

A Conceptual Model for Strategic Thinking

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Abstract: This paper presents a conceptual model for strategic thinking that incorporates three key elements, including competitive thinking, long-term thinking, and integrative thinking. Reasons for their importance in strategic thinking are explained. Recommendations on how to apply the model for improving managerial practice and strategic management pedagogy are provided.

Keywords: Conceptual model, strategic thinking

I. Introduction

In today's global business arena which is characterized by dizzyingly accelerating change and rapidly growing diversity, an organization's performance is heavily dependent on its managers' ability to act strategically. Strategic action is, of course, guided by strategic thinking. There are two major assumptions underlying strategic thinking. The first assumption is based on voluntarism. A strategist subscribing to voluntarism believes that strategic action can be taken to enable an organization to respond and adapt to, or even change, the environment. The second assumption has its origin in neo-determinism. A strategist conforming to neo-determinism believes that, although strategic action can help an organization better cope with the shocks of environmental turbulence, it is still a captive of the environment and thus any strategic action taken to change the environment will be inconsequential. In this paper we adopt the point of view of voluntarism and present a conceptual model that incorporates three fundamental elements of strategic thinking. They include competitive thinking, long-term thinking, and integrative thinking. Our main focus is on explaining why these three elements are essential to strategic thinking. First, we will provide an overview of strategic thinking. Second, we will present a brief discussion of the model. Third, we will address the rationale for each strategic thinking element as a critical component of the model. Fourth, we will offer some final thoughts on how the model can be applied for improving managerial practice and strategic management pedagogy.

II. An Overview of Strategic Thinking

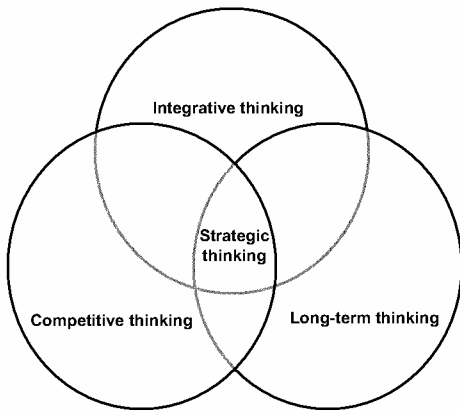
Strategic thinking has been defined as "a particular way of solving strategic problems at the individual and institutional level combining rational and generative thought processes"

[7, p.55]. Systems thinking, creativity, and vision constitute the foundation of strategic thinking [3, pp.338-339]. A strategic thinker is expected to think more like a broad-minded philosopher than someone with only narrowly-focused technical expertise [4, p.24]. One scholar has suggested that "the purpose of strategic thinking is to discover novel, imaginative strategies which can re-write the rules of the competitive game; and to envision potential futures significantly different from the present" [5, p.485]. For entrepreneurs, strategic thinking skills are important assets for creation of new business ventures [2]. The temporal dimension of strategic thinking demands a strategic thinker to make a three-way connection of past events, present situations, and future scenarios [6, p.31]. From a strategic management practitioner's perspective, strategic thinking can be summarized in a set of ten organizational activities involving "long-range planning, strategic analysis, quality, portfolio theory, scenario planning, resource allocation models, corporate culture, leadership craft, metrics that matter, and strategic alliances" [1, p.5].

III. The Model

Our conceptual model is shown in Figure 1. We view strategic thinking as the result of bringing together competitive thinking, long-term-thinking, and integrative thinking. Thinking, in this context, refers to both rational and creative thought processes that pertain to analyzing and solving complex business policy problems. No thinking can be considered strategic in nature unless it captures all the three elements of competitive thinking, long-term thinking, and integrative thinking. In other words, a manager cannot be considered a strategic thinker without being able to think competitively, long-term, and integratively. In Figure 1, the overlapping area of the three circles represents strategic thinking. It is only when a manager consciously ties all these three elements together in his or her decision-making process that he or she is truly engaged in strategic thinking. In the next section, we will discuss why it is necessary for a manager to fully understand all of the three basic elements of thinking and recognize their importance in order to function as an effective strategist.

Figure 1 Three Elements of Strategic Thinking



IV. Reasons for Thinking Competitively, Long-term, and Integratively

Strategic decisions are not made thoughtlessly. Strategic thinking must necessarily precede strategic planning and strategy execution. It should be borne in mind that strategic planning is no ordinary planning. It is concerned with charting the future direction of an organization and making resource allocation choices to accomplish high-priority goals for ensuring organizational viability. Formulating a strategy is a mental process that requires thoughtful consideration and careful examination of both internal and external issues from a perspective that draws on insights from competitive thinking, long-term-thinking, and integrative thinking. Much is at stake in this process and therefore doing it right makes a huge difference in paving the way for achieving organizational success, both financial and non-financial.

Competition Leads to the Birth of Strategy

Rivalry is pervasive in the business world. Rivals in an industry compete for market share and scarce resources. New entrants into the industry and rivals' increasing demand for certain rare factors of production can cause competition to intensify. Competition is thus an inseparable part of rivalry. A strategy can be viewed as a game plan used by a company to cope with competition. Without competition, there is really no need for any kind of strategy to be formulated, implemented, and controlled. Only operational planning and application of standard procedures will be sufficient to run the company. Developing a new strategy requires a manager to think critically about what rival companies' managers are doing currently and will do in response to the new game plan. Clearly, strategic thinking cannot be detached from competitive thinking. It is inconceivable for a manager not to take competition into account when thinking strategically about what needs to be done for his or her company. Behavioral scientists have identified a number of human needs. Among them is the need for achievement, which often acts a driving force behind competition. Managers are human and they can be motivated by the need for

achievement to design better strategies to outperform their peers, including those who work in rival companies. In this connection, competitive thinking is inevitably linked to strategic thinking. Generally speaking, in individualistic societies where the market system encourages free competition, such a linkage tends to be particularly strong.

Strategy Implies Planning for the Long Haul

All strategies are intended for reaching long-term performance targets. A long-term orientation is always implied by any predetermined course of action for a strategic purpose. As such, using the adjective "long-term" to describe a strategy is as redundant as referring to the Pope as a Catholic Pope. Most organizations exist for an enduring mission or shared purpose of constancy. They are in business for the long haul and so it is only logical that their managers think not only hard, but long, in the sense of long-term, in crafting a strategy that supports the mission that they have chosen to pursue. The longer an organization hopes to exist, other things being equal, the more uncertain its future will be, and the greater the need for its managers to have long-term thinking skills. International managers face difficult challenges of geo-political reality and clash of civilizations that create tension and instability. It is especially important for them to be long-term thinkers because their jobs require them to make more accurate forecasts about overseas market conditions, which are usually highly volatile and vulnerable to disruptions. One strategic issue that is attracting increasing managerial attention in modern organizations is sustainability of the natural environment. There should be little doubt that long-term thinking is an absolute must for dealing with this issue. Quick fixes or band-aid approaches are no substitutes for long-term solutions to problems of environmental pollution and unsustainable consumption of natural resources. In the absence of long-term thinking, a prerequisite to long-term commitment to environmental management efforts, attainment of sustainability goals as a subset of an organization's strategic goals is practically impossible.

To Strategize is to Integrate

Multiple stakeholder issues need to be addressed in strategic decision making. Different organizational units must cooperate with each other to deliver the best value possible to target customers. Parochial mindsets hamper team efforts and create barriers to achieving synergy. The value chain produces little or no value unless cross-functional activities are well coordinated. Losing a battle to rivals does not normally destabilize an organization. Losing a war does. A thorough understanding of the organizational "big picture" and a strong grasp of integrative thinking skills are both necessary for scoring decisive wins in wars of business competition. Integration, in essence, means getting everybody from various functional departments (marketing, operations, finance, personnel, etc.) on board to work toward achieving three common goals: retaining existing customers,

attracting new customers, and keeping all of them happy with what you offer them, be it a product or service. A manager who is an all-rounder with a generalist background usually does a better job as an integrator in carrying out strategic management tasks of interdepartmental cooperation. The role of supply chain management in strategic decision making can be better understood from an integrator's point of view. Making strategic decisions without applying integrative thinking is likely to lead to sub-optimization, production bottlenecks, inventory inefficiencies, inappropriate product/service designs, over-liberal credit policies, imbalance of cash inflows and outflows, line-staff conflicts, project completion delays, communication breakdowns, unfulfilled delivery promises and other problems of strategy implementation and control.

V. Final Thoughts and Recommendations

Strategic thinking is fundamentally composed of competitive thinking, long-term thinking, and integrative thinking. In our earlier discussion we have outlined the rationale for including these three core elements in our model. We believe that they are equally important and none of them should be overlooked by strategic thinkers. A manager with strategic management responsibilities must think strategically by considering issues of competitive positioning, long-term implications of organizational policies, and systems of integrating cross-functional activities. Omission of any of the three core elements makes strategic thinking incomplete and will result in incomprehensive strategic decision making, which in turn will translate into improper strategic action.

In regard to the application of our model for improving the practice of strategic management, we recommend that managers follow a systematic approach that incorporates all of the three core elements into both formal strategic planning sessions/exercises and informal strategic dialogues. In the former case, strategic agendas may be set to cover planning areas related to each element to ensure the use of comprehensive strategic thinking. In the latter case, managers may be encouraged to make a conscious effort to keep each element in perspective when they discuss strategies informally. The goal is to create a strategic thinking culture in which ideas about how to address competition, long-term commitment, and teamwork receive constant managerial attention.

Additionally, our model provides an intellectual basis for designing better strategic management teaching methods. To help students develop strategic thinking capability and expand their mental capacity for understanding broad organizational issues, strategic management instructors may consider organizing their lecture topics and project assignments according to the three core elements. For example, in the capstone strategy course competitive thinking

may be taught with detailed discussion of the concept of competitive advantage and Porter's 5-forces model of competitive intensity. In-depth strategic direction analysis discussion about formulation of organizational mission and objectives is useful for teaching long-term thinking. Lastly, carefully chosen case studies on strategy implementation, a strategic management process that stresses the collaborative efforts of functional department managers, may be assigned to project teams to provide learning opportunities for students to appreciate the importance of integrative thinking.

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