

3D...
IBA JOURNAL OF
MANAGEMENT &
LEADERSHIP
Vol:10 ■ Issue:2 ■ January-June, 2019

Strategic Thinking: My Encounter

A. Sahay

Professor of Strategy, BIMTECH, Greater Noida

Abstract

It is said, the change is the only constant. We have got accustomed to the change but not the rate of change that has gone exponential. With this accelerating change, the twenty-first century has brought many complex problems as well as an array of opportunities. These include, to mention a few, development of new innovative products and processes, strong R & D, global market expansion, changing workforce skill requirement with the advent of IOT and machine learning, e-working, changing customer profile and preferences. Along with the practice in the field, the academicians in management disciplines, too, have done considerable theoretical and empirical work to address the emerging issues. Though there is some work in strategic management area, there is dearth of literature on strategic thinking. This paper, which basically is a review paper, attempts to understand who is a strategic thinker, what makes him a good strategic thinker and derives therefrom - what is strategic thinking.

Introduction

Way back in early 1970s, I was working as the Superintendent (Foundry) in Tata Yodogawa Ltd. at Jamshedpur when J.R.D. Tata (JRD) had visited our foundry. Contrary to the plan of his moving to the pouring pit, he remained in the front of the Air Furnace brooding over something. I was at my wit's end, what to do;

costly alloyed iron metal for the rolling mill roll would have been wasted had I waited for JRD to move. The temperature of liquid metal was continuously going down; already just below the pouring temperature. Overcoming my dilemma, I signalled the Crane Operator, who moved with hot metal in the ladle to the pouring bay. The designated roll was poured quickly, the temperature remaining just near

the lower limit for pouring. JRD was still looking at something on the furnace platform and deeply brooding. He was pointed out by the officials about the time. His thought process broke and I saw him suddenly walking out of the foundry at a brisk pace. Later, I was called in a meeting to discuss about foundry operations, where he questioned "Don't you feel bad keeping your people (who were deslagging) at such a high temperature for so long?" I had no answer except showing my ignorance.

The discussion ended with J.R.D. sharing his experiences of such process in Nagoya, Japan, Dusseldorf, Germany and Pittsburgh, USA asking us to improve the process through implementing technology. He was disgusted with the drudgery of the workmen and desired immediate action in this regard. We, immediately got into the job; studied various processes and equipments for deslagging. After due discussions, we made a proposal for certain equipment purchase that would bring technology to replace this human process. To my surprise, I was conveyed by my General Manager that the proposal was turned down. Later, in one of the visits of our Chairman, Mr. Nanavati, I had enquired as to why our proposal was turned down. He made a curt reply "you people did not think strategically." This was my first encounter with the words, "thinking strategically" or "strategic thinking."

I went round asking my superiors, what "strategic thinking" actually meant? No one gave me concrete answer. All I could make out is – it is something important that goes behind both planning and implementing the plan in manufacturing unit like ours. I then turned to academicians who were equally vague in replying stating that it is looking at the big picture. The question haunted me till I retired in the year 2002 from the post of the CEO of a big Public Sector Enterprise. Though I was practising 'Strategic Thinking,' I did not know the theoretical details of the same. I could only guess that Strategic Thinking, perhaps, was an action which was taken prior to

Strategic Planning; it helped us in developing the vision, mission and values. This was something abstract unlike defining goals or setting targets. Post retirement, I joined Management Development Institute where I was asked to teach "Strategy Implementation." I started studying the subject which made me to do some desk research, discussions with colleagues in MDI as well as colleagues from the corporate world who were CEOs or Board members. To my surprise, many of them, though practicing strategic thinking, could not describe what it was though they gave some example where their collective and creative thinking either saved the company from decline or resulted in diversification or in acquiring of a company or made it more competitive. Getting no concrete answer to my query, I turned to literature review.

Literature Review

Decisions and actions are at the root of strategic management. Decisions are input to strategy formulation and actions are input to strategy implementation. The strategy formulation and implementation are designed to achieve an organization's objectives (Pearce and Robinson, 2000). Business performance is impacted (Porter, 1987; Mintzberg, 1994a, b; McAdam and Bailie, 2002) by these plans and actions. There is plethora of literature on Strategic Management but what thinking goes in the process has hardly been researched. Literature review on strategic thinking resulted in finding only a few papers specifically discussing about strategic thinking though in many strategic management papers this construct finds a place. Hanford (1995), towards the end of last century, studied this issue. According to him, strategic thinking requires development of thinking concepts, thinking skills, thinking styles, and thinking techniques. Strategic thinking, according to Thompson and Strickland (1996), is analytical, conceptual, and visionary. They, further add that thinking strategically requires knowledge as also analytical and synthesizing skills. Similarly, Heracleous (1998) describes strategic thinking to be synthetic, creative,

and divergent. Graetz (2000), after studying the phenomenon, suggested that the role of strategic thinking is seeking innovation. According to him, strategic thinking helps in imagining new and very different futures which leads a company to redefine its core strategies and its industry. Liedtka (1998), however, emphasizes that strategic thinking includes five elements; "having a system perspective, being intent-focussed, thinking in time, being hypothesis-driven and acting in an intelligently opportunistic manner." Tovstiga (2010) states, "Strategic thinking process includes developing strategic questions, forming issues, developing insight using strategic analysis, assessing competitive landscape, and generating strategic options." Commenting on the ability to think strategically, a study by Tavakoli and Lawton (2005) came to the conclusion, "the greater the sum total of strategic thinking and strategic thinkers in an organization, the more readily and effectively the organization can respond to take advantage of new business opportunities being created by today's fast changing business environment."

"Visionary, creative, and synthetic" are the constructs most mentioned in strategic thinking literatures. Other constructs/characteristics mentioned in this literature are "analytical, conceptual, divergent, and systematic." Organization is at the centre of all these characteristics. Strategic thinking has been defined by Rowe et al. (1986) as a process of thinking about an organization. Beyond this, he states that "it includes the process of developing a strategy that obviously includes vision, creativity, flexibility, and entrepreneurship." According to Mintzberg (1994a, b), being "creative, intuitive, analyser and synthesizer" are the traits of a strategic thinker. The essence of strategic thinking suggested by Mintzberg (1994a, b) was taken forward by Graetz (2002) and Heracleous (1998) who combine these attributes and add "innovative thinking" to it. Strategic thinking has been proposed by Bonn (2001) as a core competency of an organization.

"Strategic problems can be solved by strategic thinking," states Bonn (2005). He, further stresses that strategic thinking is as a way to solve such problems by combining a rational and convergent strategic approach. Such approach, however, needs to be creative and convergent thought process. He goes on to propose a conceptual framework of strategic thinking. His proposed framework consists of "system thinking, creativity, and vision."

Clarity of strategic thinking, according to Tregoe and Zimmerman (1980), is the key to corporate survival. Strategic thinking enables facing the future by knowing not only what the company wants to be but also by charting various paths and selecting the optimum path to reach there. "The use of proper process for strategic planning is a must," Porter (1987). According to him, strategic thinking is the input in the development of proper strategic plan. Zabriskie and Huellmantel (1991) have brought a new construct 'identify the real substance.' According to them, it is necessary to identify the real substance of strategic thinking but what this real substance is, is not identified. Be that as it may, they state that a good strategic plan can be made only after that. They also have delved into the subject of capability and state that it is important to know the capabilities, the senior management is required to have. A concept of the differences between strategic and operational thinking has been proposed by Mintzberg (1994a, b) and Hanford (1995). These differences are: "longer term vs. short term; conceptual vs. concrete; reflective/learning vs. action/doing; identification of key issues/opportunities vs. resolution of existing performance problem; breaking new ground vs. routine/on-going; effectiveness vs. efficiency; hands-off approach vs. hands-on approach; and helicopter perspective vs. on-the-ground perspective."

Strategic thinking is closely related to strategic actions, state Macmillan and Tampoe (2000). They emphasize that strategic thinking is an important part of strategic management. A concept of strategic thinking as seeing;

“seeing ahead and behind, seeing above and below, seeing beside and beyond, and seeing it through,” was introduced by them. Strategists think about multiple issues concurrently, stated Boar (2000). He points out that most of the managers have analytical skill but very few have synthesis skill whereas synthesis lies at the centre of strategic thinking. Herrmann (1996) came out with ‘whole brain model.’ Strategic thinking, according to him, is largely a process which deals with futures, patterns, trends, and nuances. All these require the ability to sense emerging opportunities which do not remain for long in the environment. Strategic thinking, according to Macmillan and Tampoe (2000), is at the heart of strategy formulation process which comprises of strategic intent, strategic choices and strategic assessment. Strategic thinking has been depicted by Saloner et al. (2001) as the ability not only to develop and maintain conceptual maps of a business but also the ability to tie together changes initiated outside the firm’s context, actions, and performance. How changes in the external and internal environment will impact the strategy is the main task of strategic thinking. They, further, added, “strategic thinking first requires the conceptualization of a new strategy and later thinking through.”

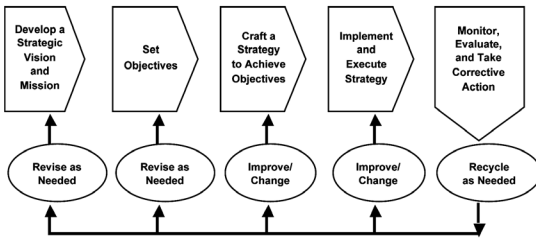
Further to the literature stated above, there are a number of other studies that relate to strategic thinking. A concept of strategic innovation has been proposed by Williamson (2003). He has included a set of abilities and skills: “strategic intent, analytical skills, synthesizing skills, and portfolio of ideas constitute them.” The ‘blue ocean strategy,’ was introduced by Kim and Mauborgne (2005). This strategy, too, supports the need for strategic thinking. They propose that strategic thinkers should not only be able to see emerging new opportunities but also need to conceptualize new markets. Tavakoli and Lawton (2005) looked at the subject from knowledge management point of view. His study concluded that knowledge management has a significant role in increasing and improving strategic thinking.

Brown (2005) conducted a study related to management competency. This study, which included different levels of management, revealed that the involvement of various levels of management in strategy formulation of the organization enhances the potential for strategic management development. The importance of strategic thinking came out during an empirical study conducted on ‘evaluating and leveraging new technologies’ by Evans et al. (2009). Their study revealed that in leveraging new technologies, strategic thinking plays the most important role. Goldman (2012), while studying leadership, came out with a view that one of the common leadership practices in organizations is human resource development. Strategic thinking cannot be attained in an organization if leadership development practices are absent.

Discussion

Over past few decades, there has been some theoretical and empirical work on strategic thinking from both the management and psychological disciplines. These studies have dealt mainly in strategic decision making while touching on strategic thinking. The work has sought to better understand what makes a good strategic thinker and decision maker, competencies required to be a good strategic thinker and decision maker and factors that may influence an individual’s strategic decisions. Strategic Thinking, however, has hardly been defined in the literature. Mostly authors have talked about strategic thinking in a particular context. They have emphasized the roles of strategic thinking in strategic management in a business organization. Some other literature deals with different dimensions of definitions but I could not get a common definition of strategic thinking despite searching volumes of books and articles. In the literature, I could find that Strategic Planning is well defined, though differently by different authors. It is a formal process of defining the requirements for delivering an above average return in the industry. It is about identifying current realities and working out a process to ensure

future sustainability while adding maximum value from the operations. The whole process of strategic management could be pictured as given below (Thompson and Strickland, 2007).

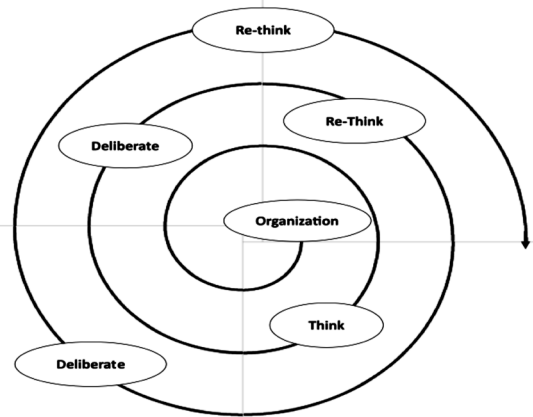


Source: Thomson and Strickland (2007),
Strategic Management

As is evident from the picture above, the 1st task in the Strategic management is to develop strategic Vision and Mission followed by setting up of Objectives and Goal to achieve which strategic planning and its implementation is required. Vision and Mission cannot be developed without deep thinking and deliberation. This cycle of Thinking-Deliberation-Rethinking-Deliberation-Rethinking.... leading to creation of Vision and Mission is understood in the industry as Strategic Thinking. It may be noted that this process of strategic thinking is a journey and not a destination. Arriving at Vision and Mission is just a station in strategic thinking process. As we all are aware, even vision and mission need to change as the external and internal environment of business changes. The path from one vision mission to the next is covered with the help of strategic thinking. This process is not circular but is spiral.

Only after strategic thinking that helps in developing Vision and Mission, we can strategically plan and develop the requirements and processes needed to attain that Vision and Mission which are not static but dynamic. Strategic Thinking makes us move out of our traditional comfort zones, away from the everyday paradigms, and expand our boundaries. For strategic thinking, we need to step back from day to day operations of our organization; take a pause

to understand what is important today and what we shall need to succeed in the future. Strategic thinking, thus, can be a good tool to sense opportunities, which in turn, will help in capturing new organizational value. Past success is no guarantee for the future success, therefore, during the process of Strategic Thinking, we must consciously challenge old assumptions about the organization's business model and value proposition.



Spiral developed by the Author

Strategic Thinking does not end as a process after developing Vision and Mission; it carries on in a spiral form that helps us encash newly identified opportunities. It is a distinctive management activity that opens new vistas; helps discover novel, imaginative strategies to rewrite the rules of the competitive game in the industry. Obviously, Strategic Thinking is not a process to respond to day-to-day or short-term problems. On the contrary, it is a process to create and secure future of the business and make it sustainable. This helps in visualizing potential future scenarios for the company and thus, the course correction when required. The process is always proactive not reactive to respond to competitor's moves. The focus is to create a better future compared to where the organization is today which necessitates to add value to the organization through selecting high payoff alternatives. Change is the only constant and the future is certainly going to bring new realities that will continue to change at an accelerated rate. To face this accelerating change, no doubt,

Strategic Thinking is required but it must be understood that it is not an innate skill nor it can be thought to be pure serendipity. It is a deep mental process, which comes out from personal experiential learning and managerial experience; attributes those must be enhanced in managers for their professional development, which in turn, helps the organization to stay ahead of the curve. Strategic Thinking, thus, helps enhancing the organization's purpose, ultimately resulting in its superior positioning. Post creation of Vision and Mission, managers must clearly understand the fundamental business objectives and goals that drive the organization; absorb the same and thereafter challenge the traditional thinking. The goal of Strategic Thinking during planning is to formulate effective strategies to sharpen competitive edge of the organization through the examination, evaluation and validation of policies through a long-term perspective and elimination of those policies which have become redundant. In this era of hyperbolic change and unparalleled opportunity, only those organizations, whose leaders think strategically; see possibilities, beyond the existing products and services and the traditional markets, can ensure profitable and sustainable growth.

Conclusion & Recommendation for Future Research

Strategic thinking leads to a good decision making and thus, helps in better strategic planning. In thinking strategically, the management considers where the organisation has been (past), where it is now (present) and how it can survive and grow in a dynamic environment (future). The study suggests that managerial cognition, corporate values as well as individual values and beliefs can have an influence on strategic thinking and thus, strategic decision making choices. Further, it clearly emerged that strategic thinking competencies are important. However, there is no agreement among academicians as well as managers as to what these competencies should be. Different organizations have

developed their strategic thinking through different trajectory, though knowledge and the skills of analysis and synthesis has been found in such organizations. Future research should focus on the identification and validation of specific competencies required for strategic thinking and how to develop those competencies. This, obviously, will help organisations to recruit/develop strategic thinkers who are the pillars for maintaining a competitive edge and securing future of the organization.

References:

- Pearce, J.A. and Robinson, R.B. 2000. Strategic management, formulation, implementation and control. 7th ed. Boston: Irwin, McGraw-Hill.
- Porter, M. E. 1987. From competitive advantage to competitive strategy. Harvard Business Review (May-June): 43-59.
- Mintzberg, H (1994a) The fall and rise of strategic planning Harvard Business Review January-February pp. 107-114.
- Mintzberg, H (1994b) The Rise and Fall of Strategic Planning, London, UK: Prentice Hall.
- Rodney Mcadam, Brian Bailie (2002) Business performance measures and alignment impact on strategy: The role of business improvement models, September 2002, International Journal of Operations & Production Management 22(9):972-996, DOI: 10.1108/01443570210440492.
- Hanford, P. (1995). Developing director and executive competencies in strategic thinking. In B. Garratt (Ed.), Developing strategic thought: Reinventing the art of direction-giving (pp.157-186). London: McGraw-Hill.
- A. Thompson; A. J. Strickland (1996) Strategic Management: Concepts and Cases, Published by McGraw-Hill Companies, ISBN 10: 0256162050 ISBN 13: 9780256162059.

- Heracleous Loizos (1998) Strategic thinking or strategic planning? Long Range Planning, Volume 31, Issue 3, June 1998, Pages 481-487. [https://doi.org/10.1016/S0024-6301\(98\)80015-0](https://doi.org/10.1016/S0024-6301(98)80015-0).
- Graetz, F. (2000) Strategic change leadership, Management Decision. London, Vol. 38, N 8; pg.550.
- Liedtka, J. (1998). Strategic thinking; can it be taught?, Long Range Planning, 31, (1), 120-129.
- Liedtka, J. (1998). Linking strategic thinking with strategic planning, Strategy and Leadership, October, (1), 120-129.
- George Tovstiga (2010) Strategy in Practice: A Practitioner's Guide to Strategic Thinking, John Wiley & Sons, 24-Sep-2010 - Business & Economics - 176 pages, ISBN 0470977256, 9780470977255.
- Iraj Tavakoli, Judith Lawton, (2005) "Strategic thinking and knowledge management", Handbook of Business Strategy, Vol. 6 Issue: 1, pp.155-160, <https://doi.org/10.1108/08944310510557170>.
- Rowe, A.J., Mason, R.O. & Dickel, K.E. (1986). Strategic Management – A Methodological Approach, Boston: Addison-Wesley Publishing Company International.
- Fiona Graetz, (2002) "Strategic thinking versus strategic planning: towards understanding the complementarities", Management Decision, Vol. 40 Issue: 5, pp.456-462, <https://doi.org/10.1108/00251740210430434>.
- Loizos Heracleous (1998) Strategic thinking or strategic planning? Long Range Planning 31(3):481-487, June 1998, DOI: 10.1016/S0024-6301(98)80015-0.
- Ingrid Bonn, (2001) Developing strategic thinking as a core competency, Management Decision 39(1) February 2001, DOI: 10.1108/EUM0000000005408.
- Ingrid Bonn (2005) Improving strategic thinking: A multilevel approach, Leadership & Organization Development Journal 26(5), July 2005, DOI: 10.1108/01437730510607844.
- Benjamin B. Tregoe, John W. Zimmerman (1980) Top Management Strategy, Published by Simon & Schuster (1980, Hardcover), ISBN-13 9780671254018.
- Noel B. Zabriskie and Alan B. Huellmantel (1992) Developing strategic thinking in senior management, Long Range Planning 24(6):25-32, January 1992 DOI: 10.1016/0024-6301(91)90040-U.
- Mintzberg, H. (1994a), The Rise and Fall of Strategic Planning, Free Press and Prentice Hall International, Hertfordshire, pp.7-11, 381-383.
- Mintzberg, H. (1994b), "The fall and rise of strategic planning", Harvard Business Review, January, pp.107-114.
- Hugh Macmillan and Mahen Tampoe (2000) Strategic Management, Oxford university press, ISBN: 9780198782292.
- Mintzberg H, Alhstrand B & Lampel J (1998) Strategy Safari: a Guided Tour through the Wilds of Strategic Management. London, Prentice hall.
- Boar, B. (2000), "Strategic thinking in hyper-competitive markets", Handbook of Business Strategy, Vol.1, No.1, pp.183-187.
- Herrmann, N. (1996), The Whole Brain Business Book- Unlocking the Power of Whole Brain Thinking in Organizations and Individual, McGraw-Hill, New York, NY, pp.6-15, 193-195.
- Saloner, G., Shepard, A. and Podolny, J. (2001), Strategic Management, John Wiley & Sons Inc, New York, NY, pp.6-11, 19-38.
- Peter J. Williamson (2006) Strategy Innovation, The Oxford Handbook of Strategy: A Strategy Overview and Competitive Strategy, Edited by Andrew Campbell and David O. Faulkner Apr. 2006, DOI: 10.1093/oxfordhb/9780199275212.003.0028.

- W. Chan Kim, Renée Mauborgne, (2005) "Value innovation: a leap into the blue ocean", *Journal of Business Strategy*, Vol. 26 Issue: 4, pp.22-28, <https://doi.org/10.1108/02756660510608521>.
- Tavakoli, I. and Lawton, J. (2005), "Strategic thinking and knowledge management", *Handbook of Business Strategy*, Vol.6, No.1, pp.155-160.
- Brown, P. (2005), "The evolving role of strategic management development", *Journal of Management Development*, Vol.11, No.3, pp.209-222.
- Evans, N., Ralston, B. and Broderic, A. (2009), "Strategic thinking about disruptive technology", *Strategy & Leadership*, Vol.37, No.1, pp.23-30.
- Goldman, E.F. (2012), "Leadership practice that encourage strategic thinking", *Journal of Strategy and Management*, Vol.5, No.1, pp.25-40.
- Thompson Jr. A.A., Strickland A.J., Gamble J.E. (2007) *Crafting and Executing Strategy: The Quest for Competitive Advantage*, 15th ed., McGraw-Hill, ISBN: ISBN 0071107576.

