



## ***Strategic Thinking : Is Leadership the missing link*** **An Exploratory Study**

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*“The real challenge in crafting strategy lies in detecting the subtle discontinuities that may undermine a business in the future. And for that there is no technique, no program, just a sharp mind in touch with the situation” – Henry Mintzberg<sup>1</sup>.*

### **Abstract**

**Purpose** : The concept of Strategic Thinking is still abstract because of the difficulties in operationalizing the complexities of right brain and left brain thinking and also because of the complexities of differing views on strategic management. The purpose of this paper, based on an exploratory research, is to show that the phenomenon of leadership may provide an answer to modeling and developing Strategic Thinking.

**Methodology** : Focus group study was conducted to determine the attributes of a Strategic Thinker. A pilot questionnaire was developed based on the outcomes of the study. The pilot survey was done on a sample of senior executives and management researchers selected on the basis of judgmental sampling. Data was factor analyzed to derive the major dimensions of a Strategic Thinker.

**Findings** : Six composite attribute factors were isolated as attributes of a Strategic Thinker - i.e being a Good Leader; visualizing long term future scenarios; forming broad strategies and allowing specifics to emerge with time; looking for environmental cues to develop “what ought to be”; identifying patterns based on intuitive thinking, and re-writing rules of competition. The most important composite factors extracted from the Factor Analysis are associated with Leadership.

**Research limitations** : This is an exploratory study and lays the foundation of future research on the subject.

**Practical implications** : Leadership development may be the best way to develop strategic thinking in the organization.

**Originality/value** : There are no empirically derived models of strategic thinking. This paper adds to the existing conceptual thinking on the subject.

**Keywords** : Strategic Thinking, Leadership

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<sup>1</sup>Crainer, S. & Dearlove D. (Eds.).(2004). *Financial Times Handbook of Management*, 3<sup>rd</sup> edition. Delhi: Pearson Power. p 39

## Introduction :

**Strategic Thinking** lies perhaps at the core of strategic process (Pl. refer Fig. 1 below). However, the idea of “**Strategic Thinking**” still appears to be abstract.

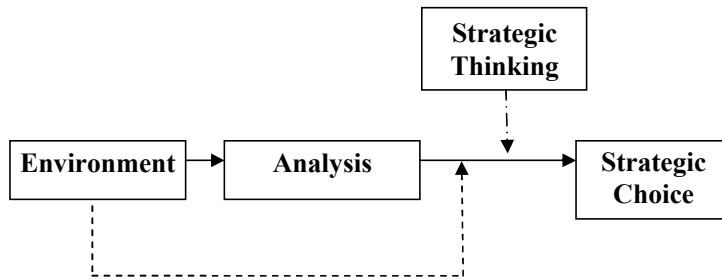


Fig. 1 : The Strategic Process

In the context of the business environment, strategy process includes an analysis of the contingencies of the political, social, economic, technological and legal environment; generation of alternatives; and an appropriate strategic choice matching the organizational strengths and weaknesses with the environmental requirements. This involves two sub-processes :

1. Generation of strategic alternatives and
2. Choosing from among strategic alternatives.

A lot of strategic choices are generated around the key strategic questions: who are the firm's customers, what products is the firm offering, and how will it offer these products. Strategic thinking requires creativity and innovation in generating alternative strategic choices. But more importantly, it also requires exercising a choice from amongst alternatives. The question is, how does one exercise a choice. Modern strategy management gives us the techniques of understanding, not of choosing. Surprisingly, not much work has been done to understand what goes on in the mind of the person who takes strategic decisions.

This paper attempts to explore the structure and process of strategic thinking through an exploratory study.

## Literature Review :

The central question in Strategic Management is how do firms outperform others on a sustained basis, or rather how do firms earn above average profits. Strategic decision making process appears to be influenced by the theoretical constructs on firm behavior. Michael Porter's five forces industry analysis (Porter, 1980) was based on the industrial economic theory's structure-conduct-performance paradigm. This view focused on the

external environment and emphasized that the industry structure and the market positioning is central to sustained competitive advantage (i.e superior economic rent) for a firm (Ambrosini, 2007). It analysed the industry structure, but failed to give an idea on the central question : why different firms, facing the same environment perform differently. (Kay, 2004)

On the other hand resource based perspective proposed that core competencies provide opportunities to create competitive advantages. Therefore, building core competencies is the strategic goal of organizations (Prahalad and Hamel, 1990). However, core competencies take a long time to build. Converting the core competencies to core potential and thereafter to a competitive advantage is a long drawn process. A solution in form of a plan to create core competence and convert it into a competitive advantage may become obsolete by the time it is implemented. In today's rapidly changing business environment, a sole focus on resource orientation is insufficient (Oelkers and Elsey, 2004). What matters the most is the continuous scanning of the environment, identifying patterns in information and looking for cues which would have a strategic impact.

There is a view that the only true distinctive or core capability of a firm is its past history, which also limits its strategic choices (Kay, 2004). But if one focuses only on the past, how can one create discontinuities. How does one innovate and think about path breaking paradigms? The resource based view has an internal focus. It seeks superior economic rents by matching the internal capabilities of an organization with its external environment. On the other hand if we have an external focus, then it is the market which decides which distinctive capabilities matched the requirements of the market. It is not some visionary goal which did that. Therefore, some companies underemphasize the importance of visions and missions. Take for example, steel industry. As long as the prices of steel were low, even for low cost steel producers that does not become a distinctive capability. But as the market prices of steel increase, a low cost producer of steel can say that this is its distinctive capability. Therefore capabilities are not designed they are established.

There is another problem. If the firm concentrates only on capabilities, then with a change in the environment, the market may require different capabilities. Now, if we do not anticipate the changes in the environment, we loose our competitive advantage (earning a higher economic rent). We need to spot changes in the environment quite early. A lot of strategic choices are generated around the key strategic questions: who are the firm's customers, what products is the firm offering, and how will it offer these products. This gives the unique strategic position of the firm. Because there is a need to make choices that are distinctively different from those of its competitors - so that the firm can earn superior economic rents - they need ideas. Idea generation has to come from all levels of the organization. But only the top management chooses from among the ideas which can be implemented. Therefore, still there is a strategic choice to be made. Further, as time passes, new strategic position alternatives develop around who, what and how. Rational and linear thinking will only allow a firm to progress within the accepted strategic position. Therefore, the need for strategic thinking so that new positions develop continuously.

Successful strategists appear to continuously use information from the environment to frame mental models of future scenarios which their organizations may face. Strategic alternatives are tested using these models in a simultaneous, relational and holistic simulation as opposed to sequential processing of information. Therefore, two of the dominant and widely used frameworks for competitive strategy i.e Porters' Five Forces and core competencies model are in themselves incomplete. They cannot provide an overarching model for strategic thinking.

Further, Porters five forces model, core competency model etc are just schemas to interpret the world. They are useful in analysis - to isolate factors that are important in decision making and also to find relationships within these factors. But what about strategies that make new factors important ? Which creates new interrelationships among factors ? What about strategies that change the world of business all together? It is increasingly being realized that strategy has got more to do with, and is not just positioning. Positioning to achieve what ends? How is an end determined? It is the strategic thinker which does this. It is about constructing your own world. This cannot be the result of analysis.

Therefore, the strategic thinking process is still abstract. Mintzberg (1976) notes that out of the 7 “routines” that seem to describe the steps in Strategic Decision Making process, diagnosis of the decision situation and design of custom made solution stand out from the rest – *in that almost nothing is known about them*. This happens in the mind of the strategist, the processes of which the strategist seems to be unaware. He quotes Yehezkel Dror to state that extra-rational processes play a positive and essential role in policy making.

The challenge, is : how to institutionalize structures and processes that encourage and nurture Strategic Thinking at all levels of the organization. The problem, however, is that the structure and process of strategic thinking are largely unknown.

#### **Lack of Clarity in Strategy Formulation Process :**

Some thinkers hold the view that strategy represents the mediating force between a dynamic environment and a stable operating system. It is the organization’s conception of how to deal with its environment for a while (Mintzberg, 1976). This view appears to be largely independent of the organization’s resources. On the other hand thinkers like Johnson and Scholes (1993) have defined strategy as “the direction and scope of an organization over the long term : ideally, which matches its resources to its changing environment, and in particular to its markets, customers and clients so as to meet stakeholder expectations.” But, as environments turn highly dynamic and unpredictable, strategy formulation also gets in a flux and becomes unstable.

Moreover, what is striking is the apparent dichotomy in various definitions given by researchers as exemplified by Mintzberg on one hand and Johnson & Scholes on the other. These are : long term vs. short term; defying the constraints vs. matching response

to strengths and weaknesses of the organization; stretch vs. fit; proactive vs. reactive; intent vs. conscious exploration. Clearly, an organization which goes beyond accepted paradigms to define new rules of competition is thinking beyond resource constraints or learned behavior.

Some researchers like Dagher and Zaydie (2005) argue that strategic process matches cognitive logic much more than behavioural logic. Much of such thinking has been influenced by Game Theory. Some researchers assert that the science of strategic thinking is indeed game theory (Dixit & Nalebuff, 1991). Typically, strategic thinking is defined by game theorists as the art of outdoing an adversary, knowing that the adversary is trying to do the same to you. This is the central theme of game theory which deals with decision situations in which two intelligent opponents with conflicting objectives are trying to outdo one another (Taha, 2007). Each player will have a finite or an infinite number of alternatives or strategies. Associated with each pair of strategies is a payoff that one player receives from the other. In effect it is a zero-sum game where one player's gain signifies an equal loss to the other.

Most business situations are however not zero sum games and also involve more than two players each having their own set of strategic alternatives. In the context of the business environment, the strategic choice results not only from an analysis of the contingencies of the political, social, economic, technological and legal environment, and awareness about the likely strategic choices of the competitor but also by seeking out bold new vision and inspired courses of action hitherto unknown. The core assumption that business environment factors can always be objectively assessed by the analytical tools and techniques of strategic management does not stand up to empirical scrutiny (Hodgkinson, 2007).

Therefore, strategic thinking requires creativity and innovation in generating alternative strategic choices. But more importantly, it also requires exercising a choice from amongst alternatives keeping in view the choices that are going to be exercised by all the other players in the business situation.

Most literature on the strategy formulation process has been dominated by the positivistic-deterministic "one best way" paradigm. It started with Igor Ansoff (1965) whose seminal work *Corporate Strategy*, brought "Strategic Planning" at the center stage of strategy formulation and created new functional departments at the very top of organizational hierarchies. The result was the concentration of the strategy formulation function to a select few individuals in the organization. Further, the strategic planners tried to institutionalize the strategic planning process by formulating a series of step by step instructions on strategy formulation and implementation. Strategic Programming replaced Strategic Vision which is not working because most successful strategies are visions not plans (Mintzberg, 1992). In creating strategic vision, an attempt was made to institutionalize the Strategic Thinking process without understanding the structure and the process of strategic thinking.

## **The Structure and The Process of Strategic Thinking :**

How does the strategic thinker choose from among alternatives in a situation involving strategic decision making? In his classic study of the strategic thinking process of Japanese companies, Ohmae(1982) notes that most of these companies did not have a strategic planning department. Their CEOs often had no formal business education. Yet they had an intuitive grasp of the basic elements of strategy. They had “an idiosyncratic mode of thinking in which company, customers and competition merges in a dynamic interaction out of which a comprehensive set of objectives and plans of action eventually crystallizes.” Here, strategy formulation appears to be more of a “Vision Call” than a “Micro Call”.

Ohmae identifies insight as the key to this process which is at once creative, intuitive, and disruptive of the status quo - the resulting plans of which would vary from the analyst’s point of view and are beyond the reach of conscious analysis. He goes on to further state that the extraordinary competitive impact of the strategies is derived from the creative element in these plans and the drive and the will of the mind that conceived them.

It appears that innovation, flexibility, insight, drive for achievement and an adaptive mind are the important requirements of the strategic thinking process as also a strong will and the ability to take risks.

The other extreme from this instinctive strategist is the rational, “by-the-numbers” strategist who favors incremental improvement i.e doing better what he is already doing. Prahalad has famously called them “denominator managers.” The focus on the incremental improvement has resulted in the rise of the “strategic planning” hierarchies in organizations as discussed earlier at the cost of strategic thinking.

Ohmae (1982) states that successful business strategies result not from rigorous analysis but from a particular state of mind which is basically creative and intuitive rather than rational. Ohmae notes that strategists use analysis to stimulate the creative process and to test the implications and the implementability of their ideas. He also feels that there are specific concepts and approaches which can help anyone develop the kind of mentality that comes with superior strategic ideas.

Some researchers assert that strategic thinking can often be done without an elaborate process (Grundy and Brown, 2003). Creativity is at the core of the process and can be stymied by regimentation of structure. It requires a fundamental shift of perspective and is inductive and intuitive. Grundy and Brown consider Strategic Thinking like “Helicopter Thinking” for its flexibility, agility and ability to see the bigger perspective and propose that this capability should be present in all managers right upto the Chief Executive. However, the concept of “Strategic Thinking” is still not clear and is also perceived to be difficult. Grundy and Brown list out reasons such as unclear nature, unclear utility, lack of process / techniques and being too abstract as the perceived reasons of why strategic thinking is difficult. Part of the reason is the cognitive limits under which managers operate.

Traditionally, there have been two approaches to understanding Strategic Thinking. The behaviorist approach and the cognitive approach. In the behaviorist approach, strategic thinking gets covered in the overall concept of “Leadership” ; strategic behavior being a function of the environmental stimulus. On the other hand, cognitive theorists view behavior as a function of thinking and not just a reflection of the environment and its stimulus as behaviorists believe (Daghir & AlZaydie, 2005).

Because of the evidence of the relationship of thinking with the competitive position, researchers looked towards using the term strategic thinking as a substitute for traditional directions of strategic management which is concentrated on strategic planning (Younis, 2000). This term became the major pathway that administrations must pass through so as to face the challenges of modern day environment (John & Glueck, 1988).

### **Attempts at framing A Working Model of Strategic Thinking :**

Any attempt at embedding strategic thinking within the organizational processes is stymied by the lack of a working model of strategic thinking. Liedtka (1998) developed a model which defines strategic thinking as a particular *way* of thinking, with very specific and clearly identifiable characteristics. Figure 2 illustrates the five elements of strategic thinking. According to Liedtka, the strategic thinker remains ever open to emerging opportunities, both in service to the defined intent and also in question as to the continuing appropriateness of that intent. Firms who succeed at embedding a capability for strategic thinking throughout their organizations will have created a new source of competitive advantage. Their whole (holistic) system perspective should allow them to redesign their processes for greater efficiency and effectiveness. Their intent-focus will make them more determined and less distracted than their rivals. Their ability to think in time will improve the quality of their decision-making and speed of implementation. A capacity for hypothesis generation and testing will incorporate both creative and critical thinking into their processes. Intelligent opportunism will make them more responsive to local opportunities.

Liedtka states that the combined effects of these is the creation of a capacity for strategic thinking that meets what Day (1994) refers to as the three fundamental tests for a strategically valuable capability: they create superior value for customers, they are hard for competitors to imitate, and they make the organization more adaptable to change.

He suggests that these three discrete, but inter-related elements, when taken together can lead to significant positive outcomes in organizations, provided there is the accompanying supportive strategic planning context to encourage and enable the implementation of the fruits of this type of thinking. However, Lawrence (1999) notes that though strategic thinking has been gaining increasing popularity in the literature on organizational planning, the lack of clear articulation as to the nature and implications of this concept has led to considerable confusion.

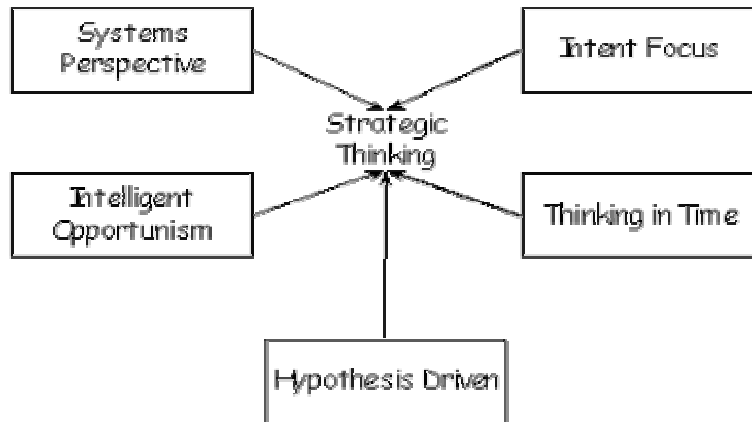


Fig. 2 : The Elements of Strategic Thinking. Adapted from Liedtka, J. (1998). Strategic thinking; can it be taught?, *Long Range Planning*, 31, (1), 120-129)

For example, strategic thinking has been presented as a somewhat higher order of strategic planning; as an alternative to strategic planning; and as an approach that is downright incompatible with strategic planning. Inadequate delineation of the precise characteristics of this concept has also impeded its implementation by practitioners and its further development by educators.

Liedtka, after surveying the available literature on strategic thinking concludes that “this literature focuses more on what strategic thinking is *not*, than on what it is.” (1998, p 121). She further concludes that “these ...discussions....still leave the practicing strategist interested in translating the concept of strategic thinking into actual business practice...”(p 121). Liedtka offers no clear definition of strategic thinking. She merely states that “strategic thinking is a particular way of thinking, *with specific attributes*(p. 122, *ibid.*)”. She just states the elements which she *believes* comprise strategic thinking. She attempts to address the issues regarding a clear definition of strategic thinking by stating that “This article attempts to address these issues by *outlining what I believe* to be the elements of strategic thinking” (p. 121, *ibid.* ).

Liedtka’s elements of strategic thinking or those of earlier researchers have not been empirically determined in the context of strategic thinking. The element of “Systems Perspective” has been taken from Peter Senge’s work on Learning Organizations. “Intent Focus” from Hamel & Prahalad’s work on competitiveness. “Intelligent Opportunism” from Robert Burgelman’s work on Organizational Adaptation and so on. Liedtka’s model deals with deliberate thinking. All elements (intent focus, systems thinking, thinking in time, intelligent opportunism, and hypothesis driven) all relate to left brain thinking for processing information.

## **The Challenge for Strategic Thinking :**

But, decision makers have mental schemata, cognitive maps or mental models of their business and strategy which helps them to choose their future long term action. The problem is that many a times the stimulus and the interpreter are in a two way interaction. The decision maker attaches meaning to the stimulus by reconstructing, rearranging, singling out and demolishing many objective features of their surroundings. (Weick, 1979). It is not a linear causality or a one sided influence.

This challenges the traditional view held by cognitive psychologists. The central tenet has long been that environment is an objective entity. It is interpreted differently by different decision makers because of their limited processing capacity (bounded rationality). In reality the subject exerts considerable influence over the object. It is a two-way influence between enactment and ecological change.

All the dominant theoretical perspectives in strategic management have the view of rational decision making. i.e managers will take rational decisions based on all available information, informed by dispassionate, objective analysis. Such a view has been adopted by all the dominant perspectives in strategy. The cognitive psychologists and the behaviorists have concluded that decision makers arrive at decisions on the basis of rules of thumb – or heuristics, which make a series of simplifying assumptions to cope with the complex and uncertain business world and therefore reduce the burden of information processing that would otherwise ensue.

These heuristics may also lead to bias such as : availability, selective perception, illusory correlation, conservatism, law of small numbers, regression bias, wishful thinking, illusion of control and logical reconstruction, which are relevant to the field of strategic decision making.

Therefore, the theoretical constructs of the researchers relying on behavioural theories or cognitive theory are inadequate to explain the structure and process of strategic thinking. It is a complex interplay of both the cognitive skills as well as the personality traits of the strategic thinker. Dagher and Zaydie (2005) are of the opinion that strategic thinking expresses the conscious state and ability for creative thought on part of the strategic leader in the performance of his duties. It is the result of the interaction between leadership characteristics expressed by the skills, experiences and abilities of the leaders, and the characteristics of the internal and external environment of the organization.

Henry Mintzberg (1994), one of the leading authorities in the area of strategic management, by contrast, clearly emphasizes that strategic thinking is not merely "alternative nomenclature for everything falling under the umbrella of strategic management". It is a particular *way* of thinking with specific and clearly discernible characteristics. In explaining the difference between strategic planning and strategic thinking, Mintzberg argues that strategic planning is the systematic programming of pre-identified strategies from which an action plan is developed. Strategic thinking, on the other hand, is a synthesizing process utilizing intuition and creativity whose outcome is

"an integrated perspective of the enterprise." The problem, as he sees it, is that traditional planning approaches tend to undermine rather than appropriately integrate, strategic thinking and this tends to impair successful organizational adaptation.

To sum up, researchers have termed Strategic thinking as a MINDSET or way of thinking about a business or organization (Lawrence, 1999). But this definition of Strategic thinking makes its measurement still befuddled by the lack of a sound theoretical construct which can define its metrics. The key managerial processes are complex. These processes seem to be more relational and holistic than ordered and sequential, and more intuitive than intellectual (Mintzberg, 1976). He is of the opinion that most successful policy makers rely on "soft" speculative inputs as compared to "hard" analytical data. Further, they "synthesize" the information rather than "analyse" it. Most of such decision making is under pressure, yet there is hardly anything written about decision making under pressure (Mintzberg, 1976). Such decisions have to be made in highly dynamic fast changing situations. But without achieving the kind of detailed understanding of strategic thinking that we have today of strategic planning, we risk introducing yet another appealing concept to the strategy lexicon that has little relevance to practicing managers (Liedtka, 1998).

Strategic thinking is at the core of the innovation process. Thinking beyond the industry boundary has a high strategic impact and also is an important motivational factor for managers by providing high personal challenge. Markides (2002) points out that the strategic thinking process is critical for redefining a business from time to time, offering the opportunity to re-energize an operation, change the rules of a given industry, outsmart competition and even create completely new prosperous industries.

Therefore, before any attempt is made to institutionalize the processes of Strategic Thinking it is necessary to develop the concept of Strategic Thinking more clearly and understand its process. "How the managers create their cognitive maps is the key to understanding strategy formation" (Mintzberg, 1998, p. 162). "...our understanding of strategic decision making itself risks being distorted if the phenomenon such as experiential wisdom, creative insight, and intuitive synthesis are slighted, or downrightly ignored."

### **Exploratory Study for Determining the Attributes of Strategic Thinking :**

Since the theoretical concept and the structure of "Strategic Thinking" is undefined, all attempts to measure strategic thinking suffer from serious issues of validity and reliability. Research has attempted to measure strategic thinking by linking it to personality typologies. This has been the traditional approach of the behaviorists. The cognitive theorists using Jung's conceptualization of the cognitive thinking process have attempted to adapt the models of the Cognitive Style and that of Problem Solving. These researchers like Dagher and Zaydie (2005) have used certain empirically untested attributes of strategic thinking such as "proactive approach", "creative thought" and "futuristic view" to adapt such models. Clearly, the approach of these researchers is not scientific.

Further, while most studies have added to our understanding about the macro level dynamics in the strategy process, they shed little empirical light on the micro dynamics of strategic thinking (Crouch and Basch, 1997). No research has attempted to empirically established the attributes of Strategic Thinking and have tested attributes derived from theoretical speculation. Our paper, through an exploratory study, attempts to empirically determine the attributes of strategic thinking and lay an empirical foundation for future research on the subject.

### **Methodology :**

The literature review confirms that strategic thinking is difficult to be defined because it is a processual phenomenon. Therefore, we have attempted to approach our research from a practitioner's viewpoint. Strategic thinking is a process and can be best defined through its attributes. Rather than attempting to define what strategic thinking is about, we attempted to isolate the attributes of a strategic thinker. Our attempt is find out what a practitioner thinks a strategic thinker is.

An exploratory study was therefore done to established the attributes of Strategic Thinker. The study followed a three-stage design :

Stage 1 : Focus Group Study was conducted to determine the attributes for the idea of a "Strategic Thinker". The focus group study was done to provide inputs for designing the questionnaire for the pilot survey. Focus group research covers general issues on a topic and the respondents comments often help researchers identify pertinent issues that might otherwise be left out in a survey (Edmunds, H.,1999).. In the focus groups "the participants should be encouraged to express their own ideas and opinions...."(p. 81, *ibid.*). Further, exploratory groups "delve into group members thinking in a research topic" (Johnson, B. & Turner, L. 2003). A Pilot Questionnaire was developed based on the outcomes of the study.

Stage 2 : A Pilot Survey on the basis of the Pilot Questionnaire was administered on a pilot group and data collected.

Stage 3 : Factor Analysis of the data collected was done to determine the major dimensions which define a "Strategic Thinker" and also to improve the survey instrument for further research on the subject.

### **Focus Group Survey :**

To determine the concept of Strategic Thinking and the list of attributes of a Strategic Thinker, responses for five major attributes of a Strategic Thinker were collected from a

focus group of 25 persons. The group was selected based on judgmental sampling and consisted of top executives (Vice-President and above), senior managers, middle level executives (both from the public as well as the private sector), management consultants and management researchers. Each respondent was asked to list out what he felt were the five most important attributes of a Strategic Thinker. 125 attributes were collected and were finally narrowed down to 50 after eliminating the common attributes.

### **Pilot Survey :**

A pilot questionnaire was designed on the basis of the results of the Focus Group Survey. This Questionnaire had 50 Questions each on one of the attributes which emerged in the Focus Group Survey. Judgmental sampling was used to select the respondents for the Pilot Survey. Care was taken to ensure that respondents had work experience of at least 5 years as it was felt that such a group would be aware of the requirements of a strategic thinker in the organizational context.

Respondents consisted of top executives (Vice-President and above), senior managers, middle level executives (both from the public as well as the private sector), management consultants and management researchers with prior work experience of at least 5 years. Responses were collected from 67 respondents.

### **Analysis of Data:**

The aim of this study was to develop the concept of Strategic Thinking more clearly and to operationalize the concept. It was obvious that the attributes identified in the Focus Group Survey were mostly variables that belonged together and had overlapping measurement characteristics. To identify such intercorrelations among variables and to reduce the set of 50 variables into a manageable number of composite variables for further research, Factor Analysis was done. The software used was SPSS ver 10.0 for Windows.

The extraction method followed was Principal Component Analysis. The Rotation method followed was Varimax with Kaiser Normalization. The rotation converged in 43 iterations. Orthogonally Rotated Matrix was also calculated to find out which variables are particularly heavily loading the individual factors.

### **Results :**

6 Composite Attributes (Factors) were identified for Eigenvalues more than 2, while 16 components had Eigenvalues more than 1. The first 6 Factors accounted for almost 50% of the cumulative variance in the variables while the 16 Factors accounted for more than 78% of the variance. The following 6 Composite Attribute Factors were isolated :

Factor 1 : A Strategic Thinker is a Good Leader

Factor 2 : A Strategic Thinker visualizes long term future scenarios.

Factor 3 : A Strategic Thinker forms broad strategy and allows specifics to emerge with time.

Factor 4 : A Strategic Thinker looks for environmental cues to develop “what ought to be”.

Factor 5 : A Strategic Thinker identifies patterns based on intuitive thinking.

Factor 6 : A Strategic Thinker re-writes rules of competition.

The factors have been ordered according to their Eigenvalues. For the above factors, the cut-off for factor loadings in the rotated matrix was taken as greater than or equal to 0.5. The Standardized Item Alpha was more than 0.7 for all the items indicating that the scale was reliable.

**Organizational implications of the Results :**

The most important composite factors extracted from the Factor Analysis are associated with Leadership. The fact that 16 factors with Eigenvalues more than 1 explain more than 78% of the variance points to the complexity of the phenomenon of Strategic Thinking. In combination with the other extracted factors, it appears that a combination of leadership traits with entrepreneurial skills of sense making and opportunity hunting is required for a good strategic thinker. In the Indian business scenario, a lot of emphasis is laid on implementation of strategy. Most respondents appear to feel that thinking cannot be de-linked from doing. Therefore the predominance of leadership traits in the idea of Strategic Thinking. Let us examine what do these factors individually imply.

<b><u>Factor</u></b>	<b><u>Factor Description</u></b>	<b><u>Implications for the Development of Strategic Thinking</u></b>
1	A Strategic Thinker is a Good Leader	Leadership development may be the best way to develop strategic thinkers in the organization.
2	A Strategic Thinker visualizes long term future scenarios.	Scenario building is an integral part of the Strategy process.
3	A Strategic Thinker forms broad strategy and allows specifics to emerge with time.	Strategy formulation is an adaptive and organic process. There is nothing called one perfect grand strategy.
4	A Strategic Thinker looks for environmental cues to develop “what ought to be”.	Strategy process i.e how strategies are formed, implemented and changed is a continuous ongoing exercise.
5	A Strategic Thinker identifies patterns based on intuitive thinking.	“Sense Making” and entrepreneurial thinking are the drivers of strategy.
6	A Strategic Thinker re-writes rules of competition.	Strategic thinking is at the core of the innovation.

The most important task before organizations is therefore how to design new management practices, processes and structures which leads to the growth of leadership and entrepreneurial skills at all levels of the organization.

### **Make Leadership Development a core “support activity”<sup>2</sup> of the organization :**

Often the mind of the strategist is deeply at odds with the culture of the organization. This becomes easy to understand by the results of the exploratory survey. All the attributes of a strategic thinker culled from the Survey - i.e being a Good Leader, visualizing long term future scenarios, looking for environmental cues to develop “what ought to be”, identifying patterns based on intuitive thinking and re-writing rules of competition – cannot be nurtured within the hierarchical organization bound by operational processes.

Strategy was earlier (prior to the 1980s) the sole prerogative of the CEO who decided the distinctive strategy for his company. Then with the advent of industrial economic theory into strategy through the work of Porter (1980, *Competitive Strategy* ; 1985, *Competitive Advantage*), strategy acquired the analytical rigor. Several tools and techniques emerged which attempted to put strategy formulation into an analytical framework. This reduced strategy to formulation of a competitive game plan. The market variables and the industry structure were the only important variables in this analysis. Strategy was reduced to the quest for that perfect competitive advantage and efforts to sustain the same. The strategic agenda was hijacked by the consultants who most of the time had no stakes on the successful implementation of strategy. Leadership may have become the sacrificial lamb in the process for most organizations.

The effort to get that one sustainable competitive advantage brought stasis to strategy. A globalized economy and rapid technological changes have made the concept of a static and unique competitive advantage obsolete. Most strategic decision problems are unstructured situations. Neither are all the alternatives known, nor are the consequences of each alternative fully comprehended in advance. Therefore, competitive advantage has to evolve with time to become creation of unique value. Creativity, vision and insight are important elements for the evolution of competitive strategy.

The other problem was that firms forgot their unique purpose of existence which was the end towards which competitive advantage was to be channelized. Strategy is not just about the unique positioning plan of the firm within the firms’ environment but also about its unique purpose. It is about what the firm is and what will it be in the future. It is about what makes the firm distinctive and about what makes the firm matter. It is not just about some financial goals to be achieved in the future but also about choosing the unique value which the firm will contribute to the world in the process of achieving those goals. It is about continuous adjustment and adaptation to the emerging business situation and the exigencies of implementation. It is about what the firm’s identity actually is.

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<sup>2</sup> Porter, M.E. (1980). *Competitive strategy : Techniques for analyzing industry and competitors*. New York : Free Press.

The point is, strategy formulation is not just a left brain exercise and that is where Leadership comes in.

Strategy formulation is an everyday, continuous, and adaptive process. It requires ideas – about how markets can be won and organizations be operated. It requires values – that everyone understands and lives upto. It requires energy – for stretching the boundaries and being passionate about implementation. It requires determination – to take tough decisions. In effect, it requires leadership to determine direction and to move organizations from where they are to where they need to be. Leaders are important because they not only decide what needs to be done but they are also the ones who make things happen. Because systems and processes howsoever good they are, cannot decide what needs to be done. Strategic thinking needs the right brain qualities of a leader.

This requires thinking about new organizational structures. Something like the formation of some kind of a core group of leaders within an organization responsible for strategic thinking and its manifestation in business. Such a group can oversee the strategic dialogue process within the organization. In absence of such a group of Strategic Thinking Leaders, nurturing of leadership qualities so essential for strategic thinking will not take place.

In short, organizations may have to bring leadership back into the strategic agenda of organizations. Leadership development has long been outsourced to consultants and academics who have never been leaders themselves. Leaders have to teach others to be leaders. Resources have to be poured to train and teach everyone to be future leaders. Finally, it has to select from amongst them the outstanding ones.

#### **Nurture Intrapreneurship :**

Strategic Thinking can also be developed through intrapreneurship. One of the keys to nurturing a culture of intrapreneurship within the organization is to get rid of bureaucratic controls. Before Jack Welch became the CEO of GE, it was engaged in multiple businesses. Therefore, the top management of GE wanted to exert strict control over its people. All important decision making was centralized. Heads of businesses had to come to the GE headquarters to seek permission for even simple matters. Recruiters looked for people who were comfortable working in the centralized, bureaucratic culture. When Jack Welch took over, he indulged himself in Strategic Thinking first. This led him to get into to realize that the company was facing cut-throat competition, which required new ideas and fastest speed to market. Centralization and financial controls were dismantled. The entire Corporate Planning staff of GE was removed. He instituted an open system of dialogue between himself and his thirteen global business leaders on matters of strategy for each business.

He also set stretch goals for the organization. Each business had to be no. 1 or no.2 in the industries in which it was operating else the business was to be hived off. Inventory turnover targets were revised to 10% turns from a mere 5%. Operating margins were

revised to 15% from around 10%. In trying to achieve them, people learnt to generate new ideas for doing things faster and better.

The key is to put in place processes and systems for “teaching organization”. For his entire career as CEO of GE, Jack Welch went every two weeks to the GE’s Crotonville management development institute to give speeches and interactively teach the senior managers, middle managers and new employees of GE.

For nurturing creative and breakthrough thinking it is not enough to have talented manpower. The key is to design the management processes so that fresh ideas are generated and people are energized. Moreover, employees should feel that the process is worthwhile. Processes should ensure that people come to the meetings prepared, knowing that decisions will be taken in the meeting itself. Processes should be installed for systematic and quick follow-up action. Google mandates that each employee will generate at least 2 ideas each year. This is included in the employee’s KRA (Key Result Area) for the year. Google has an Idea Management System on which the ideas can be posted and put up for voting. Each idea getting at least 10 votes is termed as a hot idea and picked up for further development and implementation. Implementation is handled collectively by the employee and a dedicated team. Since idea generation is made a part of the KRAs, ownership and commitment is built into the system. Google also has the 20-80 rule whereby each employee can spend 20% of his office time for working on self conceived project ideas. Popular Google sites such as Orkut and Google News are products of projects under 20-80 rule.

The creative energy within each one of us has to find an outlet. The company’s vision and focus help in channeling ideas towards winning products. Idea generation and development, the key to strategic thinking, should be systemic requirements in any organization.

### **Limitations of the Study :**

This was an exploratory study and therefore has the following limitations :

1. It was observed that the concept of “Strategic Thinking” is still not very clear in the minds of the respondents of the Pilot Survey. Further work on the scale definition is required. The population for the further study was limited to top executives (Vice-President and above), senior managers, middle level executives (both from the public as well as the private sector), management consultants and management researchers vide judgmental sampling.
2. The attributes in the questionnaire appear to be inter-correlated. Several latent variables also appear to be present and effecting the results. These interrelated dependence relationships between the variables have to be studied with the help of more powerful techniques like the Structural Equation Modeling.
3. The results also appear to be affected by the small sample size of 67 for the Pilot Survey. A larger sample may give more coherence to the results.

4. The respondents may have found many variables to be implying the same attributes. Scale refinement is therefore required for further research.
5. This being an exploratory study suffers from all limitations of such a study.

**Conclusions :**

The above exploratory study tried to find out the attributes of Strategic Thinking. It isolated 6 attributes: good leadership, visualizing long term future scenarios, forming broad strategy and allowing specifics to emerge with time, looking for environmental cues to develop “what ought to be”, identifying patterns based on intuitive thinking, and re-writing rules of competition. It was found that the attributes of strategic thinking are complex and overlap with the cognitive dimensions of leadership. This is an important pointer to the kinds of processes and systems required for promoting and nurturing strategic thinking within the organization. Strategy formulation is both a left brain as well as a right brain exercise. Development of leadership appears to be the key to nurturing strategic thinking within the organization. Further research can build up from this exploratory study to explore this theme further.

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