Strategic Thinking; a Practical View

Ehsan Sharifi

M.A. student in EMBA, Qom College, University of Tehran, Iran

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Abstract
The purpose of this paper is to clarify some of salient issues surrounding the concept of strategic thinking. After a historical overview of the evolution of strategic thinking, debate about types of thinking and different of definitions, I review research across the field of strategic management to find out characters and elements of strategic thinking model to develop a practical view. This approach can be useful to organizing a competitive organization.

Keywords
Strategic thinking, strategic planning, learning.
Introduction
During the past years a lot of research has been done on first-mover organization. The main problem identified by the majority of senior executives was strategic thinking. Interestingly, strategic thinking was a problem regardless of whether the companies had a formalized strategic planning system or used a non-formalized approach.

The ability to think strategically, however, is crucial to remaining competitive in an increasingly turbulent and global environment (Bonn, 2001).

This paper presents a framework that can be used to increase strategic thinking in organizations. It argues that what strategic thinking is, and the importance of it to have organizations that think strategically.

The Evolution of Strategic Management
Review of the strategy literature indicates there has been five phases in the evolution of the field since World War II.

The first phase in the evolution of the strategy paradigm involved “basic financial Planning” in the 1950s where the typical planning focus for the firm was the Preparation of the financial budget with a time horizon barely beyond 12 months.

The success of the organization was dependent on the quality of the CEO and the top management team and their knowledge of products, markets and rivals (Gluck et al., 1980).

The second phase of “forecast-based planning” in the 1960s resulted in organizations embracing a longer time horizon, environmental analysis, multi-year forecasts and a static resource allocation as the firm responded to the demands of growth (Gluck et al., 1980).

In this period Andrews introduced the concept of the SWOT analysis, seeking to match what the firm can do (internal strengths and weaknesses) with what the firm might do (external opportunities and threats), and described strategy as “…the pattern of major objectives, purposes or goals…stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be” (Andrews, 1965: 28).

In the 1970s there was a move to the third phase of “externally oriented planning” in response to markets and competition as strategic planning enjoyed the peak of its popularity. Planning in this form included a thorough situation analysis and review of competition, an evaluation of alternative strategies and dynamic resource allocation (Gluck et al., 1980). And numerous simplified frameworks for strategic analysis were put forward mainly by industry consultants. These
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frameworks included the Experience Curve, the Boston Consulting Group’s (BCG), portfolio matrix and the Profit Impact of Marketing Strategies (PIMS) empirical project.

In the 1980s firm’s embraced what became known as the strategic management phase—the fourth phase—being the combination of the firm’s resources to achieve competitive advantage. This phase included: “(1) A planning framework that cuts across organizational boundaries and facilitates strategic decision making about customer groups and resources. (2) A planning process that stimulates entrepreneurial thinking. (3) A corporate values system that reinforces managers’ commitment to the company strategy” (Gluck et al., 1980: 158). The valuable contribution grounded in economics was made by writers such as Wernerfelt (1984), Barney (1991) and Peteraf (1993) and others building on the earlier work of Penrose (1959) in relation to the resource-based view of the firm. The resource-based view assists in addressing weaknesses in the paradigms understanding of the internal processes in Andrews (1965) early work.

The significance of this approach is that it has combined the internal analysis of the firm with a more effective understanding of how to use what we know about the external industry and competitive environment for the firm. Its strength is that it explains why some organizations operate more profitably than rivals and how core competence can be put into practice and is helpful in developing diversification strategies that are well reasoned. In this context firms are perceived as very different collections of physical and intangible assets and capabilities.

By the mid-1980s it was evident that the changes in the evolution of strategic planning into strategic management were not leading to significant improvements in strategy implementation. In addition, at this time there was apparent a greater sense of the importance of organizational culture and internal politics in the strategic management process (Wilson, 1994; Bonn and Christodoulou, 1996). The Ineffectiveness of the strategic management process led many experts in the field to emphasize the need for strategic thinking - the fifth phase in the evolution of the Paradigm. In this context Stacey (1993, p. 18) observes: “...that although the procedures and analytical techniques of modern strategic management may not be of much direct practical use, they do create a framework for strategic thinking and, it is assumed, managers who think strategically are bound to act more effectively in dealing with the future. "Indeed, the day-to-day challenges of management bring forth issues that test established frameworks, policies and procedures within organizations designed to deal with them.
(O’shannassy, 1999). The major task of managers is to determine when to apply these established frameworks, policies and procedures and when to ignore them and develop new solutions. Strategic thinking facilitates this process (Stacey, 1993).

In this evolution 3 key changes is visible:
1. Changing concept of strategy;
2. Changing process of strategic formulations;
3. New tools of strategy analysis (Grant, 2010, 25).

**A Typology of Thinking**

This typology of thinkings determines the most suitable type of thinking for strategic thinkers under different inter-organization and environmental conditions. Most of the intellectuals who study and research into strategic thinkings, pose this type of thinking as a separate style of thinking against other types of thinkings like systemic thinking, intuitive thinking, analytical thinking and so on. For example, Ohme (1982) has posed strategic thinking against systemic and intuitive thinking and has composed them.

According to Ohne (1982), when a strategic thinker faces problems, events or situation, which apparently form a concordant whole, he divides them into their components. After identifying the components and their importance, he re-mixes them using his intellectual ability in such a way that they will have the highest advantage for him.

Real events don’t necessarily follow a linear model. So, the best method for dividing a situation into its components and its rearrangement in the intended way is not a step-by-step method and in methods like systems analysis, it is the brain of the human or non-linear demonstration of thinking that is efficient.

Therefor, the strategic thinking is highly in conflict with the normal view of mechanical systems and is based on non-linear thinking view. On the other hand, this view contrast with the methods that attribute everything to the intuitive perception (achieving the result without real analysis).

In fig. 2, Ohme (1982) depicted different characteristics of strategic thinking in comparison with other type of thinking.

Ansoff and Mcdonnell (1990), like Ohme consider strategic thinking as a separate type of thinking and pose its characteristics in comparison with non-linear thinking:

- Both are futurist. A strategic thinker critically analyzes the past and skillful understands uncertain environmental trends, which change the future towards the past. A creative thinker creates new thoughts and structures from the historical trends.
1950

FINANCIAL BUDGETING
- DCF-based capital budgeting
- Financial control through operating budgets

1960

CORPORATE PLANNING
- Medium-term economic forecasting
- Formal corporate planning
- Diversification and quest for synergy
- Creation of corporate planning departments

1970

STRATEGY AS POSITIONING
- Industry analysis
- Market segmentation
- The experience curve
- PIMS analysis
- Planning business portfolios

1980

QUEST FOR COMPETITIVE ADVANTAGE
- Analysis of resources and capabilities
- Shareholder value maximization
- Restructuring and re-engineering
- Alliances

2000

STRATEGY For The New Economy
- Strategic Innovation
- New Business Models
- Disruptive Technologies

2009

STRATEGY IN THE NEW MILLENNIUM
- CSR and business ethics
- Competing for standards
- Winner-take all markets
- Global Strategies

Figure 1 (Grant, 2010)
A strategic manager values others’ mentalities and believes that they can offer important services for the institute. But a creative manager cannot bear the formalities for uniting the pluralism.

Both types of managers have the view of a new future for the institute in their minds. Both are gamesters. The game of a strategic manager is when it is for the best benefits of the institute, while the

**Figure 2 (Iranzadeh, 2009)**

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game of a creative manager may be just for the excitement of its novelty.

- Both are tolerant of failure. Because they have accepted the danger with open eyes and full understanding. But, both are alienated from the managers who accept the danger with closed eyes or aviod it (Iranzadeh, Emari, Bevrani, 2009).

**Definition of Strategic Thinking**

There is no agreement in the literature on that strategic thinking is (Bonn, 2001). For Stacey (1992), strategic thinking is “. . . using analogies and qualitative similarities to develop creative new ideas . . . (and) designing actions on the basis of new learning.” This differs from strategic planning which focuses on following preprogrammed rules.

Some authors have suggested that strategic thinking is merely thinking about strategy. According to it, “The need for strategic thinking has Never been greater . . . This means continuing improvement (in strategic planning) has profoundly changed the character of strategic planning so that it is now more appropriate to refer to it as strategic management or strategic thinking.” This attempt to define strategic thinking as some kind of new and improved version of strategic planning leads to considerable confusion in attempting to elucidate the full implications of strategic thinking in its purest sense (Lawrence, 1999).

A number of authors have used the term interchangeably with other concepts such as strategic planning management. Wilson (1994, 14) for example notes that:

This continuing search for improvement has profoundly changed the character of strategic planning so that is now more appropriate to refer to it as strategic management or strategic thinking.

Other authors have focused on strategic management processes and either stated explicitly that good strategic planning contributes to strategic thinking (Porter, 1987) or assumed implicitly that a well-designed strategic management system facilitates strategic thinking within an organization (Viljoen, 1994).

But there is a clear distinction between strategic thinking and other concepts; strategic planning is not strategic thinking (Mintzberg, 1994: 107).

In this way strategic planning focuses on analysis and deals with the articulation, elaboration and formalization of existing strategies. Strategic thinking, on the other hand, emphasizes on synthesis, using intuition and creativity to create “an integrated perspective of the enterprise” (Mintzberg, 1994: 108). Mintzberg claimed that strategic planning is a
process that should occur after strategic thinking.

**Strategic Thinking as Double-loop Learning**

Another distinction between strategic planning and strategic thinking is an analogy to single loop learning and double loop learning.

In this view, the former is analogous to strategic planning, the later to strategic thinking. Heracleous claimed that single loop learning involves thinking within existing assumption and taking action based on a fixed set of potential action alternatives. Double loop learning, in contrast, challenges existing assumption and develops new and innovative solutions, leading to potentially more appropriate actions. He argued that like single loop learning and double loop learning, strategic planning and strategic thinking are interrelated in a dialectical process (Bonn, 2001).

Single-loop learning occurs when there is a match between the organizations design for action and the actual outcome, or when such mismatches are corrected by changing actions, but without critical examination of the governing variables for actions. Double-loop learning occurs when the correction of mismatches is arrived at by examining and altering the governing variables for action and then the actions themselves, this would amount to double-loop learning in particular company, since its set of potential action alternatives would have expanded to include new responses and new way of thinking about the problems faced, leading to different responses from what was done in the past (Heracleous, 1998).

**A Model of the Elements of Strategic Thinking**

Liedtka (1998) defined strategic thinking as a particular way of thinking, with specific attributes. Figure 3 contains a model of the elements that she believes comprise strategic thinking.

**Systems Perspective**

A strategic thinker has a mental model of the complete system of value creation from beginning to end, and understands the interdependencies within the chain.

The systems perspective enables individuals to clarify their role within the larger system and the impact of their behaviour on other parts of the system, as well as on the final outcome. This approach addresses, therefore, not only the fit between the corporate, business, and functional levels of strategy, but very importantly, the person level. From a vertical perspective, strategic thinkers see the linkages in the system from multiple perspectives and understand the relationship among the corporate, business, and functional levels of strategies to the external
context, as well as to the personal daily choices they make. From a horizontal perspective, they also understand the connections across departments and functions, and between suppliers and buyers.

**Intent-Focused**

Strategic intent provides the focus that allows individuals within an organization to marshal and leverage their energy, to focus attention, to resist distraction, and to concentrate for as long as it takes to achieve a goal. In the disorienting swirl of change, such psychic energy may well be the scarcest resource an organization has, and only those who utilize it will succeed.

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**Thinking in Time**

Strategy is not solely driven by the future, but by the gap between the current reality and the intent for the future, by connecting the past with the present and linking this to the future, strategic thinking is always “thinking in time.”

**Hypothesis-Driven**

The final element of strategic thinking recognizes it as a hypothesis-driven process. It mirrors the “scientific method”, in that it deals with hypothesis generating and testing as central activities. Because it is hypothesis-driven, strategic thinking avoids the analytic-intuitive dichotomy that has Long Range Planning characterized much of the debate on the value of formal planning (liedtka, 1998). Strategic thinking is both creative and Critical, in nature. Figuring out how to accomplish both types of thinking simultaneously has long troubled cognitive psychologists, since it is necessary to suspend critical judgment in order to think more creatively (Paul, 1987).

Strategic thinking cannot be decoupled from the use of frameworks and techniques; it must be freed from their unilateral imposition. Each of
the five elements of strategic thinking is powerfully informed by the various techniques available today. Figure 4 lists a sample of the frameworks, concepts, and techniques that she believes support each element.

**Strategic Thinking Process**

Built into Peter Drucker pattern of thinking are three techniques that he used to consider almost every problem. These can be extremely helpful to senior managers:

1. Ask penetrating questions of people who understand current and future realities so they can generate and evaluate a creative set of strategic options.

Drucker, thinking strategically, cut through the analytic quagmire and cultural morass miring management in the status quo. He focused on the essence of the situation by framing the issue with two questions that made immediate sense and liberated management’s thinking:
1.1. What business should we not be in?
1.2. Knowing what we know, would we enter this business now?

Drucker captures the strategic essence of the issue in these two simple questions. He legitimized the idea that if we make mistakes we need to assess them and figure out what to do. He did this in a situation with extremely high stakes – downsizing or exiting a business. But equally important, his questions enlist a company’s experienced managers, who understand current and future realities, to evaluate alternatives.

The first question—what business should we not be in—straightforwardly implies we may have made some decisions that turned out poorly. Our choices may have looked good when we made them, but we may have overestimated the benefits, underestimated the costs or incorrectly assumed that the business environment would not change adversely. Drucker’s first question astutely sidesteps the resistance to examining poor decisions that characterizes many organizational growth cultures.

The second question implies that we know our business intimately. Drucker’s message reminds us: We’ve been struggling in this business for years, so let’s use what we know. For example, suppose we know this business is fiercely competitive, requires continual investment, offers low returns as far out as we can see, and we’ve been unable to gain a sustainable competitive advantage. Why then would we now enter and invest in this business?

2. Reframe and simplify to enable review and adjustment Drucker masterfully used reframing and stating the essence of an issue simply to increase Management understands insight and clarity of strategic thinking.

3. Consider alternative assumptions and probe implications to think strategically about a firm’s future, Drucker insisted that organizations must learn to cultivate dissent and manage it constructively. To facilitate this he practiced a technique of probing that evokes differences, sometimes sharp ones (Zand, 2010).

Levels of Strategic Thinking

Strategic thinking manifests itself at two different levels: the individual level and the organizational level. This approach integrates the micro domain’s focus on individual and groups with the macro domain’s focus on organization and their context. In other word, it acknowledges the influence of individual characteristics and vice versa, the influence of organizational context on individual thinking and behaviour.
Strategic Thinking at the Individual Level

Strategic thinking at the individual level comprises three main elements:
1. A holistic understanding of the organization and its environment;
2. Creativity;
3. A vision for the future of the organization.

Strategic Thinking at the Organizational Level

The organizational level provides the context in which individual strategic thinking can occur. Organizations need to create the structures, processes and systems that:
1. Foster ongoing strategic dialogue among the top team;
2. Take advantage of the ingenuity and creativity of every individual employee. (Bonn, 2001).

Stretching Strategic Thinking

To stretch company thinking about different and better ways of competing, delivering customer value and growing, top managers can explore five approaches:

Being Successfully Different

Strategy is about being different from your competitors – finding your race to run and winning it. To paraphrase Michael Porter, while becoming better at what you do is desirable, it will not benefit you in the long run because it is something other competitors can also do (Porter, 1996). If other competitors are following the same route to profits and everyone is playing the same “game” – that is, if they have similar business models – a company might at best achieve a limited or temporary advantage (with a new product or more effective advertising). Porter insists that this is not strategy. So one challenge in strategic thinking is to find a different way to do what the organization now does or to adopt a business model different from its competitors.

Emulating Entrepreneurs

What is so special about entrepreneurs and being entrepreneurial? The one irrefutable difference between them and everyone else is their ability to see opportunities everywhere they look. They have an innate ability to scan the world for opportunities and look beyond the conventional.

What does seeing opportunities everywhere mean? It means being in a position to notice that something can be done better, quicker, cheaper, differently, more conveniently, faster, more reliably, or … .
Finding New Opportunities
When companies are not doing well they usually attempt to correct the problem by lowering costs and increasing revenues using their existing business model (Abraham, 2005).

Being Future-Oriented
Methods of looking at or analyzing the future are called futures research methods. One useful method is called scenario planning. It requires facilitation, the involvement and education of many individuals, and a time period varying from weeks to months (Schwartz, 1996).

Being Collaborative
The complexity of change and the imperative of competing more effectively or differently have led firms to consider a number of other opportunities and ways of growing and competing, such as outsourcing, alliances, licensing, acquisition and joint venture (Abraham, 2005).

Conclusion
If all of this talk about strategic thinking is to be taken seriously, it has significant implications for the design of planning processes in today’s organizations.

This paper after introduce the strategic thinking and its elements, Argues for how stretching it, process and levels of it in organizations.

This paper written based on this idea that strategic thinking can be more practical in complex and competitive environment.
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