

What Is Strategic Thinking?

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Although it may receive less emphasis than the procedural aspects of Governance, hidden within the Companies Act and the SID Code of Conduct are a series of directives that together comprise what we in DPI refer to as Strategic Oversight. Enshrined in legislation, Directors are expected to help set strategic aims, constructively challenge and develop proposals on strategy and ensure adequate resources are allocated to the implementation task. A prerequisite to this is for Directors to become better Strategic Thinkers – to ask and answer the right critical questions in relation to the organization's past, present and future. The biggest obstacle to better Strategic Thinking is the confusion around what exactly it is!

Strategic Thinking

Indeed, Strategic Thinking is easy to say but much harder to achieve in reality. In this article, we hope to demystify the topic to ensure a common understanding what Strategic Thinking is, and how it differs from operational thinking and strategic planning.

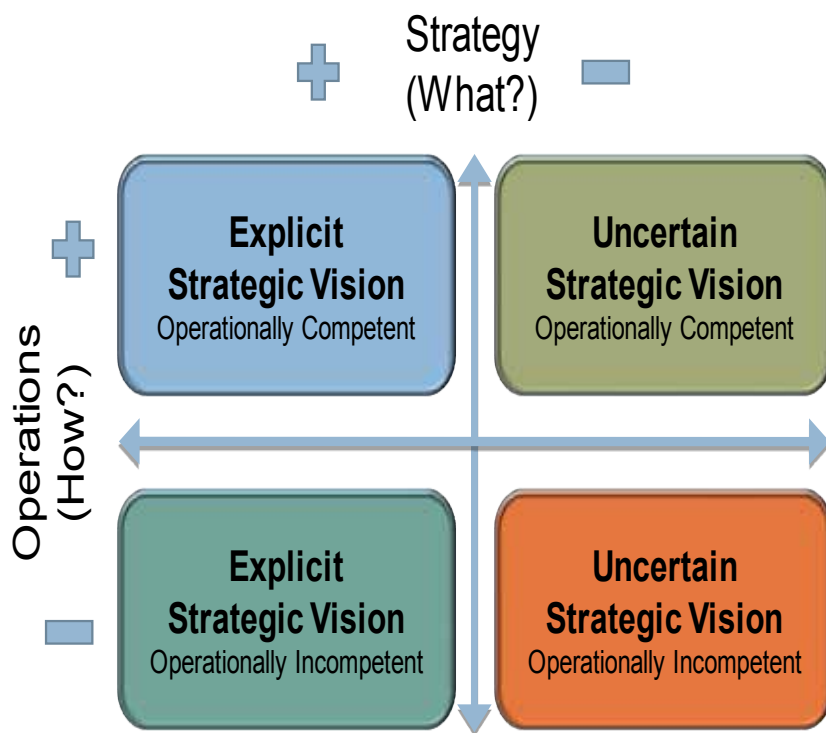
Strategy Versus Operations

Strategic Thinking is different from both strategic planning and operational planning. In fact, strategic thinking is the framework for strategic and operational plans.

Strategic thinking is the process of thought that goes on inside the heads

of the Board of Directors, CEO and the key management team that helps them determine the “look” of the organization at some point in the future. And that look, or composition, of the business in the future may be different from what it is today.

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Strategic thinking, then, is the analytical thought process that goes on within the minds of the Board, CEO and the management, to shape and clarify the organization’s future strategic profile. This profile then becomes a filter for strategic decision-making - decisions that “fit” within the parameters of this profile are taken and implemented, and decisions that do not “fit” are rejected – and enables the Board and CEO

to allocate precious resources in an optimum manner.

Strategic thinking can also be described as the type of thinking that attempts to determine what the organization should look like. In other words – the strategy.

Operational planning, and even what has become known as strategic planning, is the type of thinking that helps us choose how to get there.

To illustrate the difference between the two types of thinking, we can develop a matrix with the “what” on the horizontal axis and the “how” on the vertical axis.

We can complete the matrix by further dividing each axis into good (+) strategic thinking and poor (-) strategic thinking

as well as good (+) operational planning and poor (-) operational planning. Although both of these activities go on in all organizations, what we have noticed is that they go on with varying degrees of proficiency.



Quadrant A

In quadrant A, we find companies that do both very well. They are developed a clear profile and explicit strategy, and they manage their business successfully on an ongoing basis.

Companies that fall into quadrant A include the likes of Air Asia and Apple.

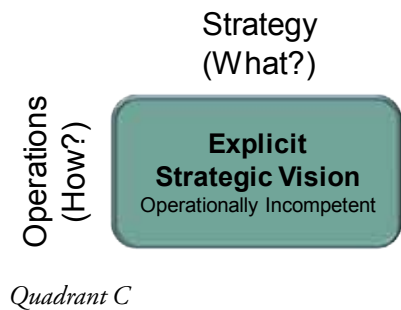


Quadrant B

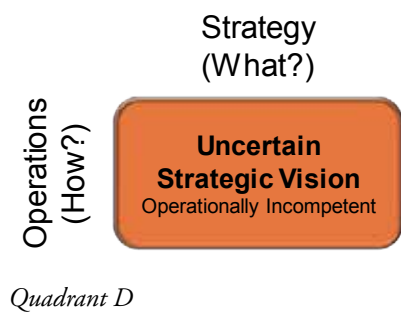
In quadrant B, we find companies that have been successful by managing their ongoing operations effectively, but which cannot articulate where they are going. In other words, management can keep churning out good operational results quarter after quarter, but they do not have a shared vision of what the company will “look like” as a result of all that churning.

In quadrant C, we find the opposite situation. This is where many “copy cat” firms reside. For example, think back to the years when there were many firms competing in the nascent PC business. Each company probably had a very clear strategy: “Be the best IBM clone we can

be.” However, many of these companies had great difficulty making this strategy occur; thus, their fortunes were up and down like yo-yos. Today, most of them are out of business!



The last quadrant is the worst of both worlds. Here we find organizations that do operational and strategic thinking poorly. Companies that fall into quadrant D usually do not survive very long.



Which Quadrant Is Your Organization In?

Although we would all like to say that we are in the A quadrant, most of our clients readily agree that they fell into B. That is, they are effective operationally but are not always sure what direction they are pursuing. As a matter of fact, our research and hands-on experience has shown that almost 70 to 80 percent of companies are in that position.

Surprising? Not really, when we explore some of the reasons for this. Here are two major explanations.

Firstly, most of the people who lead and manage organizations got there from the operational ranks. They were promoted

from one level to the next because of their operational skills. They were good managers and made good operational decisions. They were able to “make the numbers”. They did not, however, spend much time thinking about, or charting, the direction of the company. As a result, they have not acquired the skill of setting direction and being the organization’s strategic thinker. That skill takes time to develop.

Secondly, the need for management to think strategically does not arise all of the time. It tends to surface only at “strategic retreats” or when a new “strategic thrust” is being pursued, for example, when deliberating entry into market(s) that represent unfamiliar terrain. Often, the rules of the game are different, hence requiring management to shake itself out of its operational thinking mode. However, if thinking strategically is not an on-going habit, one can hardly expect management to be proficient. As Board Directors who are guardians of the business, it is imperative that strategic thinking becomes a well-honed skill as you critically drill into the reasoning behind executive decisions in the course of your Strategic Oversight duty.

Christopher Columbus School Of Management

Let’s then return our attention to “Quadrant B” where 70% to 80% of organizations reside. These companies can be referred to as being part of the Christopher Columbus School of Management, the 15th Century European explorer most well known for discovering the Americas, who:

- When he left, he didn’t know where he was going
- When he got there, he didn’t know where he was
- When he got back, he couldn’t tell where he had been!

But he got there and back three times in

seven years! Columbus was operationally very competent but never knew where he was or where he was going. He was an excellent sailor but a very poor strategist!

To avoid being like Columbus a robust strategic thinking process is required. The process should guide and promote the type of thinking necessary as management attempts to determine, and the Board evaluates and approves, how an organization should “look” like in the future. Operational planning systems, on the other hand, can be used to later to help determine how to get there.

Strategic thinking is a fresh approach to the subject of strategy. It identifies the key factors that dictate the direction of an organization, and it is a process that the organization’s management uses to set direction and articulate their vision, and makes visible the underlying rationale allowing the Board to analyze in a systematic manner the merits (or absence thereof!) of this vision. For strategic thinking to be successful, it is necessary to obtain sanction by the Board, commitment of the organization’s key executives and the commitment of those who will be called upon to implement that vision. Naturally, the vision is greatly shaped by the CEO, assessed and supported by the Board.

It is a process that extracts from the minds of people who run the business their best thinking about what is happening in the business, what is happening outside in the environment, and what should be the position of the business in view of those highly qualitative variables (opinions, judgments, and even feelings) – not the quantitative ones. Strategic thinking produces an explicit profile of what an organization wants to become, which then helps management make vital choices. It enables management to put the corporation in a position of survival and prosperity within a changing environment. ■