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## Strategic Thinking or Thinking of a Strategist?

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**Abstract:** The purpose of this study is to design an applied framework for strategic thinking which can be applied in all managerial levels and all types of organizational environments. No especial applied frame has been presented for this thinking. This study presents a theoretical framework for the thinking type of a manager by making a historical research and studying the scientific documents about the thinking of a strategist. In the new theoretical framework, we have tried suggest the best type of thinking for a strategist after analyzing the environment of his decisions. So, in this framework, the traditional viewpoint about strategic thinking, which considered it as a special type of right-brain thinking against other types of right-brain thinking and suggested it to a strategist, is put aside and it is suggested that the strategist should use a suitable type of thinking under different conditions.

**Key words:** Strategic thinking, systemic thinking, lateral thinking, intuitive thinking, hybrid thinking

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### INTRODUCTION

The purpose of this study is to design an applied and dynamic model for trading managers. This model determines the most suitable type of thinking for strategic thinkers under different inter-organizational and environmental conditions. Most of the intellectuals who study and research into strategic thinking, pose this type of thinking as a separate style of thinking against other types of thinking like systemic thinking, intuitive thinking, analytical thinking and so on. For example, Ohmae (1982) has posed strategic thinking against systemic and intuitive thinking and has compared them.

According to Ohmae (1982), when a strategic thinker faces problems, events or situations, which apparently form a concordant whole, he divides them into their components. After identifying the components and their importance, he re-mixes them using his intellectual ability in such a way that they will have the highest advantage for him.

Real events don't necessarily follow a linear model. So, the best method for dividing a situation into its components and its rearrangement in the intended way is not a step-by-step method and in methods like systems analysis, it is the brain of the human or non-linear demonstration of thinking that is efficient.

Therefore, the strategic thinking is highly in conflict with the normal view of mechanical systems and is based on non-linear thinking view. On the other hand, this view

contrasts with the methods that attribute everything to the intuitive perception (achieving the result without real analysis).

In Fig. 1, Ohmae (1982) depicted different characteristics of strategic thinking in comparison with other types of thinking.

Ansoff and McDonnell (1990), like Ohmae (1982) consider strategic thinking as a separate type of thinking and pose its characteristics in comparison with non-linear thinking:

- Both are futurist. A strategic thinker critically analyzes the past and skillfully understands uncertain environmental trends, which change the future towards the past. A creative thinker creates new thoughts and structures from the historical trends
- A strategic manager values others' mentalities and believes that they can offer important services for the institute. But a creative manager cannot bear the formalities for uniting the pluralism
- A strategic manager has the skill to distinguish the few variables which are among the main factors of success
- Both types of managers have the view of a new future for the institute in their minds. Both are gamesters. The game of a strategic manager is when it is for the best benefits of the institute, while the game of a creative manager may be just for the excitement of its novelty

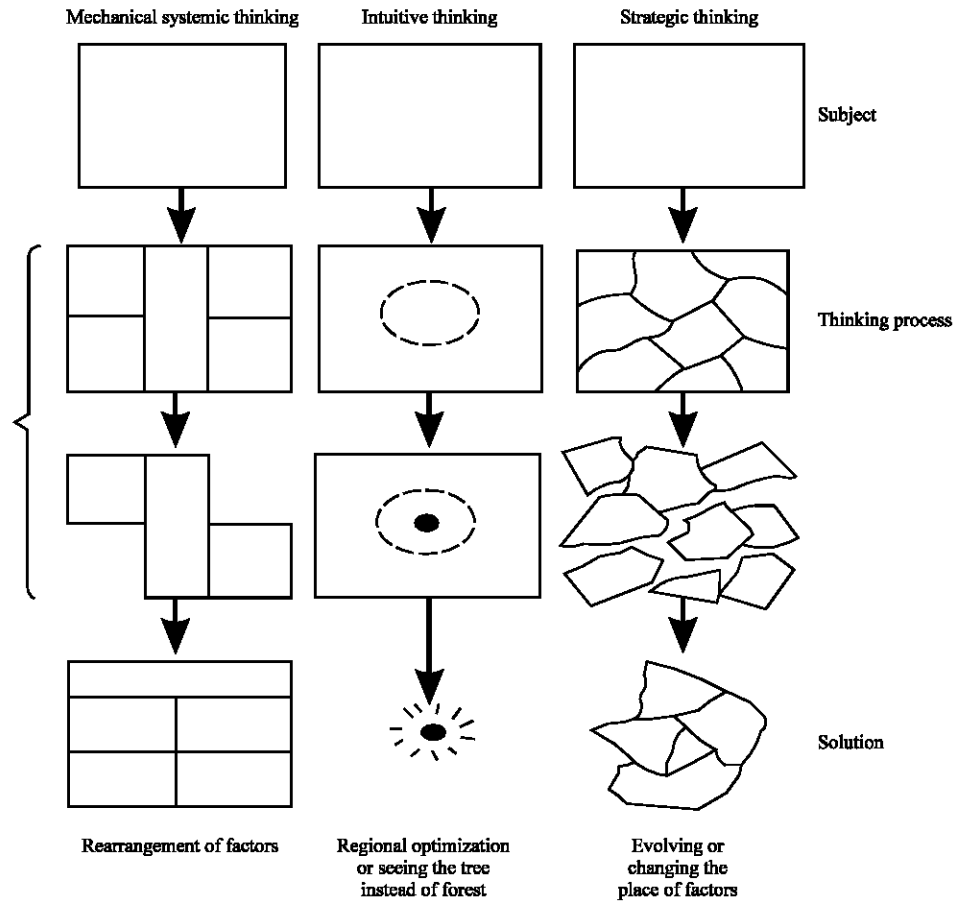


Fig. 1: Three types of thinking process (Ohmae, 1982)

- Both are tolerant of failure. Because they have accepted the danger with open eyes and full understanding. But, both are alienated from the managers who accept the danger with closed eyes or avoid it

Kilroy and Mckinley (1997) presented a hybrid thinking framework. From their viewpoint, a strategist should be able to simultaneously use different types of linear and non-linear thinking and use linear thinking to make convergent the divergence resulting from non-linear thinking.

### A HYBRID THINKING FRAMEWORK

The last 15 years or so have seen the emergence of a powerful management philosophy known as Value-Based Management (VBM). The premise underlying this philosophy is to maximize value for shareholders. Much of the work which has been done in this field has

focused on value measurement rather than value creation. The model argues that we need to shift the focus from value measurement to value creation and to do this, we need to accept that shareholders value creation requires the combination of creative and analytical thinking skills. These skills can be developed and if properly integrated into a hybrid thinking process, can lead to better strategies, better financial performance and much more satisfied employees (Kilroy and McKinley, 1997).

Hybrid thinking, in which the thinker iterates between linear and non-linear approach to thinking currently, prevails in most organizations. Kilroy and McKinley (1997) had presented a hybrid thinking framework as shown in Fig. 2. This framework consists of three principal steps:

- Information and possibilities
- Alternative business strategy development
- Analysis and evaluation

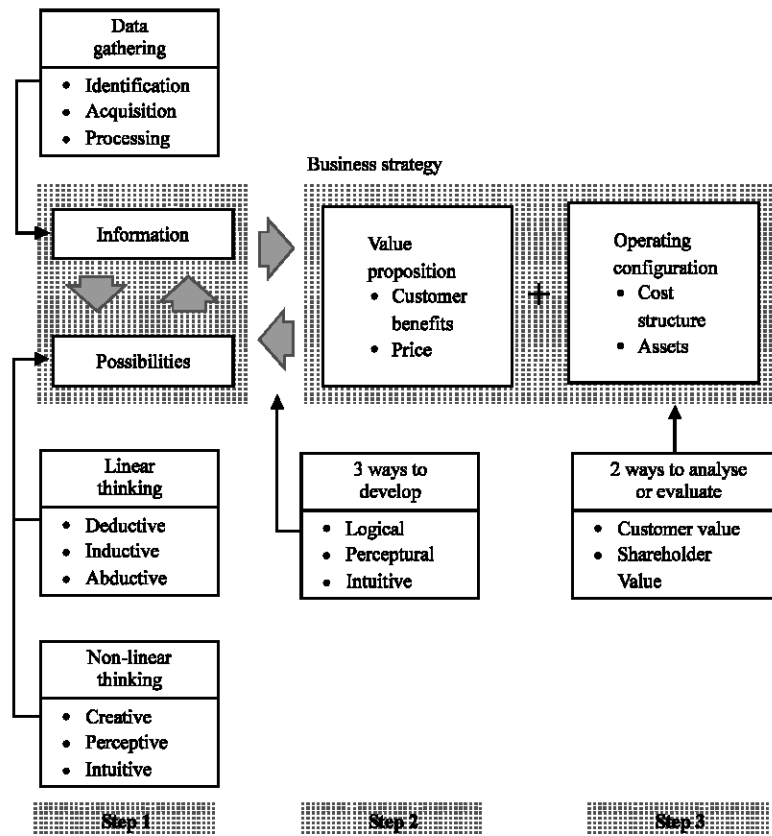


Fig. 2: A hybrid strategic thinking framework (Kilroy and McKinley, 1997)

**Step 1: Information and possibilities:** The process begins in one of two ways. Either Data are gathered and from that information a series of possibilities arises, or we already have a series of possibilities in mind and we go out and get the data we need to inform and refine these possibilities. To deal with the information side of this step, we need a combination of data-gathering and data-processing skills. To manage the possibility side, We need both linear and non-linear thinking skills.

**Step 2: Alternative business strategy development:** The next step is to begin to formulate alternative value propositions or competitive strategies. There are three fundamental ways to formulate alternatives, using the rational and logical thinking skills, our perceptual thinking skills and our intuitive thinking skills.

**The logical path:** The first path is the logical path. When we pursue this path, we implicitly assume that our logical analysis of the data will suggest to us the way to go. This path rarely leads to any major breakthroughs, but it can and often does lead to value-creating enhancements to an existing value proposition or business strategy. It is generally deductive in nature.

The decision to raise price in a segment in which our return is below the cost of capital but in which the demand is well in excess of supply, is an example of this type of thinking.

**The perceptual path:** The second path is the perceptual path. This is where we really begin to add value with our insights. It is where we see the same data as someone else does, but we perceive an opportunity where they see nothing. It is generally inductive in nature.

An example of this approach might be to perceive the existence of a new market segment, or an opportunity to reposition an existing product within a different segment.

**The intuitive path:** The third path is the intuitive path. This is where we really Make the cash registering if we get it right. A thinker cannot use this path alone, as it can be used the logical and (to a lesser extent) the perceptual path. An intuitive insight always needs to be grounded with logical or rational analysis, but it often gives us a different starting-point for that analysis. An example of an intuitive insight is the feeling that a pipe product, which to date it has been offering to the water, sewage and drainage market, could be turned on to its end and sold as an architectural column in an entirely different market.

**Step 3: Analysis and valuation:** The first step is to conduct an analysis aimed at determining the best (i.e., the most value-creating) path forward. To do this, we need to think in terms of value creation for our customers and shareholders, since there are really two markets in which we need to win:

- The market for our products and services
- The market for shareholders' capital.

Winning in the market for our products and services usually means that we are able to create more value for our customers than the competition, by offering a superior value proposition.

Winning in the market for shareholders' capital means creating more value for shareholders than the competition-usually by delivering that superior value proposition more efficiently than the competition.

**A MULTIPLE THINKING FRAMEWORK**

Based on the typology of contextualized thinking a new theoretical framework is proposed by Cheng (2005) to facilitate understanding and development of multiple thinking and creativity in organizational learning and to enhance the effectiveness of the action of individuals and organizations.

This framework (Fig. 3) provides a new direction and new strategies for conceptualizing research, development

and practice, designed to promote thinking, creativity and effectiveness in organizational action and learning in a new era of globalization and great transformation (Cheng, 2005).

**Levels of thinking:** Currently, knowledge management is strongly emphasized in daily operation and professional practice as the key for long-term effectiveness and development of individuals and organizations. How should the involved data, information and knowledge be managed and how should they be related to the actor's intelligence in organizational learning? How can organizational thinking and learning be promoted to deeper levels as deep thinking or deep learning? All these are significant questions in considering the application of the typology of CMT (Cheng, 2005).

As indicated in the literature of knowledge management Lowton and Tavakoli (2005) and Greiner (2007) data, information, knowledge and intelligence are crucial elements in organizational learning. The level of thinking in organizational learning can be illustrated in terms of these elements as shown in Fig. 3.

**Upward thinking in organizational action:** In organizational learning, data can be gained from the monitoring and assessment of action process and outcomes or directly from the experiences and observations of the organizational actors or independent observers (as shown on the right side of Fig. 1). This data

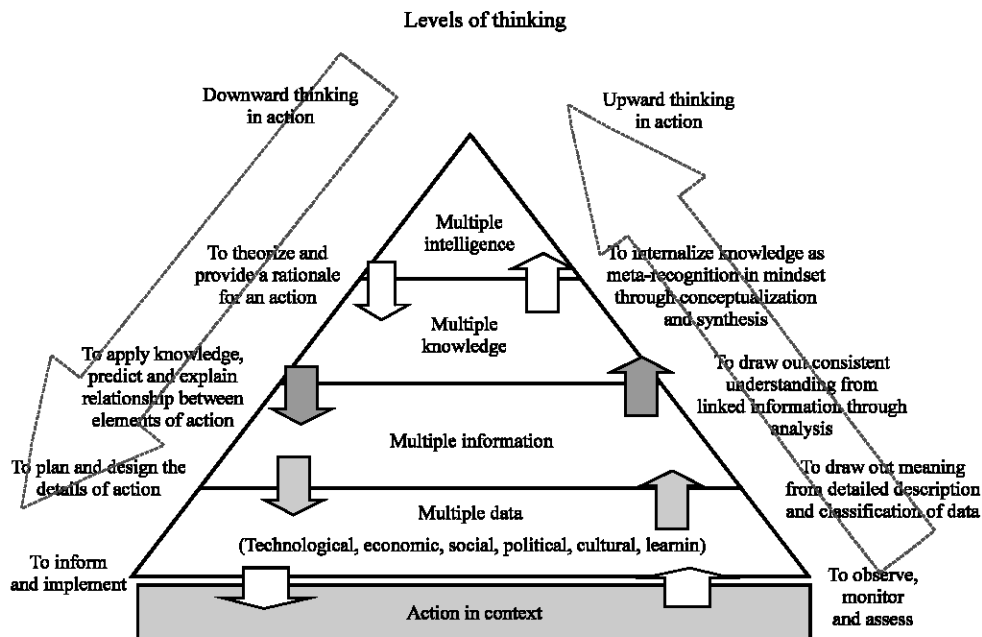


Fig. 3: Levels of thinking in organizational learning (Cheng, 2005)

may be multiplied including the technological data, economic data, social data, political data, cultural data and learning data when the contextualized multiple thinking framework is applied in organizational learning. From detailed classification and description of the data, the actor can draw some factual meaning or understanding that becomes the information about the action (Cheng, 2005).

Through linking and analyzing various information about the input, process and outcome of organizational actions, the organizational actors can achieve more reliable and consistent understanding that becomes organizational knowledge about the action. Through conceptualization and synthesis, the actors can further internalize the knowledge into mega-cognition in their mindset that becomes the contextualized intelligence of actors and their organization. Given the multiplicity of data in nature, the related information, knowledge and intelligence are potentially multiple including technological, economic, social, political, cultural and learning aspects (Cheng, 2005).

The above mental process from data to information, to knowledge and to intelligence can be perceived as thinking or learning process in organizational action. Thinking often refers to the internal mental process but learning is a general term including both internal mental processes and explicit behavioral processes of the organization and its members. Since the thinking process is upward from data to intelligence, it may be called as upward thinking in organizational action. There is a hierarchy of thinking in the organizational learning, including four levels (Cheng, 2005):

- (1) Thinking from action to data
- (2) Thinking from data to information
- (3) Thinking from information to knowledge
- (4) Thinking from knowledge to intelligence

In general, levels (1) and (2) are often considered as superficial thinking or the first order thinking that involves only observable data and information and levels (3) and (4) as deep thinking or the second order thinking that involves implicit knowledge and intelligence. Correspondingly, learning in action has four levels with levels (1) and (2) as superficial learning and levels (3) and (4) as deep learning. Only deep learning can cause internal changes in organizational mindset (in terms of knowledge and intelligence) but superficial learning can just result in operational changes with feedback in terms of data and information.

**Downward thinking in organizational action:** The above thinking process can be downward from intelligence to knowledge, to information, to data and to action as shown

on the left side of Fig. 1. With the organizational intelligence (or CMI), the organizational actors think how to theorize the aim of an action in a context and provide a rationale to conceptualize such an action. Furthermore, the organizational actors think how to apply some related knowledge to predict and explain the possible relationships between key elements (e.g., input, process and outcome) of the organizational action (Cheng, 2005).

The predicted relationships will become the major information to be tested and validated in the reality. In order to test the information, the organizational actors think how to plan and design the action and collect the expected data. Finally, they validate the provided rationale, related knowledge, predicted relationships (information to be tested) and expected data in reality through implementation of the organizational action in the context. As a whole, the above process can be considered as downward thinking in organizational action (Cheng, 2005).

During the above thinking processes, contextualized multiple intelligence, multiple knowledge, multiple information and multiple data may be involved and used. If the provided rationale, related knowledge, predicted relationships and expected data are found to be consistent and valid in the action process, then the existing CMI and related knowledge are confirmed and reinforced. But if they are found to be inconsistent and invalid in the reality of action, the organizational actors need to think and check if any gaps exist in the design of action or any misconceptions exist in the original mindset of the organization and its members (Cheng, 2005).

Based on the actual results (data and information) of organizational action, the actors think how to redress the gaps in the design of action (i.e., the first order thinking) or modify the existing intelligence and knowledge in the mindset (i.e., second order thinking). Then, the actors may start the upward thinking again in organizational action and learning as discussed above. In sum, the upward thinking and downward thinking as a whole form a cycle of thinking process for the organizational learning (Cheng, 2005).

#### **MODEL FOR SELECTING THE MOST SUITABLE TYPE OF THINKING FOR MANAGERS**

In this model (Fig. 4), first the decision-making environment is specified in different scopes of the organization. We should answer the following three questions in order to determine the environmental elements of each scope: (A) Is the element out of the scope? (B) Does it influence the operations of the scope? (C) Do we have control on them? If the answer to all questions is YES, that element is a part of the environment of the scope under our management. After defining the

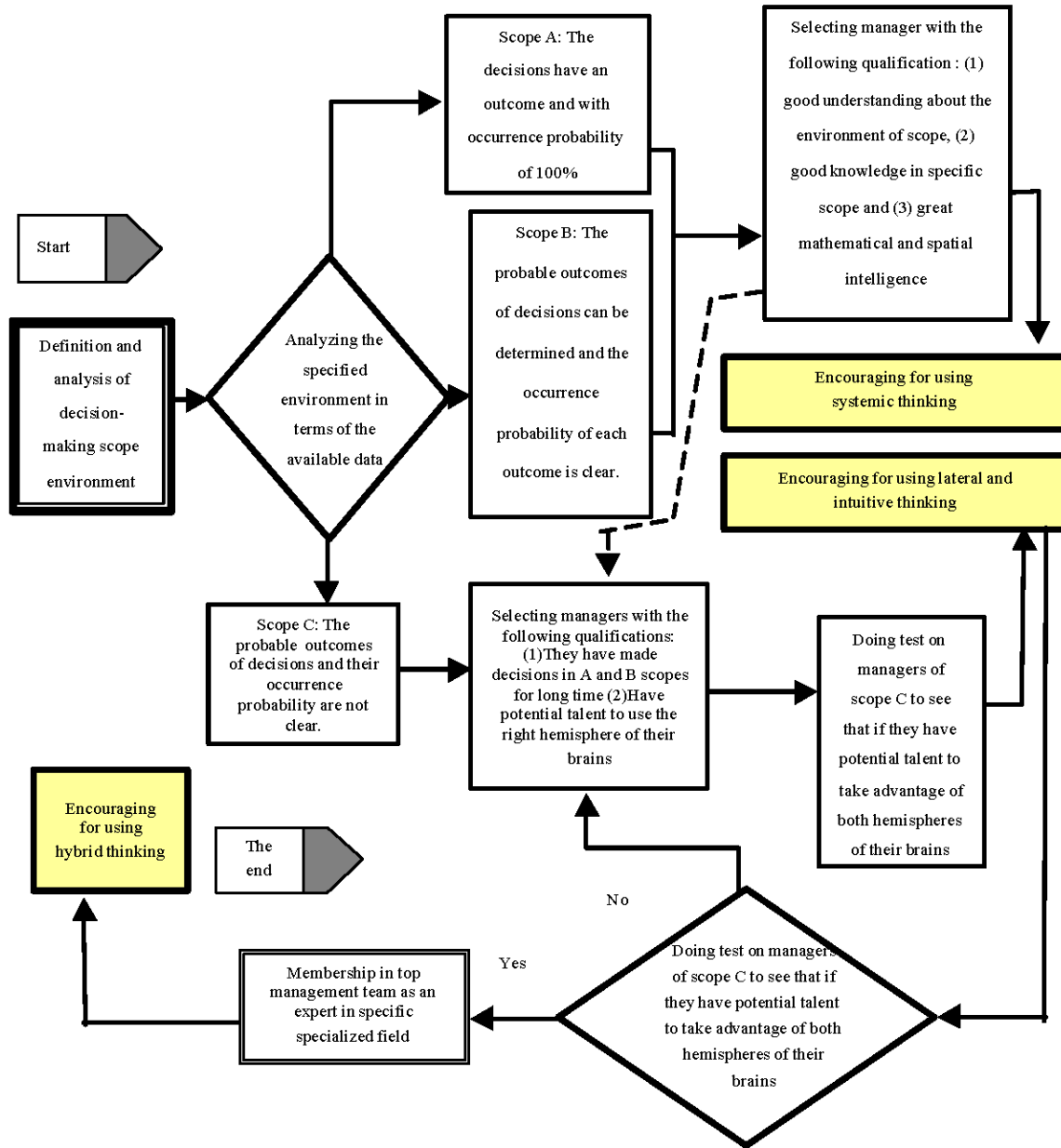


Fig. 4: Model suggested for selecting the most suitable type of thinking for managers

environment, we will study it from the dimension of available information. As it is clear in the model, there are three modes. The most suitable type of thinking for confidence and risk modes is systemic thinking.

Systemic thinking is the ability of a director to look at the organization as a whole consisting of components having interaction on each other.

When this type of thinking is established, the manager should be able to visualize in his mind the

interactions between the components of the organization and also the interactions between the components of the organization and environmental elements. Considering the above definition, first: these interactions can be visualized only in nearly certain situations and in environments which have risk mode to some extent. Second: all people are not able to establish this thinking and visualize these interactions in their minds.

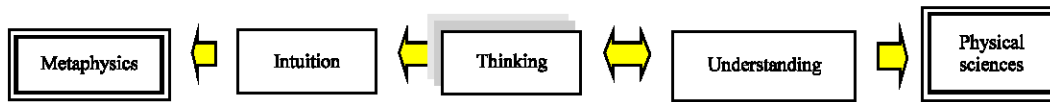


Fig. 5: Intuition process (Henden, 2004)

According to Aronson (1998), systemic thinking includes a broader view instead of dividing the system into small and smaller parts, which considers a large number of interactions.

Graetz (2002) reached this conclusion in his studies that the persons who have greater mathematical and spatial intelligence (visualization) can easily establish this type of thinking in the organization, so we should select a manager for this scope who has specialized knowledge in this field and is familiar with the environment and has also great mathematical and spatial intelligence.

We can use multiple IQ tests designed by Gardner and Haward (1989) in order to assess these intelligences in the model suggested in Fig. 4 (Nasser and Abouchedid, 2006).

It should be mentioned intelligence was considered generally in the past and the intelligent person was defined as a person who has the ability to interpret a high volume of data within a certain period. But, Gardner and Hatch (1989) disagrees with this idea and bases his model on intelligences. His theory has highly influenced the thinking of managers.

Strategic thinker should use a non-linear thinking (lateral or intuitive thinking) in a scope where there is non-confidence in the environment. For this purpose, Companies should select a person who has the ability to use the right hemisphere of his brain.

The discussion about the difference between the hemispheres of the brain was proposed by Charles Darwin for the first time. From his viewpoint, left-brain persons are skillful analyzers and have tendency to look at the facts and details logically. They gave also tendency to plan and organize their tasks before starting them. Instead, right-brain persons generally process the data and their decisions are based on feeling, judgment and intuition. They have also tendency to compare things while performing their tasks (King, 1994).

The tools designed by Davis (1994) were used in this model in order to assess the control of brain hemispheres in managers. This questionnaire is a tool with high validity and reliability.

We can use lateral thinking in order to create creativity in such an environment. This thinking was proposed by Debono (1979) for the first time. He describes the usual method of thinking as digging a hole and as the information increases; the person makes that hole deeper and cannot see other places for digging.

However, lateral thinking directs the attention of the person towards new points and the new information and experiences are not just added to the previous thinking, but change the previous thinking and create new patterns and structures (Debono, 1979).

As these wells are lateral, Debono (1979) uses lateral instead of creative to describe this type of thinking and he has also focused this point in his lectures.

The other skill of right-brain persons is using intuitions in making decisions. Under highly uncertain environmental conditions, the subjects under investigation have no counterpart in the past and also while a large number of variables are interdependent and put pressures on the manager to make true decisions, the manager cannot use analysis to make decisions and has to use his intuitive judgment for selecting the best alternative. Little investigation has been carried out about the origin of intuition. Henden (2004) said that the access to wisdom (the ability of understanding the relation between different types of knowledge) and gaining experience is the ground for revelation and inner-originated gleam in management. He has also concluded in his studies that intuition has origin in metaphysics (Fig. 5). From his viewpoint, concentration and gaining energy from the environment can facilitate the process of intuition. Different methods are used for concentration and gaining energy from the environment in different cultures. For example, Buddhism suggests special yoga exercises and Islam suggests timely praying for this purpose.

Finally, in this model companies will do hemispheres control test on managers who have had several years of activities in scope C (uncertain environments) and will select a manager who has the ability to take advantage of both hemispheres of his brain as a member of high management team. In this team, companies will encourage him to use hybrid thinking. This person can simultaneously use linear and non-linear thinking and make converged the divergence of the thinking using a plan. In other words, they make their ideas stemmed from intuitive and creative thinking business-wise and compatible.

## CONCLUSION

A dynamic and applied model is presented for trading managers in this model, which determines the most



suitable type of thinking for them under different inter-organizational and environmental conditions in this research. Considering the studies, a universal style of thinking, with highest efficiency under all conditions, cannot be determined for a strategist. As the conclusion of this research, it is suggested that it is better to use the thinking of a strategist instead of strategic thinking in strategic management literature, because a strategist can use different types of linear or non-linear thinking or a combination of them taking into account the conditions. The model suggested in this paper will help trading managers to select their type of thinking.

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