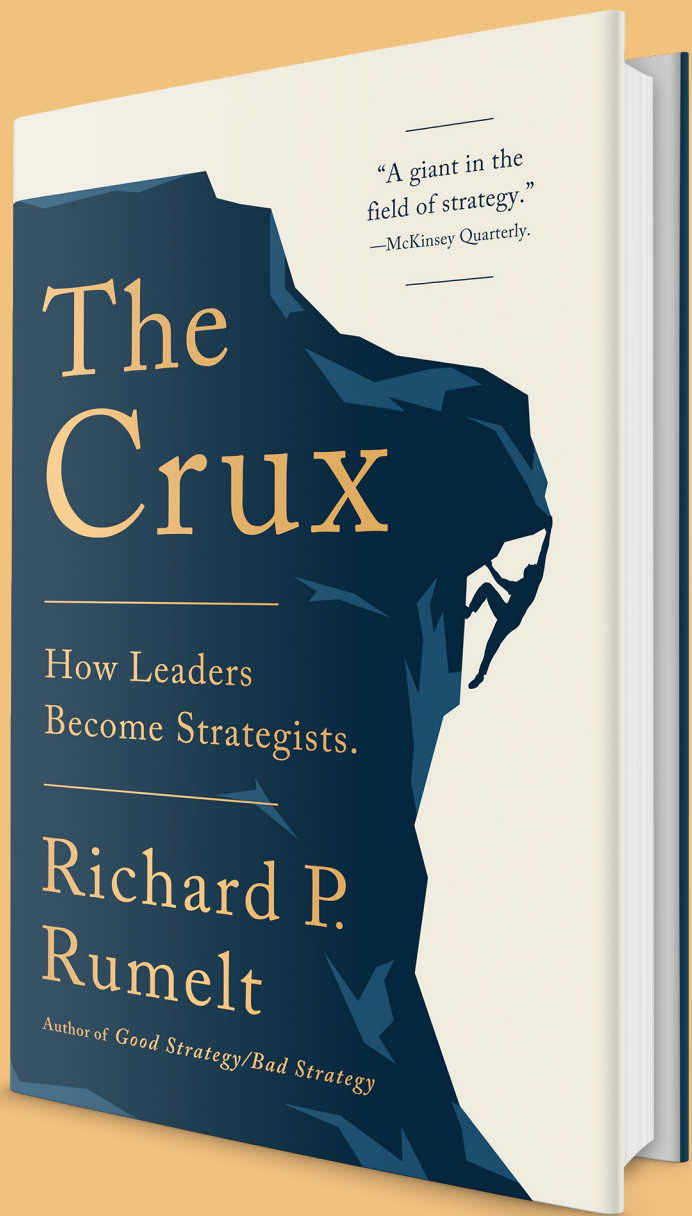


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The Crux

How Leaders Become Strategists

Richard P. Rumelt



PUBLICAFFAIRS
NEW YORK

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*For my Kate,
who is the best thing that ever happened to me*

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Introduction

The Roof of the Dog's Ass

When I lived in Fontainebleau, France, I would go for noon walks in the nearby forest. Old and deep, it was the hunting grounds of French kings for five hundred years. Perhaps a hundred square miles in extent, it is now crossed by paths frequented by hikers, runners, and bicyclers. Most of the students from INSEAD, the graduate business school located in Fontainebleau, walk or picnic in the forest, but few seem to know it contains rock outcroppings that attract the best boulder climbers from all over the world.

On my walks I would sometimes pass the boulder route known as Le Toit du Cul de Chien (The Roof of the Dog's Ass). It is one of the finest sandstone boulder problems in the world. Standing at its base, I see a smooth twelve-foot face capped by a horizontal roof that extends out over me for about four feet. Above the roof is another vertical section leading to the top. I try a tiny foothold, then another, then slide down two feet to the ground.¹

On a summer day I see two climbers preparing to try Le Toit du Cul de Chien. They climb without ropes, spotting each other in case of a fall. One, a German, tells me that he has been practicing by doing one-hand squeeze-grip pull-ups on a high door frame. Nevertheless, neither he nor his partner can make it up, each falling as they try to navigate the overhang. They each solve the first problem of advancing on very tiny footholds to a small dent that can hold

one finger from the right hand. But they fail to get any farther, each falling down to the sand below. I admire their strength, ambition, and tenacity.

Climbers call such boulders “problems” and describe the toughest part as “the crux.” In the case of the Cul de Chien, you cannot get up with just strength or ambition. You have to solve the puzzle of the crux and have the courage to make delicate moves almost two stories above the ground.

Sometime later, I see a talented climber work through the crux. To get off the ground, she toe-dances up about three feet and presses a finger of her right hand into that small dent. Using that amazingly poor hold, she swings her left heel over her left arm to cam on a tiny ledge, gaining support from the muscular tension in her body between her right finger and left leg. She arches her back to match the angle of the roof and extends her left hand to a small indent on the edge of the roof, large enough for one finger. (Figure 1 shows Asya Grechka successfully making that reach.) This is where most people fall off. Pulling straight up will put her chest against the lip of the overhang and push her fingers off the tiny grips.²

For the next move, hanging by a finger or two on each arm, she swings a bit in and then out . . . then snaps upward into space, clearing the edge, and slapping her left hand onto a round hold the size and shape of a half cantaloupe. Hanging onto the smooth round hold with finger strength and friction, she swings her leg up to press her right toe into a small indentation in the rock and then is finally able to use leg strength to reach a small niche. Another lunge, an invisible toehold, a mantelshelf, and she is on the top. Watching, my palms sweat.

Seeing these and other climbers in the Fontainebleau forest, one cannot help but marvel at this hidden reservoir of pure excellence. Beyond a pair of shoes, it is flesh, muscle, and nerve against stone and gravity. There are no stock options, no teams or owners, no audience but other climbers. No TV cameras or fan clubs. No million-dollar contracts or product endorsements. There are just people pushing

FIGURE 1. Le Toit du Cul de Chien—at the Crux



Source: From a video by Konrad Kalisch. See adventureroutine.de and clixmedia.eu.

themselves to their very limits for the private joy of doing something that, to the ordinary person, looks impossible.

Near another boulder I stop to chat with two French climbers who are having lunch. They are from a town in southern France. I ask them why they have driven past the Alps to come climb these boulders in Fontainebleau.

“These are the best boulders in Europe,” one replies. “In the Alps,” he continues, “I attempt the most interesting climbs where I think I can solve the crux. Here, I can get to a crux move in ten seconds and . . .”

“And fall off five times until you get it!” his partner says, smiling.

In France there are many mountains and boulders, each promising a different mixture of difficulty and reward, whether in terms of height, beauty, significance, or other measures. The first climber said that he chooses the climb having the greatest expected reward and whose crux he believes he can solve. In a flash of insight, I realize

this describes the approaches of many of the more effective people I have known and observed. Whether facing problems or opportunities, they focused on the way forward promising the greatest *achievable* progress—the path whose crux was judged to be solvable.

I began to use the term *crux* to denote the outcome of a three-part strategic skill. The first part is judgment about which issues are truly important and which are secondary. The second part is judgment about the difficulties of dealing with these issues. And the third part is the ability to focus, to avoid spreading resources too thinly, not trying to do everything at once. The combination of these three parts lead to a focus on *the crux*—the most important part of a set of challenges that is addressable, having a good chance of being solved by coherent action.

As with climbers, every person, every company, every agency faces both opportunities and obstacles to their progress. Yes, we all need motivation, ambition, and strength. But, by themselves, they are not enough. To deal with a set of challenges, there is power in locating *your crux*—where you can gain the most by designing, discovering, or finding a way to move through and past it.

ONE OF ENTREPRENEUR Elon Musk's passions is populating Mars. He imagined promoting this idea by sending a small payload there. In a 2001 visit to Russia, Musk tried to buy an old Russian rocket but was unhappy with the style of bargaining and how the price tripled during the negotiations. He began to look at the problem of why it cost so much to put payloads into orbit.

Studying the challenge, the cost was clearly due to the fact that rockets are not reusable. One payload takes one rocket. Musk came to believe that the *crux* of the cost issue was reentry. How could the rocket avoid the fiery furnace of blasting back through the atmosphere at eighteen thousand miles per hour? To make the old space shuttle reusable, the large wings had thirty-five thousand separate thermal tiles. Each had to perform perfectly, and each had to be

inspected after each flight and then fitted back into its unique slot. The shuttle boosters were supposed to be reusable but became too damaged by the fall into the ocean to refurbish. It seemed to be cheaper to throw a rocket away than build it for reuse.

Think of this challenge as having a one-finger and left-heel hold on Cul de Chien with your body arched up to face the roof: What is the trick for letting those fingers go and lunging up to that half-cantaloupe hold? *The concept of a crux narrows attention to a critical issue.* A *strategy* is a mix of policy and action designed to overcome a significant challenge. The *art of strategy* is in defining a crux that can be mastered and in seeing or designing a way through it.

Focusing on the problems of reusability and reentry, Musk had an insight. Fuel was a lot cheaper than vehicles. It might make sense to avoid the huge complexity of super-high-heat reentry by carrying more fuel and using it to slow the rocket's return to Earth. Like many old science fiction stories, Musk imagined a rocket turning around and slowing down by firing its engine, softly landing. No violent reentry furnace, charring the outside of the vehicle. The process could be automated—no necessary human to fly it. The key would be engineering a rocket engine that could reliably start and stop and accurately throttle and direct its power.

For organizations, the usual way through the crux will be via intense focus, bringing many elements of power and knowledge and skill to bear. For the strategist, focus is not just attention. It means bringing a source of power to bear on a selected target. If the power is weak, nothing happens. If it is strong but scattered and diffused across targets, nothing happens. If power is focused on the wrong target, nothing happens. But when power is focused on the right target, breakthroughs occur.

When Musk started SpaceX in 2002, he created focused, coherent policies. SpaceX rockets would be complete redesigns and done in a low-cost, spare manner. They would not be adapted intercontinental ballistic missiles. SpaceX would not be one of thousands of contractors. Its vehicles would not try to satisfy the US Air Force by flying around the globe. There would be no complex of scientists

wanting to explore the universe. No fancy R&D (research and development) labs. Musk saw the challenge as engineering, not high science. Unlike NASA, SpaceX would not be charged with the mission to inspire children to study science and math. The first step on the quest would be an intense single-minded focus on getting the cost down.

Many people challenged Musk that a low-cost approach would sacrifice reliability. His answer was pure engineer:

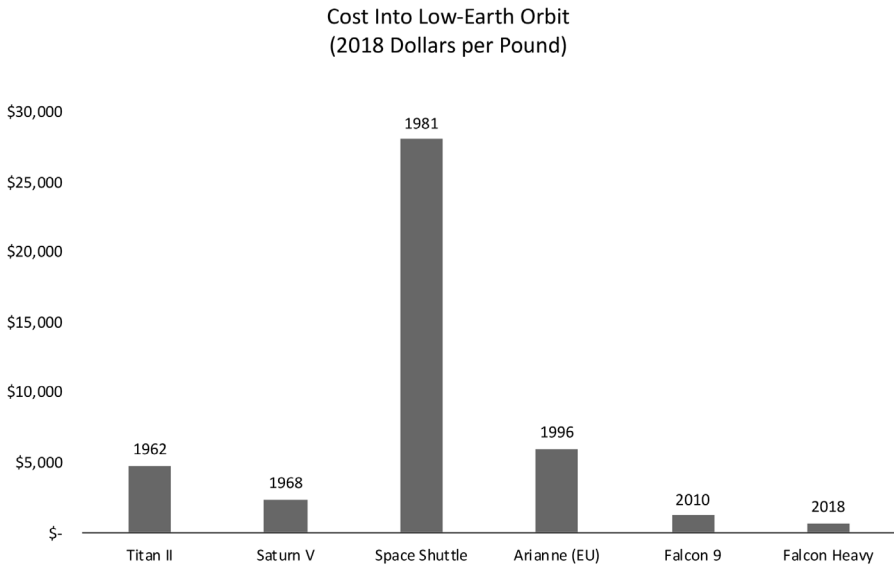
We've been asked "if you reduce the cost, don't you reduce reliability?" This is completely ridiculous. A Ferrari is a very expensive car. It is not reliable. But I would bet you 1,000-to-1 that if you bought a Honda Civic that that sucker will not break down in the first year of operation. You can have a cheap car that's reliable, and the same applies to rockets.

To get costs down, Musk focused on simplicity in engineering and manufacturing and on limiting the number of subcontractors. The Falcon 9 used an Ethernet data bus rather than a custom design. The in-house machine shop fashioned special shapes for much less the cost of an aerospace contractor.

Working at big contractors was basically boring because most of the job was running subcontracts and dealing with the government. The engineers at SpaceX were stressed but not bored.

SpaceX's first commercial flight was in 2009, putting a Malaysian observation satellite into orbit. But the revolution began in 2015 with the Falcon 9 being the first rocket to ever gain orbit and then turn around and fire its engines for a slow reentry and a soft landing on its tail. By 2018 the Falcon 9's cost per pound into low-Earth orbit was twenty-three times cheaper than the old space shuttle. Its bigger brother, the Falcon Heavy, cut the Falcon 9's cost per pound in half.

On May 30, 2020, SpaceX carried two NASA astronauts to the International Space Station. In early June, NASA approved SpaceX's plan to reuse its Falcon 9 launch vehicle and its Dragon crew capsule on future missions.

FIGURE 2. Cost into Low-Earth Orbit

NASA had estimated it would cost \$200 billion to go to Mars. Musk estimated \$9 billion. The key to such advantage would be more of the same—coherent policies aimed at simplicity, reusability, and cost. If Congress or bureaucrats design the mission, costs will explode, as hundreds of different agendas and payoffs will be tacked onto the project.

I cannot tell you that SpaceX will be a great success in the future. Going into space is risky, and rockets are risky. The current media climate would turn any fatal accident into a circus. Under current norms, there would have never been the development of aircraft during the twentieth century—someone might get hurt. I can tell you that the key to SpaceX's advantage in rocketry arose from Elon Musk's grasp of the crux of the problem and his insight into how to surmount it. Plus, advantage is created by the company's coherent policies, all directed reliably at putting mass into orbit at the lowest cost possible.

EFFECTIVE PEOPLE GAIN insight through finding and concentrating attention on the crux of a challenge—the part of the tangle of issues that is both very important and addressable (which can be overcome with reasonable surety). To act effectively, you must fully examine the mix of problems and opportunities, identify the crux, and take actions aimed at overcoming it. Ignoring it doesn't work.

The “art of strategy” is not decision making—that discipline assumes that you have been handed a list of possible actions among which to choose. The art of strategy is not finding your one true goal and passionately pursuing it with all your heart and soul in everything you do—that is a type of mental illness called monomania. The art of strategy is not setting higher and higher performance goals for people and using charisma, carrots, and sticks to push them toward attaining those goals—that presumes that someone somewhere knows how to find a way through the thicket of problems the organization actually faces.

To be a strategist you will need to embrace the full complex and confusing force of the challenges and opportunities you face.

To be a strategist you will have to develop a sense for the *crux* of the problem—the place where a commitment to action will have the best chance of surmounting the most critical obstacles.

To be a strategist you will need persistence because it is so tempting to grab at the first glimmer of a pathway through the thicket of issues.

To be a strategist you have to take responsibility for external challenges, but also for the health of the organization itself.

To be a strategist you will have to balance a host of issues with your bundle of ambitions—the variety of purposes, values, and beliefs that you and other stakeholders wish to support.

To be a strategist you will have to keep your actions and policies coherent with each other, not nullifying your efforts by having too many different initiatives or conflicting purposes. These facts are rarely written or spoken about with honesty. We are told that strategy is about having an advantage (duh!). That it is about having a long-term vision of where you want to be. We are told that by

adopting method *X* or mind-set *Y*, the average business can become as successful as the very best—your consultant has charts comparing you to the very best (and shakes her head at the chasm).

The honest facts are that we do not live in Lake Wobegone and that the majority of businesses, no matter what methods they adopt, cannot be above average. The honest facts are that some situations are irretrievable, that there is not always a clever way out. The honest fact is that organizations cannot change direction on a dime—yes, we would like to be in the Web-services industry instead of trying to sell look-alike Vietnam-made jeans in overbuilt shopping malls, but here we are. The honest facts are that some situations are so locked up with competing political interests that there is not enough executive power anywhere to break the logjam. Strategy is not magic.

What is true is that to meet a challenge, you should first work to comprehend its nature. You cannot improve a failing school system unless you have a clear idea about why it is failing. To supply shoppers with a better shopping experience, you need to know about their wants, habits, and needs, as well as the technologies of selling. Don't start with goals—start by understanding the challenge and finding its crux.

Heraclitus said, "Character is fate." People with character speak plainly. They may gamble and take risks, but they are clear about the nature of the bet. You build trust in your company's longer-term results by having a story—a strategy, a narrative—about how your actions today fit into a plan to create a better future. The logic of the strategy should be sensible to other level-headed people. Saying "We are always increasing sales and cutting costs" is just not convincing. Saying "Our paint company is going to beat all the other paint companies because we are customer focused" doesn't work either. To have someone believe you and trust in your strategy, there has to be a logic and argument, and some evidence, as to how you are dealing with the challenges you face.

THIS BOOK'S IMMEDIATE impetus was a December 2019 fall while skiing the Aspen Mountain black-diamond FIS mogul trail. The resulting back injury kept me from most skiing and hiking over the next several months. Then the COVID-19 virus kept me from traveling. This quiet time allowed the development of ideas and themes that had been brewing within for some time.

The quiet time in 2020 let me write down these ideas and learnings. My own personal experience is that I don't actually know what I know until I work to write it down. The process of writing reveals contradictions, weak arguments, and places where more data is needed to back up an opinion. And it helps sort out the important from the less important. Mentally, it reminds me of combing out the knots and tangles in my eight-year-old daughter's hair.

In this book I tend to use the first-person *I* a great deal. Some readers feel that this sounds a bit self-promoting. It is not. I am uncomfortable with writers who present their ideas as facts and their models as reality. Economists tend to write textbooks about what "the firm" does in certain circumstances. They don't qualify that they are talking about their model of the firm, not actual firms. Business writers often express their opinions as facts. One author writes, "There are two ways to specialize: by selecting a target market segment or by having a limited range of products." Is this a theory? Did this author learn this from experience? Is it taken from some other writer? If the author had expressed this opinion (which is false) in the first person, readers might be more vigilant in comparing it to their own experiences.

I use the first person to explain how I have come to know and believe certain things. These "things" are often not facts or logical arguments. They are conclusions and views I have developed over a lifetime of work. If, for example, the issue is the relationship between strategic goals and strategy itself, I explain and describe the situation that first clarified my thinking on the subject. If the issue is the uncertainty in cash-flow estimates, I recount my personal experiences with executives making such estimates.

I EXPLORE FOUR themes in the pages that follow. First, the best way to deal with strategic issues is by squarely facing the challenge. Too many people start with goals and other visions of a desired end state. Start with the challenge, and diagnose its structure and the forces at work. Once you do that, your sense of purpose and the actions you consider will change. In that diagnosis, find the crux. That is the most critical part of the challenge that you can actually expect to solve. Don't pick a challenge you cannot yet deal with—attack the crux of the situation, build momentum, and then reexamine your position and its possibilities.

Second, understand the sources of power and leverage that are relevant to your situation. To punch through the crux, you will use one or more of them. Willpower is not enough.

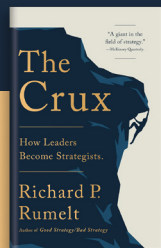
Third, avoid the bright, shiny distractions that abound. Don't spend days on mission statements; don't start with goals in strategy work. Don't confuse management tools with strategy, and don't get too caught up in the ninety-day chase around quarterly earning results.

Fourth, there are multiple pitfalls when executives work in a group, or workshop, to formulate strategy. By starting with the challenge, and avoiding a too rapid convergence on action, a group can define the crux and design coherent actions to overcome it.

I hope that this book can help you understand the power of challenge-based strategy and the power gained by finding the crux of the challenge.

THE CRUX

How Leaders Become Strategists



PRAISE

“*The Crux* shows why Rumelt is a global authority on strategy. This is an immensely readable guide to one of the most difficult subjects: how to create a way forward when facing knotty challenges.”

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