

Thinking strategically – easier said than done

Mikko I Arevuo
European Business School, Regents College, London

Introduction

Those of us who earn our living by teaching and advising organizations about strategic management issues must share at least some of the blame that ‘strategy’ has become a word often overused and misunderstood by managers. When managers talk about strategy, strategic management, and strategic thinking, they often conjure a mental image of managerial activity laden with mystery and magic – a reverie of the selected few senior managers schooled, or even blessed, in the black art and the Midas touch of making their organizations dance around their competitors, skip over metaphysical potholes, and forever creating increasing shareholder returns.

At other times, strategy has become a byword for analytical thinking, forecasting and designing the firm’s capabilities to fit the external environment. What is clear is that however ambiguous the definitions, references to strategy, strategic management and strategic thinking in managerial parlance, have come to denote analytical ability, wisdom, foresight, intuition, excellence and seniority. These perceptions provide an insight to the complexity of subject matter, but they do not provide a full understanding

of what strategy formation and thinking is about, and more importantly how these competencies can be developed in practice.

This paper synthesizes the main strands of strategy research and theory pertaining to the nature of strategic management and strategic thinking to inform managerial practice. Different strategy perspectives are discussed in turn, and I conclude by making recommendations on how firms can approach strategy formation and strategic thinking in a holistic manner.

Background

Part of the problem of strategic management is embedded in the very origins of the word 'strategy'. Strategy originates from 'strategos', pl. 'strategoí', a Greek word to mean 'general'. It is no surprise therefore that strategic management vocabulary has borrowed military maxims, and managers who are either perceived, or perceive themselves as strategists, use terminology that is more at home on a battle field than in a civilian enterprise. Marketing managers even talk about flanking attacks and guerilla tactics with reference to competitive product positioning strategies.

The use of military metaphors implies that businesses are engaged in an existential competitive struggle for survival. This perception has its merits, and the number of executive books and seminars in the popular management literature and executive development market that draw inspiration from Chinese military historical writings of Sun Tzu, the writings of the 19th century German strategist, Clausewitz, or even the US Marine Corps, indicates that executives are keen to incorporate military wisdom and tactics into the management of a modern corporation if it enables them to win the competitive war.

Perhaps more worrying is a perception that senior managers as strategists are like generals sitting at the strategic apex of the firm. Afforded with an unobstructed view of the battle field, but detached from the oscillation of the battle itself, these generals are able to collate, analyze and synthesize untainted information from the battlefield, exercise rational thought, develop winning strategies and issue commands to troops who will unquestionably carry out orders that have been passed down the military hierarchy. This is often referred to as prescriptive strategy which, in the business context, is seen as sending employees into battle with a clear plan of action that has been drawn up by senior managers (Lynch 2009).

There is a quasi-romantic appeal to thinking about strategic management using military iconography, and the academic community has been slow to dispel this impression. Strategic management, as an academic discipline, is positioned in many

business schools as a capstone course that students take at the end of their degree studies once they have mastered functional disciplines such as accounting, finance, marketing, etc.

As an integrative subject, strategic management lecturers and executive development professionals have placed the discipline on a pedestal and many keen strategic management students have gravitated towards the consulting profession, often to the envy of their peers. Moreover, strategy consulting firms have been slow to dispel the myth of a cadre of bright young things, who, armed with perfect insight, rationality and unsurpassed analytics, can nip into any firm and within weeks identify a problem and turn a flailing competitive battle into resounding victory.

Finally, mental images of military, order and planning also permeate the popular business press. In a recent article in *The Economist* magazine firms were likened to organizations where people spend their working lives in centrally planned bureaucracies where they toil to fulfil the “strategic plans” of their corporate commissars (December 18th, 2010). If only life was this easy!

Strategic management

So, where’s the beef with strategy and strategic management if it is not an extension of prescriptive military strategy and tactics? The answer to this question is not simple. A recent ‘Google Scholar’ search (02.12.2010) of academic papers containing the words ‘strategic management’ returned 1,660,000 hits. Clearly strategic management excites academics as much as it does practicing managers, if not more. Perhaps the way to untangle this question is to first look at definitions offered in some recent strategic management text books.

Table 1 - Strategic management definitions

<p>A firm's strategy is its theory of how to compete successfully. In this sense, a firm's strategy is its best guess about what the critical economic processes in an industry or market are and how it can take advantage of these economic processes to enhance its performance.</p> <p>Strategic management process is a sequential set of analyses and choices that can increase the likelihood that a firm will choose a strategy that enables it to perform well.</p>	<p>Barney, J. A. (2007)</p>
<p>Strategic management can be described as the identification of the purpose of the organization and the plans and actions to achieve that purpose.</p> <p>It can be described as finding market opportunities, experimenting and developing competitive advantage over time.</p> <p>The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments.</p>	<p>Lynch, R. (2009)</p>
<p>Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. Strategy involves people, especially managers who decide and implement strategy.</p> <p>Strategic management is concerned with complexity arising out of ambiguous and non-routine situations with organization-wide rather than operation-specific implications. It includes understanding the strategic position of an organization, strategic choices for the future and managing strategy in action.</p>	<p>Johnson, G., Scholes, K. and Whittington, R. (2008)</p>
<p>Strategy defines a desired objective and communicates what will be done, by whom, how, for whom, and why the output is valuable.</p> <p>Strategizing is the ongoing process of discovering purpose, creating and using resources, and guiding supporting activities.</p>	<p>Huff, A. S. et al. (2009)</p>

There are a number of common features in the above definitions. They all have an orientation toward action and a future state of being guided by a desire for success in a complex environment. They all contain references to processes, analysis and activities undertaken by organizational participants. However, what is absent in the definitions is a dogmatic adherence to specific rules, hierarchies and certainties of strategic outcomes. Huff's definition of 'strategizing' is particularly interesting. She describes strategy as an ongoing process of discovering purpose. If purpose is continuously being discovered by the organization, what then is the role of planning in strategy formation? Is strategy and strategic management a product of some kind of managerial cognition and organizational sense-making in a complex and ambiguous competitive environment where managers are boundedly rational? Indeed, De Wit and Meyer (2004) posit that strategic management cannot be explained as a set of definitions and rules to be applied...strategy cannot be summarized into broadly agreed upon definitions, rules, matrices and flow diagrams that one must simply absorb and apply. Given the definitional ambiguity, it is not surprising that many practicing managers have different perceptions of strategy.

Recognizing that human nature insists on a definition for every concept, Henry Mintzberg (2001) has attempted to synthesize multiple definitions for strategy to help both practitioners and researchers navigate them through this difficult field. He offers five definitions for strategy as plan, ploy, pattern, position, and perspective:

- Strategy as plan and ploy, such as a competitive move, are defined as consciously constructed courses of action, or a set of guidelines that result in a purposeful action by the organization. These strategies are characterized by rational analysis and development of actions prior to undertaking the activities to which they apply. Often these strategies are articulated explicitly in planning documents with clearly defined roles, responsibilities and intended outcomes. This perception of strategy as a predetermined, rational plan or a competitive ploy comes closest to our military metaphor.
- Strategy as pattern is defined as a stream of actions taken by members of the organization. Strategy as plan and pattern can be independent of each other. Plans may go unrealized, while patterns may appear without preconception. Mintzberg makes a distinction between intended strategies that distinguish deliberate strategies, where intentions that existed before were realized, from emergent strategies, where patterns developed in the absence of clearly articulated intentions. Therefore, successful organizational strategy may emerge from *experimentation*

with different technologies or tentative collaborative efforts with customers and suppliers without a clearly articulated plan.

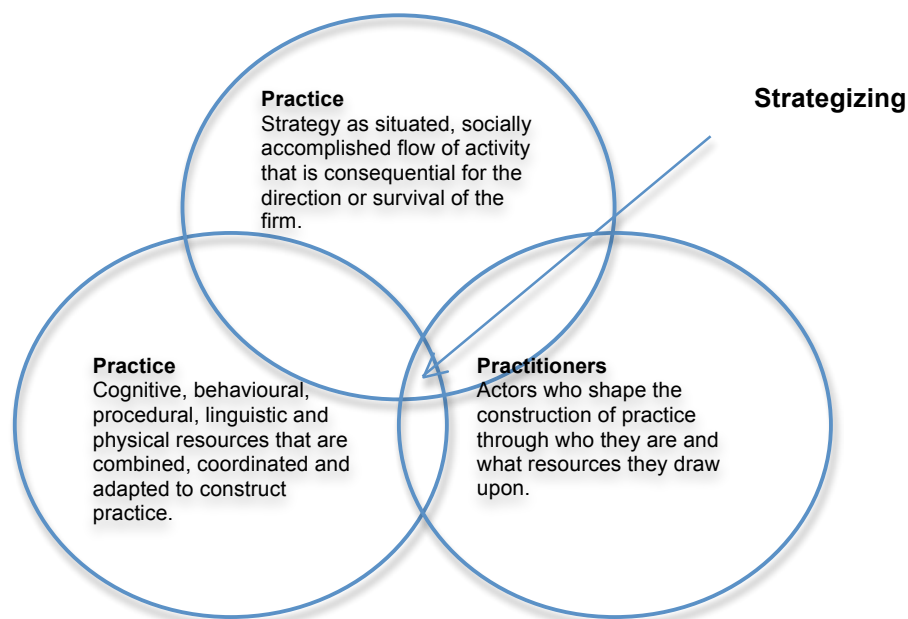
- Strategy as position is about locating the firm in its environment. This is often referred to as creating environmental fit or match between the organization, its resources and the competitive environment. Strategy as position can result from either an intended strategy where the desired position is selected in advance or it can emerge through patterns of activity. The key feature of this strategy is that it is outward looking. The organization seeks to fit into its external environment using signals from the outside to inform managers in creating rationally constructed competitive positioning decisions.
- Strategy as perspective looks inside the organization. The firm is imagined as an organism with cognitive qualities; as a living organism the firm perceives the world based on its collective past and experiences that regulate its behaviour and actions. “Driven by a shared collective mind the major issue in the study of strategy formation becomes how to read the organization’s mind to understand how the firm’s intentions diffuse through the organization to become shared and how actions come to be executed in a collective and consistent basis” (ibid.).

Although the rational planning approach to strategy as plan, ploy and position offers a clearly structured, precise and accessible step-by-step process to strategy formation it makes assumptions that are not reflected in practice. A recent strategy research perspective, *strategy-as-practice*, identifies false dichotomies in the rational planning approach to strategy formation: a separation of the content of strategy from the process of doing strategy; and the separation of the formulation of strategy from the implementation of strategy; and the separation of the planned and intentional design of strategy from the more emergent elements of strategy (Balogun, J. et al. 2007). Strategy-as-practice scholars seek to understand how strategists enact strategy in practice. They define strategy as a situated, socially accomplished activity, while strategizing comprises those actions, interactions and negotiations of multiple organizational members and practices that they draw on in accomplishing that activity (ibid.). These activities could often involve routines that have been considered mundane or non-strategic, such as workshops, presentations, meetings, form-filling etc. Strategy-as-practice researchers wish to gain a better insight into activities of an individual strategy practitioner, not only strategy as an abstract construct.

In common with Mintzberg and Huff, strategy-as-practice scholars recognize that there are a number of perspectives to strategic management and strategy

formation. They do not deny the usefulness of analytical methods in strategy formation, but it is quite clear from their definition that strategy making, or strategizing, is a socially constructed process of *making sense* and *discovering purpose* in a highly complex external environment as well as the firm's internal environment, involving multiple organizational actors. The interlinked nature of strategizing is depicted below.

Figure 1 - Strategizing in practice



Source: Balogun, J. et al., 2007

Empirical evidence suggests that in practice most strategy formation is an emergent process. Even if firms had a rational plan, strategy often evolves through a pattern in a stream of actions so that realized strategy may be quite different from the intended strategy. This does not mean that the realized strategy is inferior to intended strategy; in fact, it can be argued that strategy formation founded on the separation of planning from implementation produces a strategy process that is inflexible and unresponsive to rapidly changing conditions in a competitive environment.

Another feature of the strategy-as-practice view is that strategists are not only members sitting at the strategic apex of the organization, but they also include a wide range of actors at different levels inside the organization as well as actors outside the firm including consultants, non-executive directors and business-gurus who may influence managerial thinking. Mintzberg (2009) defines a strategist as whoever takes

an initiative that sets the organization on a new course. In view of the above, the skills and competencies of an effective strategist are not limited to analytical abilities but include cognitive and behavioural competencies such as *creativity, intuition, lateral thinking* and the ability to tolerate and synthesize *ambiguity*. If strategy making is viewed as a holistic, dynamic, creative and to some extent, an intuitive process within an unpredictable competitive environment, then we need to make a distinction between strategic planning and strategic thinking.

Strategic thinking

Graetz (2002) views strategic planning and strategic thinking as distinct but interrelated and complementary thought processes that sustain and support one another in effective strategic management. Strategic thinking is to seek *innovation* and imagine new and different futures that may lead the firm to redefine its core strategies and even the industry boundaries within which it operates. Liedtka (1998) defines strategic thinking in cognitive terms as a creative, disruptive, future-focused and experimental process. In contrast to *strategic thinking*, the role of *strategic planning* is to realize and support strategies that are developed through the strategic thinking processes and integrate these back into the business.

The need for firms to engage in and develop strategic thinking capabilities has become an urgent requirement for their competitive survival. Traditionally strategy was about building sustainable competitive advantage or other defensible market positions. In today's highly competitive environment the focus of strategic activity must be *continuous adaptation and improvement*. Successful firms must develop strategies that constantly shift and evolve in ways that surprise and confound competition (Eisenhardt and Brown 1998).

Effective strategy formation involves the development of new ways of generative thinking, managerial activities and organizational mechanisms. Organizational structures have not kept pace with the changing demands for strategic thinking. Development of strategic thinking is rarely encouraged in the often bureaucratic, financially driven organizations with incrementally focused approaches to strategic planning (Liedtka 1998). This poses two challenges to firms: how to identify and develop employees' strategic thinking capabilities and how to structure organizations in a way that allows strategic thinking to emerge?

Ohmae (1991) identified three requirements for an effective strategic thinker: *insight, creativity* and *intuition*. According to him, creative insight of an effective strategist is her ability to combine, synthesize or reshuffle previously unrelated

phenomena in a way that results in a greater emergent whole than the sum of the component parts. In doing so she has to be sensitive to the prevailing reality, the timing of any given activity and be mindful of the adequacy of resources.

Effectively, Ohmae identifies cognitive abilities that can be broken down to four interlinked components:

1. Identifying, recognizing, sense-making – what is the problem?
2. Diagnosing, analyzing, reflecting – what is the nature of the problem?
3. Conceiving, formulating, imagining – how should the problem be addressed?
4. Realizing, implementing, and acting – what actions should be taken?

Activities 1 and 2 deal with problem definition and 3 and 4 are about solving the problem. However, empirical evidence suggests that all four activities can happen simultaneously as the strategist makes sense of the problem and as she works towards a solution. In fact, identification of the strategic problem is not often about objective observation, but it is a subjective interpretation perceived by the strategist. A strategist's mind is not dominated by linear and purely logical thinking. Her thought processes are broadly creative and intuitive, rather than rational. Great strategies originate in the insights that are beyond the reach of rational and conscious analysis. Therefore "logic itself is insufficient for arriving at innovative solutions to strategic problems" (Ohmae 1991).

Liedtka's (1998) research into generative strategic thinking supports Ohmae's argument by identifying five major attributes of strategic thinking:

1. Strategic thinking reflects a holistic view that understands how the different parts of the organization influence and impinge on each other as well as on the environment. This requires a strategic thinker to be sensitive and aware of both organizational and environmental considerations.
2. Strategic thinking is intent driven. Intent provides the focus that allows strategists to marshal and leverage their energy and focus on achieving a goal in a "disorientating swirl of change". This requires resilience and energy to fight against distractions.
3. Strategic thinking involves thinking in time. Strategy is not driven by future intent alone but it is shaped by the history of the organization as well as by the realities of the present. Thinking in time uses both the firm's organizational

memory and historical context while thinking about the future using alternative scenarios.

4. Strategic thinking is hypothesis-driven. Hypothesis generation and testing spans the analytic-inductive dichotomy by asking creative questions “What if?” followed by “If...then”? This process synthesizes analysis with critical thinking.
5. Strategic thinking involves being intelligently opportunistic. The strategist must be able to recognize and take advantage of newly emerging opportunities. The strategist must have room for opportunism that not only furthers the intended strategy but that also leaves open the possibility of new strategies emerging.

We can now compare and contrast strategic thinking from rational and generative thinking perspectives. Both have important contributions to strategic management, but as the above discussion of strategy formation indicates, rational cognitive models alone are no longer sufficient to guarantee success in highly complex and competitive environments.

Table 2 – Rational and generative thinking perspectives

	Rational thinking perspective	Generative thinking perspective
Emphasis on	logic over creativity	creativity over logic
Cognitive style	analytical	intuitive
Thinking process follows	formal and fixed rules	informal and variable rules
Direction of thinking	vertical	lateral
Problem definition	recognition and analysis of activities	reflecting and sense-making activities
Problem solving	formulation and implementation activities	imagining and doing activities
Value placed on	consistency and analytical rigor	unorthodoxy and innovativeness
Assumptions about reality	objective and partially knowable presence and future	subjective and partially socially creatable
Thinking hindered by	incomplete information	adherence to current cognitive, mental map or paradigm
Decisions based on	analytical output and calculations	judgement
Metaphor	strategy as science	strategy as art

Source: Adopted from De Wit and Meyer (2004)

Cognitive scientists identify rational thinking as brain activity situated in the left side of the brain, in contrast to generative, or creative, thinking that is undertaken by the right side of the brain. Much debate has taken place about whether rational people can be creative and vice-a-versa. This article does not engage in a cognitive debate but acknowledges that it is generally accepted that most managers need to combine both rational and generative thinking processes. In a strategic thinking context Graetz (2002) has identified four key competencies or metaphors for the strategist to engage in balanced thinking across the rational and generative thinking continuum: *producer*, *analyst*, *imaginist* and *teamist*. The strategist must be able to combine her rational, quantitative, analytical and organization skills with an ability to think holistically, conceptually and intuitively as a sensitive and expressive member of the organization or team. The result of this activity is the creation of tension that reconciles creativity with rationalism combining aspects of strategic planning perspective with critical thinking and creativity.

Practice agenda

Business schools and corporations are very good at developing hard, rational and analytical competences. However, the final, and perhaps the most important question we must address is that if a modern business environment requires strategists not only to be competent in analytical thinking but also to become creative, lateral

thinkers, then what can business educators and firms do to facilitate the development of creative competencies in their employees?

I believe that creative design disciplines have much to offer to strategic management teaching. If we assume that design can be taught in a formal setting, then management educators must make an effort to integrate design elements into the strategy syllabus. Furthermore, the strategy-as-practice lens can provide an exiting research agenda that can be incorporated into teaching. Rather than focusing on the abstractions of strategy constructs, the strategy-as-practice focus can provide an appreciation of the distinct skills, responsibilities and predicaments of the different participants involved in strategy-making process, whether planners, consultants, middle or senior managers (Whittington 1996).

The onus, however, is for firms' senior managers to create conditions for strategic thinking skills so that they can be developed and harnessed in a company context. Coleman (1998) identified that outstanding business leaders had a high degree of emotional intelligence and Graetz (2002) has suggested that leaders' emotional intelligence quota is one of the key basis for strategic thinking to be fostered in the workplace. It is not enough that lower level managers have the required skills and competencies for strategic thinking; leaders themselves must possess a high degree of emotional intelligence to convey a sense of direction, purpose and discovery that can be shared and internalized by the employees.

The key characteristics of emotional intelligence include the following (Coleman 1998:

- ability to deal with ambiguity and be open to change;
- ability to inspire others through clear vision;
- ability take decisive action;
- ability to convey and distil enthusiasm and commitment;
- belief, trust and sensitivity to the employees or followers;
- expertise in building and leading teams;
- building networks and creating debate and rapport;
- high levels of energy, passion, and motivation;
- intimate understanding of the business and how it operates.

The above characteristics translate into the business leaders' ability and willingness to change organizational structures and managerial coalitions so that they are open to critique; employees should be able to manage upwards confident that their ideas are not dismissed as strategically insignificant. Rumelt (1979) has noted that what

is strategic depends on where one sits: one person's strategy may be the other's tactics.

Reward systems should encourage and support creative thinking and sufficient time and resources should be made available for experimentation. Problem solving should increasingly be based on teamwork, and mechanisms to manage risky shifts that result from team activities should be developed and understood. This requires firms to develop training and development programmes in creative thinking and team working. However, this cannot be achieved unless senior management is able to instil and foster a culture of openness and trust. Indeed, the environment and the conditions that enable strategic thinking to emerge in the firm must be driven from the top down. Business schools can play their part in developing holistic competencies of employees, but it is up to the organizations the extent to which they are able to take an advantage of these new skills.

Closing thoughts

So where does all this leave a strategy practitioner? As we have seen, strategy has many lenses, and as a first step, I suggest that managers develop a shared understanding of the concepts of strategy and strategic thinking. Is the managers' perception of strategy as a prescriptive, analytical and rational process of formulation followed by implementation, or do they think of strategy as an emergent and an experimental socially constructed activity influenced by the firm's vision and values and bounded by the strategists' rationality?

Managers' perception of strategy and strategic thinking will influence what employee skills and competencies should be developed. Prescriptive strategy thinking is all about analytical skills and planning processes. These skills are easy to develop, and as stated above, business schools do a good job in providing students with these fundamental skills.

I believe that most advanced organizations view strategy as a fusion of analytical and creative, generative, thinking. Here, employees' skills development efforts should focus on balancing analytical skills with creative, lateral thinking competencies. However, generative thinking will not survive in a mechanistic organizational structure and environment. This requires that the organization's systems and structures are flexible enough to support and facilitate the generative approach to strategy formation. Finally, senior managers must possess a high degree of emotional intelligence in order to foster a culture of trust, openness and shared meaning in the organization.

References:

References are available from the author upon request.