Chapter 2

Systems Thinking in Strategy Development

ABSTRACT

Systems thinking is considered as an important tool in developing strategic decision in marketing. The systems approach enables connecting objects of various types to a single platform of thinking, to organize different forms of activity within the given time and space of the situation in business. This chapter describes how systems thinking could provide a framework to various marketing process and create a map of the value chain that specifies relationships among the components of the marketing processes. Discussions in the chapter provide a conceptual framework of the development of systems thinking and systems methodologies and explain how such approaches can deal with issues of market complexity. Causal models in developing marketing strategy are illustrated, and new insights on thinking as a method to achieve desired business performance are also discussed.

INTRODUCTION

You cannot have a learning organization without a shared vision...A shared vision provides a compass to keep learning on course when stress develops.

Senge, Peter (1990)

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implementation. Systems thinking is applied in organizational management for decades in the field of operations but has been conceptualized also in the functional areas of marketing. Systems thinking offers a powerful new perspective, a synchronized flow of thoughts, and a set of tools that can be used to address the most complex problems in everyday business operations. Systems thinking may be considered as a way of understanding reality that emphasizes the relationships among various components in a process, rather than the independent constituents of the process. Based on a field of study known as system dynamics, systems thinking have a practical value that rests on a solid theoretical foundation.

KEY ELEMENTS

In marketing operations, systems thinking can be determined as a tool in tracing and linking various activities in a particular function. To be competitive, companies must grow innovative new businesses though on competitive market platforms, firms may face several operational barriers and seldom mesh smoothly with well-established systems, processes, and cultures. Nonetheless, success requires a balance of conventional and new marketing strategies to keep the competitive forces in equilibrium (Garvin and Levesque, 2006). Emerging companies face when they pursue new businesses, as well as the usual problematic responses to those challenges. Such companies, they say, must perform three balancing acts that include:

- Developing strategy on trial and error basis narrowing potential choices, learning from small samples, using prototypes to test business models, tracking progress through financial and non-financial measures, and knowing how and when to pull the plug on an appropriate competitive strategy
- Searching for the best combination of integrating conventional and new operational processes by using systems thinking to know which capabilities to develop and which to acquire
- To strike the right balance of integration establishing criteria for using creative marketing strategies

Systems thinking as an idea can be applied in various scientific fields including: planning and evaluation, education, business and management, public health, sociology and psychology, cognitive science, human development, agriculture, sustainability, environmental sciences, ecology and biology, earth sciences, and other physical sciences. Systems thinking can influence many of the existing concepts, theories and knowledge in each of these fields (Cabrera et al, 2008). In marketing and related business strategies, managers need to think ahead of competitors to keep moving from niche to market leader status. Changing the way we think does not automatically solve problems, issues, or crises in the business. However, systems thinking does reframe how we think about what we view as a problem in the first place, and what solutions might look like. The reasons for the scientific utility and promise of systems thinking are extensive. It can be seen in Table 1 the rationale for systems thinking and required strategies for implementing “systems thinking” approach through the creation of a ‘learning environment’ in a given marketing place. The steps that author adopted in developing change - in the direction of systems thinking - has been reported in a previous work (Inelmen, 2006). In a learning environment where simulations to be used in the evaluation of the strategies developed to prevent any wrong doing and support either aggressive or defensive moves in the marketplace. The need to check the authenticity of the work is obvious.

Systems thinking in developing marketing strategy is considered as a disciplined approach
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