – Richard Rumelt, author 'Good Strategy Bad Strategy'



In a nutshell

Work out the **biggest and most important challenge** your business is facing.

Knowing the challenge helps inform your **choices**, gives you real **focus**, and helps you decide on the right **coherent actions**.

Strategic lip service...

Good strategy is not a shopping list of desirable goals and objectives – even if they're supported by smart-sounding words.

And if you avoid the hard work of diagnosing the challenge you face, then all you're doing is paying lip service to strategy.

Good strategy is a coherent set of analyses, policies, and actions in response to a high-stakes challenge.

A proven solution for you...

Avoid the easy path of no strategy or bad strategy that so many businesses take.

Instead take the future of your business seriously and invest time and energy building good strategy.

Good strategy is rare...

For example – 26 CEOs of some of the world's largest electronics companies were asked about strategy by Anderson Consulting. They were less than clear on their strategy:

"They were making alliances, they were doing 360-degree feedback, they were looking for foreign markets, they were setting challenging strategic goals, they were moving software into firmware..."

Contrast this with Steve Job's two timely strategies...

In 1997 Apple was just weeks away from bankruptcy. Then Steve Jobs returned!

Job's initial strategic challenge was keeping the business alive.

His coherent action? Cut 15 desktop models back to 1. Cut all laptop models back to 1. Cut all printers. Cut development engineers. Cut software development. Jobs cut many more things to reflect the reality of having less than 4 percent of the personal computer market at that time.

Clear challenge. Clear strategy that perfectly suited Apple's situation.

Longer term...

With Apple's survival secure, Jobs then got clear on his longer-term strategy too:

"I am going to wait for the next big thing."

Unlike the 26 other leaders of electronics companies, Jobs avoided getting side-tracked and was happy to wait. Jobs prepared to quickly pounce on the next big thing.

The rise of MP3 players, the Ipod, Itunes and the Iphone transformed our world. And Apple went from a value of \$3billion to \$1trillion!

Nelson breaks with tradition

The well-developed sea-battle tactics in Nelson's day were for the two opposing fleets to stay in line, firing broadsides at each other. At Trafalgar being outnumbered 27-33 made this risky.

Instead Nelson broke the British fleet into two columns and drove them at the Franco-Spanish fleet, hitting their line at 90 degrees.

The lead British ships took a great risk, but Nelson judged that the less-trained Franco-Spanish gunners would not be able to manage their guns in the heavy swell that day.

Nelson worked out the **critical factors** in his situation and designed a way of **focusing actions** to deal with them.

As a business leader your most important responsibility is to identify your biggest challenges and devise a coherent approach to overcome them.

Small business or big business, matters not...

It doesn't matter whether you're a Government, a multinational business, a military unit, a sports team, a small fleet of 27 ships or a small local business!

No strategy or bad strategy risks losing, badly. Especially when facing economic turmoil or big shifts in working patterns and expectations.

Good strategy shines a light in a storm and gives you chance to both survive and thrive. But first it pays to...

Avoid bad strategy

Richard Rumelt's lifetime of strategy experience shows up in his book – **'Good Strategy Bad Strategy'**.



Bad strategy mistakes goals, ambition, vision, values and effort for strategy.

So, be sure to steer clear of the **3 major hallmarks of bad strategy**:

1. Bad strategy fails to recognise or define the **challenge** you face.

If you cannot clearly define the challenge you face, how can you work out a strategy that will work?

All you'll be doing is wishful thinking and investing time and effort in misdirected strategy.

2. **Gibberish** can often masquerade as strategy. For example, when a retail bank's internal strategy statement says: **"Our fundamental strategy is one of customer-centric intermediation."**

It might sound smart, but 'intermediation' means that the bank accepts deposits and lends money to others.

In other words, they have a strategy statement that says:

"Our bank's fundamental strategy is being a bank."

3. A shopping list of desirable goals and objectives is not strategy.

"Bad strategy is long on goals and short on policy or action." – Rumelt

Good strategy is not a stand-alone decision or goal. Stating goals is relatively easy! Thankfully, good strategy involves the hard work of **diagnosing key challenges**, and then making **strategic choices**, **giving focus** and **coherent action**.

It's possible that your competition will avoid this hard work. Will you?

Your competitive advantage

Although it's hard work, Rumelt points to strategy as a lever that magnifies the force of your actions and efforts.

Diagnosing key challenges and developing good strategy gives focus. And focus means choosing what to ignore and what to act on.

But do this hard strategy work and you gain a competitive edge. You're then more likely to win.

Implement good strategy...

1. **Diagnose**, define and explain the challenge your business faces.
"In business, most deep strategic changes are brought about by a change in diagnosis – a change in the definition of the company's situation."
– Richard Rumelt

How does a local grocery store simplify the complex reality of their business? Get clear on what's going on? Get clear on the critical issues that can help define policy guidelines and actions?

For the full case study check out the download tools. Here's their simplified challenge:

"How do we win customers away from a national store that opens 24/7 with much lower prices?"

2. Set out your **guiding policy** for dealing with the challenge.

What overall approach helps overcome the issues you face?

A good guiding policy tackles the obstacles that show up in your diagnosis. And like the guardrails on a motorway your guiding policy directs and constrains your actions (brings focus and choice). The grocery store might choose a policy that focuses on **'the busy professional who has little time to cook'**. Rather than serving the **'the many students in the area with all their groceries'**.

If you're missing a good guiding policy, there is no principle of action to follow.

3. Next choose **coherent actions** that overcome your diagnosed challenge and follow your guiding policy.
A 2nd checkout would help handle the burst of busy professionals at 5 pm. Space used for selling munchies to students should be used to offer high-quality pre-prepared take-home foods. And there's no need for very late hours.

When actions are coordinated like this, they build on one another for greater focus and leverage.

TIME TO DISAGREE

“Strategy is for big business. Me and my small team are happy to simply soldier on.”

Most business owners would agree with you. But if you have no strategy and your competition have worked out a good strategy whose ‘soldiers’ will win? They will.

In war you’d like to think that every soldier is following orders that come from a good military strategy.

You and your team can soldier on without a strategy, but wouldn’t you feel better, and get better results, if you too were following good strategy rather than no strategy? You may even get a competitive edge in your industry.

Simply invest a little time getting clear on your key challenges. And then being clear on goals, policies and actions that direct your efforts.

“If the challenge is really obvious doesn’t the strategy write itself?”

Good strategy comes from the creation of new strengths through subtle shifts in viewpoint. Not from doing what everyone else does.

You’re looking for a competitive advantage.

An insightful reframing of a situation can create whole new patterns of advantage and weakness. Like it does in the grocery store example – see support tools. The most powerful strategies arise from such game-changing insights.

Use the Business Bitesize Support Tools And Resources to help you make the most of this edition of Business Bitesize – go here: www.businessbitesize.com/sherwoods to download these

“What if we can’t identify our strategic challenge?”

One of the world’s most successful investors, Warren Buffett, has said that he evaluates a company by looking for “sustainable competitive advantage.”

Good strategy can give you that advantage – but only if you get clear on your challenge. It needs hard work.

Your challenge maybe internal – perhaps a disengaged team that is limiting your productivity levels.

Your challenge maybe external – supply shortages of a key component, new technology eroding your established methods or a new competitor.

Be wary of going for a universal challenge like ‘recession’ as your significant challenge. It’s something that every business experiences at the same time. Seek out the nuances that can inform your guiding policies and coherent actions.

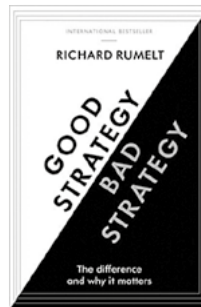
“Please tell me more”

John Stopford, Emeritus Professor at the London Business School says about Rumelt’s work:

“Everyone involved in creating and applying strategy and strategic thinking must read this book.

In a very crowded field like strategy, few books stand out. Richard Rumelt’s new work is one of the exceptions.”

Many examples and practical do’s and don’ts make Rumelt’s book an important reference for your business success.



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4 helping hands for you...

Simply avoiding no strategy/bad strategy is a step in the right direction for your business.

It means you have to take good strategy seriously.

But where to start?

Start with the hard work of getting clear on the challenges you face and the subtle and specific ways these challenges apply to your business.

To help, check out the tools download and see how Porter’s 5-forces model can help.

1. **Stop thinking that company goals, ambition and vision are the same as good strategy.**
2. **Diagnose the significant challenge your business is facing**
3. **Choose your company’s guiding policies that give focus to your actions**
4. **Work out your coherent actions to leverage greater success for your business**

ULTIMATE ARGUMENT: “How do I know that creating Good Strategy will pay off for my business?”

It’s easy to anticipate how no strategy/bad strategy will result in business failure.

In his book ‘Good Strategy Bad Strategy’, Richard Rumelt shows how Lou Gerstner at IBM, General Schwarzkopf in Kuwait, BMW and many more organisations make good strategy work. It clearly worked for Admiral Nelson too!

And because good strategy is hard work it’s easy to see how most companies (your competitors?) might ignore its competitive advantage.

So why not give it a go?

If you need more convincing, get Rumelt’s excellent book and read the examples of good strategy (and bad strategy) at work.

STOP: thinking that strategy is all about goals, ambition and vision

START: seeking clarity about your business’ key strategic challenge



Your next steps:

To get a competitive advantage for your business get yourself a good strategy!

Seek out clarity on the challenge your business faces and the unique, focused and subtle ways your business responds.

Strategy is a cliché!

Is it any wonder business owners roll their eyes when they hear the word 'strategy'?

All credibility is dashed when 'strategy' is associated with the rules for matching a tie with a shirt or curtains with your sofa!

Strategy can mean anything and nothing – but it shouldn't. It shouldn't because strategy determines whether your business wins or loses.

- ...avoid no strategy or bad strategy
- ...do the hard work of good strategy

More tools and information for you:

Download the supporting tools and resources for more help on using Good Strategy. You'll find links to video resources and other tools to help you avoid bad strategy and implement good – use the URL link in the box below.

Is now a good time to take good strategy seriously for your business?

It's easy to avoid the hard work of building good strategy. Instead, do the work and put your business on the road to a sustainable competitive advantage that sees you win.

The four steps sound like they are stating the blindingly obvious, but most businesses fail to take all four steps – what will you do?

1. Stop thinking that company goals and targets are the same as good strategy.

Goals are valuable but are little more than wishful thinking without the three elements of good strategy.

2. Diagnose the significant challenge your business is facing.

Admiral Nelson knew he was outnumbered. Steve Jobs knew he was close to bankruptcy. The grocery store owner was up against a 24/7 national retailer. What's the key challenge you're up against?

3. Choose your company's guiding policies that give focus to your actions.

When you know your challenge, you can set about clarifying your guiding policies to help you focus your attention on how you should respond. Like BMW guide decisions with their brand policy of 'the ultimate driving machine'. And the local grocer opted for *'the busy professional who has little time to cook'*, rather than serving the *'the many students in the area with all their groceries'*.

4. Work out your coherent actions to leverage greater success for your business

When actions deal with your key challenge and reflect your guiding principles, they build on one another for greater focus, leverage and success.

Check out the downloadable tools for more on these insights and skills – use the URL link in the box below.

YOUR SUPPORT TOOLS ARE HERE: Go to the link below and you'll find a selection of practical support tools to help you achieve a sustainable competitive advantage by diagnosing the biggest challenge to your future and then deciding on coherent actions to overcoming your challenge.

Find the support tools to help you here - www.businessbitesize.com/sherwoods



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