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Strategic Thinking: what it is and how to do it

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Introduction

We are confused. We assume that 'strategic planning' captures the tasks and processes that need to be undertaken to develop a strategy for our organisation's future. But, strategic planning is about documenting agreed actions to implement strategy, and not about planning strategically. As Mintzberg suggests, 'strategic planning' might well be an oxymoron (Mintzberg, 1994:5).

Strategic planning is now a routine part of business, with an accompanying set of beliefs and protocols that underpin day-to-day practice. Yet, as Mintzberg (1994:5) indicates, 'planning lacks a clear definition of its own place in organizations'. Indeed, 'while the need for planning has never been greater, the relevance of most of today's planning systems and tools is increasingly marginal' (Fuller, 2003:2).

The failure of strategy even after extensive planning, and the inability of many organisations to read signals of change in the external environment, suggests that there is something missing from existing planning models. 'It may well be that the typical strategic planning exercise now conducted on a regular and formal basis and infused with quantitative data misses the essence of the concept of strategy and what is involved in thinking strategically' (Sidorowicz, 2000).

To avoid being confused, we need to recognise that strategic planning is the last step in the strategy development and implementation process. When we talk about planning, we are not talking about deciding how to position the organisation in the future, we are talking about how to take action today. By focusing on the end product – the plan – we risk ignoring and spending time on the missing element - strategic thinking, which is the capacity of an organisation to systematically develop and maintain a shared view of the future that can inform its decision making today.

The development of effective and meaningful strategy involves three stages: strategic thinking, strategic decision making and strategic planning - that is, *thinking* about future strategy options, *deciding* on which options to pursue, and *implementing* those options. But, current definitions and practices generally regard 'strategic planning' as subsuming all three stages. The line between the three stages is therefore blurred, as Mintzberg (1994: 32) indicates:

A major assumption of the strategic planning literature ... is that all of these terms necessarily go together. Strategy development is a planning process, designed or supported by planners, to plan in order to produce plans.



We get caught up with writing glossy plans, and forget to spend time to build the quality of the thinking that goes into those plans. This paper explores strategic thinking – what it is, and how to do it to strengthen strategy processes and improve the effectiveness of strategic plans.

Re-conceptualising Strategy

Traditional planning models tend to focus on processes run by planners to write and implement plans. Those are usually quite long, and include numerous actions and performance measures. If not developed well, they can mix up operational tasks with strategic action, and become unwieldy to implement. They look impressive, but often fail to deliver organisational alignment of action or achievement of strategy documented in them.

Strategy is about positioning your organisation in the future by defining a preferred future. To define a preferred future, one must first understand how the future might evolve. While there is much information about the past and the present, there are no future ‘facts’, so we need processes that will help us think about what *might* be possible. Because no one can predict the future, we need to create alternative views of the future to consider before we make decisions about actions to take today. This process of thinking about the future of organisations to inform decision making today contributes to the development of a strategic foresight capacity (Slaughter, 1999).

What usually happens in current planning processes is that a ‘vision’ statement – which should be a statement of a desired future end-state - is produced based on our understanding of the past and the present, without any systematic exploration by the whole organisation of what the future might be. Plans therefore tend to project a linear future, extrapolated from today and with little or no systematic consideration of the impact of current and emerging future trends on how we operate today.

Understanding and planning for the future requires strategic thinking. Thinking strategically to understand the complexities and uncertainties of the future is, however, the least understood element of strategy development, and does not usually occur in any systematic way.

To write plans that are based on robust strategic thinking requires a re-conceptualisation of the traditional planning model to see it as a process consisting of three stages: strategic thinking, strategic decision making, and strategic planning, as shown in Figure 1.

Mintzberg (1994a) indicates that strategic thinking is about synthesis. Liedtka (1998) suggests that such thinking is intuitive, experimental and necessarily disruptive, and attempts to explore areas beyond logical thinking, in order to develop a vision of an organisation’s future. Because information about potential futures is always incomplete, the thinking required for success in this activity needs to be ‘synthetical’ and inductive, rather than analytical and deductive:

... strategic thinking...is meant to open up an expanded range of perceptions of the strategic options available, so that strategy making is potential wiser. Strategic thinking is concerned with exploration, often based on limited and patchy information and options, not the steps needed for implementation of actions, which is the realm of strategic planning (Conway and Voros, 2002).

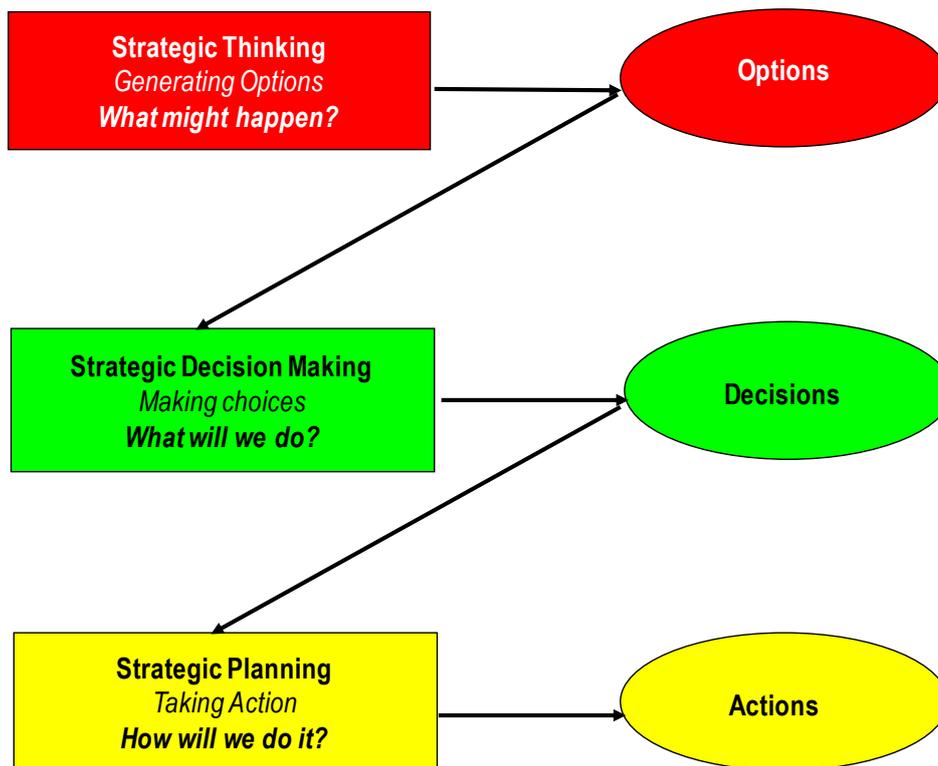


Figure 1: Three Level Strategy Development Framework

Strategic decision making is the interface between strategic thinking and planning, where directions are set. At this stage, options are assessed, choices examined, decisions made, a future destination selected and goals established.

Mintzberg (1994a) writes that *strategic planning* is about taking those articulated goals and turning them into formal, documented action steps that can be implemented to achieve agreed results. This sort of activity requires thinking which is analytical, logical, pragmatic and deductive to make sure that actions are implemented, monitored and reported.

Strategic thinking then is about exploring possibilities and options, *strategic decision making* is about setting directions, and *strategic planning* is about implementing actions. Successful strategy needs all three stages. As Wilson (2004) writes, ‘there is little to be gained from developing a plan per se. There is everything to be gained from the thinking that lies behind the plan--and the action that follows it’.

If we are to develop effective strategy, our strategy processes must recognise that each of these three steps needs to be undertaken, and that each step has its own methods and approaches. The first step in strategy development is *strategic thinking*, not strategic planning, and we must commit to spending time in this space before we make decisions and write plans.

Defining Strategic Thinking?

Strategic thinking is identifying, imagining and understanding possible and plausible alternative futures for your organisation, and using the knowledge gained to strengthen your thinking about your potential options to position your organisation effectively in the external environment in the future, in order to make better informed and more robust decisions about action to take today.

How Do You Think Strategically?

Thinking strategically requires integrating the future into decision making processes by thinking, big, deep and long:

Thinking Big: do we understand how we connect and intersect with other organisations and the external environment? Do we take a systems perspective?

Thinking Deep: how deeply are we questioning the way we do things today? Do we operate from our interpretation of the past, or our anticipation of the future? Will our assumptions today be valid into the future?

Thinking Long: how far into the future are we looking? Do we understand the shape of alternative futures for our organisations? Or, do we expect tomorrow will be more of today?

Thinking Big: Systems Thinking

What is a system? “A system is a set of things – people, cells, molecules or whatever – interconnected in such a way that they produce their own pattern of behaviour over time (Meadows, 2008: p3). Systems are designed to achieve outcomes, and some can survive the impact of changes in the external environment and keep achieving those outcomes. Other systems may not fare so well, and will need to adapt quite radically. Systems never exist in isolation and need to take account of interconnections to continue to exist.

If strategy is developed without taking account of systemic interconnections, without considering how shifts in the external environment might change the organisation, then that strategy is myopic. Leaders in organisations need to learn to see this large ecosystem of which their organisation is a part, and to focus not on building their piece at the expense of other elements, but to focus on building shared understanding and a common vision (Senge, 2003).

The value of systems thinking applies at all levels of an organisation, from individual jobs to departments to the organisation itself and to the sector beyond. This value emerges as a result of thinking about aligning internal capacity with the reality of a constantly changing external environment, and on identifying strategy that will ensure organisational viability into the future.

Strategy is externally focused, and is about an organisation fitting into the ‘big picture’, not about what we do on a day-to-day basis.

Thinking Deep: Worldview and Mental Models

Each of us a particular worldview – our way of ‘seeing’ the world in which we live. We all filter information to make meaning of what we see every day. We use our worldview to create mental models by making judgements about which information is valuable, and which can be dismissed as not relevant. We make these judgements based on assumptions and thinking habits which are deep seated, and often difficult to identify. These assumptions, however, have the effect of trapping us in the past, and preventing us from being open to exploring information about changing trends and emerging issues that will affect our futures.

Our assumptions are often masked in the rhetoric of ‘data driven’ or ‘evidence based’ decision making today. Somehow, we think that as long as we have enough data, we will make good decisions. But, as Snowden (2003:1) suggests, the influence of human agency in strategy development is often, despite appearances and an abundance of data, not rational:

“Humans do not make rational, logical decisions based on information input, instead they pattern match with either their own experience, or collective experience expressed as stories. It isn’t even a best fit pattern match, but a first fit pattern match ... The human brain is also subject to habituation, things that we do frequently create habitual patterns which both enable rapid decision making, but also entrain behaviour in such a manner that we literally do not see things that fail to match the patterns of our expectations”.

Strategic thinking requires us to be aware of our worldviews and mental models and know where our blind spots are – the information we just do not see. It requires us to constantly challenge the assumptions underpinning our thinking and our decisions to ensure that the strategy created is going to be relevant and robust into the future.

Thinking Long: Environmental Scanning

Environmental scanning is the art of *systematically* exploring the external environment to better understand the nature and pace of change in that environment, and to identify potential opportunities, challenges and likely future developments relevant to your organisation. Environmental scanning is what Choo (1998) calls formal searching, using formal methodologies for obtaining information for a specific purpose. It is the core of high quality strategic thinking.

For strategy purposes, environmental scanning needs to be formal, systematic and continuing, and focused around a particular issue or critical decision being faced by the organisation. It is much more than reading newspapers or industry journals, or checking the latest statistics about your market. It is about exploring both present certainty and future uncertainty beyond your organisation and industry, and moving beyond what we accept as valid ways of working today.

The aim of environmental scanning is to identify relevant information for your organisation, both trends and weak signals of change appearing on the horizon, in order to broaden and deepen thinking about strategic options. It is about ensuring that there are no surprises in the future operating environment for your organisation – that is, avoiding organisational myopia.

Scanning must aim to provide information to inform the development of flexible strategy that readies your organisation to respond quickly to the changing environment rather than react to it.

Changing the Way We Think

Strategic thinking is essentially about changing the way we think about the future of our organisations. It is about moving beyond pattern responses and habitual thinking that no longer works well when uncertainty rather than stability is dominant in our operational environments. It requires re-training our brains to see new things and to make new connections, and to be creative. It is about moving our brains from automatic pilot to manual steering and from conventional business thinking to futures focused thinking as described in Table 1.

Table 1: Characteristics of Conventional and Strategic Thinking Approaches

Conventional Business Thinking	Strategic Thinking
Immediate term	Depth of vision
Own business focus	Cross-disciplinary
Attention to detail	Broad vision
Techno-economic trends focus	Trends and emerging issues
Problem approach	Systems approach
Less attention to connections	Interactions and cross-impact
Continuity assumption	Wild cards and discontinuities
Bottom line focus	Strategic focus
Undiscussables are never spoken	Speak the unspeakable
Short term focus	Long term orientation
A single future	Alternative futures
Mainstream thinking	Mind changers
Past and present dominate decision making	Future dominates decision making

To make this shift, we need to understand the ‘blindness’ that prevent us from seeing the signals of change in our environment (Schoemaker and Day, 2003):

- Mental filters – our patterned responses to things we see in our worlds,
- Overconfidence – we are far too certain about how the future will develop,
- Perchant for confirming rather than disconfirming evidence – we do not look for ways to challenge what we believe to be true,
- Dislike for ambiguity – we want certainty, and we certainly do not get paid for saying “I don’t know what to do”, and

- Group think – the Abilene effect, or members in a group ‘going along’ with a group decision, and not speaking up to challenge that decision, even though no one in the group agrees with the decision.

If we are more open to signals of change, we can be proactive in preparing our organisation for the future. We all seek to be proactive, but we get caught up in dealing with the day-to-day volume of work and remain reactive. When the external environment changes, we then enter crisis mode, rather than implementing alternative plans already considered and put in place as part of the development of organisational strategy.

Strategic thinking enables us to be proactive in approaching the future rather than reactive. Table 2 highlights some questions that demonstrate the difference between proactive and reactive strategy development processes. Reactive strategy asks these questions after the event, while proactive strategy asks these questions in anticipation of change and to identify alternative, or contingency, plans.

Table 2: Proactive and Reactive Strategy Questions

Reactive Strategy: After the Event	Proactive Strategy: Anticipating the Event
What has happened?	What is happening?
What caused it to happen?	What is driving those trends that will influence our future? What might our alternative futures be?
How do we respond?	What ought we do today? What might be the long term consequences of our actions today?
What will we do?	What will we do?

The gap between reactive and proactive futures is bridged by making time for strategic thinking.

Finding the Time to Think Strategically

The biggest challenge you will face when you decide to integrate overt strategic thinking processes into your planning framework is finding the time to think, and to obtain organisational commitment to scheduling that time.

Strategic thinking requires overt and collective processes to be put in place in organisations, but taking time out from day-to-day operations is usually not welcomed. So we tend to lose strategic focus and become totally immersed in the here and now. Yet, if we take time out and commit to strategic thinking processes, the result is a much stronger sense of what is important and what is not, what will help achieve strategy today and what is actually busy work.

The busyness syndrome (Johnson, 2007) has taken over our work lives today. While we complain about how busy we are, how much work we have to do, how many emails we received before lunch, and how stressful it all is, we continue to deny ourselves the time to re-think the paradigm that has generated the stress in the first place. We are all too busy to think and therefore remain unable to envision and create a more sustainable future for our organisations.

Characteristics of Strategic Thinkers

Strategic thinkers need to have a range of characteristics that allow them to be open and willing to embrace uncertainty. Table 3 describes some of these characteristics. The list is not exhaustive and is intended to demonstrate the type of thinking that are required in strategy development processes that are futures focused.

Table 3: Characteristics of Strategic Thinkers

Characteristic	Description
Open minds	they are open to new ideas, information and to challenging their own assumptions about how the world works
Curious	they seek to understand why things have developed as they have, integrating understanding the past and present with exploring possible alternative futures,
Systems Thinkers	they strive to understand the whole, the big picture, rather than just their silo
Accept Diversity	they recognise that differences of opinion, culture and practice are neither right nor wrong, but just 'are'
Think outside the box	they seek to move beyond mainstream, exploring the periphery to identify emerging issues and trends
Think outrageously	they recognise that what seems outrageous and unreasonable today will not be outrageous in the future; they explore what might be possible
Challenge assumptions	theirs and mine, recognising that our beliefs about how we do things now need to be continuously tested as the external environment changes over time
Aware of own worldview	they understand where their blind spots are
Generous	they give away their knowledge freely, support others and participate to strengthen our understanding of the future
Compassionate	they seek to understand, not to judge
Seek and foster collective wisdom	they have moved beyond ego, and understand the power of collective activity in exploring the future
Optimistic	...about creating positive futures

No one person is likely to exhibit all these characteristics, so the aim should be to ensure that people involved in strategic thinking processes in your organisation collectively display these characteristics.

The Imperative of the Future

The imperative of the future is that a sustainable way of life for us as individuals, for our organisations, our societies and our planet is possible only if we integrate the future into our decision making today. We must recognise and accept our responsibility for future generations if we are to create strategy today that will not cause harm in the future and that will enable our organisations to have meaningful futures. As Peter Senge (2003) writes:

We focus on immediate needs and problems and are trapped by this illusion that what is most tangible is most real. We've been conditioned for thousands of years to identify with our family, our tribe, our local social structures. A future that asks us to overcome this condition and identify with all of humankind look alien indeed...we've never before lived in a world in which one's actions, through global business, can have their primary consequence on the other side of the world.

How do we do this as individuals?

Reflect on your practice: commit to building time into your daily routine to think strategically – to scan, to read, to think. Support and encourage your staff to be outward looking, and to think beyond their silos.

Show leadership: as a leader, you are responsible for others. Make one change in your routine at work to demonstrate strategic thinking. Set up a scanning system that brings into the organisation information that challenges the status-quo.

Demonstrate good ancestry: accept responsibility for future generations, and work to create a futures focused organisational culture that understands the impact of decisions into the future.

Think big, deep and long all the time: do not wait until you have a decision to make or your plan is due to be reviewed to start thinking strategically. Hold thinking workshops as well as planning workshops and share information and ideas generated across your organisation. Encourage discussion and reflection on what trends at work in the external environment might mean for your organisation now and into the future.

Concluding Comments

The aim of strategic thinking is to understand – as best we can – the long term context of our decisions today, so that we can ensure those decisions are as wise and as robust as possible. To do this, we need to set up processes in our organisations that support strategic thinking. Most importantly, we need to be open to recognising that our worldview might be blinkered, that we may not know what is 'right' or 'best' and that we might need to move beyond our understanding of the present and engage with the future if we are to develop effective and sustainable strategy today.

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