

# Strategic Thinking

## 12

**César Camisón**

*University of Valencia, Spain*

### INTRODUCTION

Over the last 40 years, strategic management has attempted to provide a normative framework that can be of use to managers in their strategic decision-making. This normative model has featured the typical traits of rational decision-making. The combined efforts of academics, consultancy firms and productive companies have produced a fully-fledged theory of strategy. Furthermore, the contributions of distinguished researchers in the field have given rise to a wide-ranging literature that has helped to guide the training of managers and business leaders, in accordance with the principles and models inspired by the predominant paradigm of the day. The presumed value added by strategic planning even led many large companies to establish specialized departments and allocate significant resources for external consultancies to develop and implement strategic plans.

Despite this, the business world remains plagued by corporate failures, erroneous (or at least misguided) strategies, and inconsistent strategic decision-making (Liedtka, 2000; Chussil, 2005). This raises the obvious question of why, despite the growing knowledge base and information accessible to managers and business leaders, the strategic process continues to be so ill-fated. When called on to speculate about the causes underlying this state of affairs, some have ventured that the reasons may lie in errors of analysis, being lured from the right path by excessive ambition or greed, or other corporate vices. However, the academic debate has leaned towards questioning the normative-rational model of strategic decision-making.

Criticizing traditional approaches to strategic planning has also become the favourite pastime of many business leaders and gurus. The long litany of negative critiques of rational and deliberate planning processes includes arguments that are hard to dispute: that they have lulled managers into a certain complacency by giving them the comforting illusion of certainty; that they have stifled initiative by opting for incremental change over more radical change; that they have emphasized analytics and extrapolation over creativity and proactivity; and that they have denied those closest to the customer a voice in the process. This criticism of strategic planning has emphasized the risks that such transgressions entail in the typical situations surrounding strategic problems, which are characterized by the VUCA environment model (volatility, uncertainty, complexity and ambiguity).

However, when we toss several decades' worth of the strategy literature onto the rubbish heap, what can we replace it with? According to a growing current of thought, the answer is strategic thinking (Dushkov, 2018). This concept has gained an impressive foothold among strategy experts, quickly earning the devotion of critics of strategic planning, who believe in the potential of strategic thinking as a groundbreaking approach to setting strategy that can play a decisive role in maintaining or boosting competitiveness in VUCA environments (Bonn & Christodoulou, 1996). They argue that strategic thinking is the soundest basis for making strategic decisions; indeed, when managers lack this perspective their decisions and subsequent actions are adopted in a way that is fragmented and inconsistent with the company's objectives, that fails to adapt to changes and is lacking in innovation and creativity, thus

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jeopardizing company performance. This shift in the strategy literature has occurred in parallel with the growing conviction since the 1990s, among the management profession, that top-level managers' main problem is the weakness of their strategic thinking, regardless of whether or not their organizations have formal approaches to strategic planning (Bonn, 2001). The thesis is now the real heart of strategy is the "strategist", a strategic thinker who can discover novel strategies which open views to change the rules of competition and modify the chain of events that define the future (McKeown, 2015).

Although an acceptance of the need for strategic thinking has quickly taken hold among management, managerial competence in this regard has remained at unsatisfactory levels for the past two decades (Garratt, ed., 1995). The concept of strategic thinking, what it really entails, and what it looks like in practice, all remain controversial topics (Horwath, 2008). Indeed, there is currently no consensus as well-developed as that on strategic planning. The term strategic thinking is often used so widely and so imprecisely that it runs the risk of becoming a meaningless notion and one that, like many others, has a minimal impact on managers (Horwath, 2002, Oestreicher, 2017). The empirical research on the relationship between strategic thinking and performance has not reported conclusive results to date (Rajagopalan & Spreitzer, 1997; Vance et al., 2007).

This study attempts to address this concern and how to overcome it. The aim is to present the foundations of strategic thinking. Since learning to think strategically can be understood as equivalent to learning to make strategic decisions, the first step is to define what strategic decisions are and what are the drivers that shape them. Different paradigms have been applied to the analysis of the complex nature of strategic decisions and the factors that influence them (Moon, 2013). Our review of these explanatory frameworks for the strategic decision-making process starts with the rational-analytical model of strategy, based on strategic planning, before then reviewing and criticizing it from the perspective of the adaptive strategic approach. Third, we attempt to provide a well-founded explanation of what strategic thinking is and what skills are required of people who want to develop powerful strategic thinking.

## BACKGROUND

Not all managerial decisions are equally pivotal. The repercussions on a company's efficiency and competitiveness vary substantially depending on whether the decisions relate to tackling problems, identifying and exploiting opportunities, managing resources, setting objectives or drafting competition and growth plans in known or new businesses; or whether the focus is on everyday choices about how to carry out repetitive and optimizable tasks and processes that form part of the day-to-day life of organizations. The former are examples of strategic decisions, while the latter should be classified as tactical or operational decisions.

The essential strategic decisions can be summarized in the six questions listed in Figure 1. Therefore, the strategic process starts by defining the strategic objectives and, within those, the area of activity or set of activities where the company wants to compete, which requires a strategic analysis of the attractiveness of different industries. Having made this choice, senior management should then decide how to compete in each of the activities, which calls for competitive strategies for each business. They must also identify the desired growth path in the different markets, choosing between organic growth, external expansion or growth in cooperation with other organizations; the corporate strategy is derived from these choices. The decisions regarding the competitive strategy and the corporate strategy both have at their core the generation and maintenance of competitive advantages. However, in open economies, the forces of creative destruction unleashed by Schumpeterian innovation can thwart any competitor who

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