

## Strategic Thinking – not Strategic Planning

### Introduction

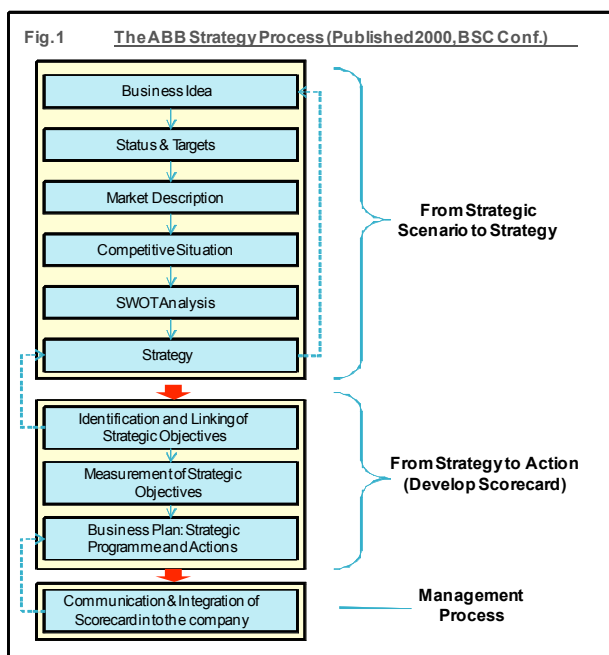
Who in your business ‘does strategy’? For most businesses the usual answer is a very small number of people. In small businesses it might be one person, the owner. In medium sized or larger organisations it might be the executive leadership, the Board or a specially selected group. Even in very large organisations it can be a small number of people selected from the Board, the executive and a ‘Strategy Department’.

For a strategy to be developed, and more importantly implemented effectively, a significant number of people in the business must be actively involved in ‘Strategic Thinking’.

### Strategic Planning

Strategic planning most visibly became a high priority in the 1970’s and 1980’s when business schools began researching and publishing on the subject of ‘Strategy’. Early guru’s in the industry were Ansoff and Michael Porter (who is still publishing), shortly followed by work in consultancies such as the Boston Consulting Group (BCG) and McKinsey. The work at this time led to tools such as five forces analysis and various types of matrix and portfolio analysis. Many large businesses, supported by the leading consultancies, built large head office strategic planning teams to use the tools to analyse industries, markets and competitors. The end product of their work was the ‘Strategic Plan’ and they were the people who ‘do strategy’.

Figure 1 shows a typical example of a strategic planning process.



The era of large strategic planning groups passed, illustrated prominently by GE under the leadership of Jack Welch, but the legacy continues to be a perception that strategy is something done by the few in executive leadership and in the head office and that it is something done by large businesses. The result is a huge waste of the leadership potential in a business and when a strategy or strategic plan is developed there is a high probability it will add to the pile of unused documents on the shelf.

### Strategic Thinking

Strategic thinking by comparison is something that can and should be done by a much larger group of people in a business. In principle it is something that can be done by every employee, i.e. make strategy everyone's job<sup>1</sup>.

As the name implies the focus Strategic Thinking is on how you mentally approach the work you are doing, whether this

**Fig. 1 Strategic Thinking – Focus on increasing stakeholder value**

Strategic Objective	Stakeholder
<b>Product Improvement</b> •Reduced Price •Improved Quality •Added value features	Customers •Internal •External
<b>•Service Improvement</b> •Shorter lead time •Improved planning •Improved documentation accuracy	
<b>•Reduced Cost</b> Down-Time Recycle Wastage	•Shareholder •BU leader •Departmental Leader
Improved Employee skills	•Overall workforce •Individual employee

*“We cannot solve problems by using the same kind of thinking we used when we created them” – Albert Einstein*

is the annual cycle of business strategy or the regular day job. Figure 1 illustrates common features of strategic thinking in these apparently very different situations.

A business leader who is thinking strategically will consider these objectives for their own area of responsibility. Even if the output of

an area is well defined it is possible to look for ways to improve quality and reliability, reduce cost or enhance the skills of the employees in that area.

The subject of Strategic Thinking has been reported on by many who study business. McKinsey<sup>2</sup> for example gives the following as a guide to important aspects:

- Strategic thinking seeks hard, fact based, logical information
- Strategic thinking questions everyone's unquestioned assumptions
- Strategic thinking is characterized by an all pervasive unwillingness to expend resources
- Strategic thinking is usually indirect and unexpected rather than head-on and predictable

Business leaders should consider this guidance when looking to deliver their objectives be they large or small in the context of the overall business. A large business will achieve its strategic objective through many contributions.

### Encouraging Strategic Thinking

Businesses can build a competence in Strategic Thinking by formal processes, e.g., establishing Strategic Thinking as a core competence of all business leaders in annual performance reviews, and by involving business leaders in projects which require strategic thinking as part of the project or problem solving processes.

In ongoing day to day business it can be useful to have a focused event<sup>3</sup> on improving the performance of a selected activity, looking at how to improve quality delivered to the end user or reducing costs internally. To maximise the benefit of this the business leader needs to know how

<sup>1</sup> Kaplan & Norton, The Strategy Focused Organization

<sup>2</sup> Gluck, et al, McKinsey Quarterly, 2000 Strategy Anthology

<sup>3</sup> In Lean Manufacturing this is described as a 'Kaizen Event'.

their day to day activities link to the overall business strategy so that they can understand the impact of their own actions on the business as a whole.

In the case of an in depth or annual cycle of strategy review it can be useful to follow a different analytical process in each cycle of analysis. This will focus thought on the issues and objectives and stimulate people to think strategically about both their part of the business and the business overall.

Perhaps most importantly if business leaders are to think strategically then the CEO and executive leaders must set the example. They must act in line with the strategy, they must talk about the strategy and performance reporting must measure achievement of the strategy.

## **Conclusion**

Your business can achieve significant benefit by embedding Strategic Thinking as a core competence throughout your leadership team. Leaders with this core competence will continuously seek to improve customer service and increase the value of the business.