

Critical Thinking: Strategy's Starting Point

By Rich Horwath

All serious errors of management can be traced to one fundamental flaw—muddled thinking.

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I'm not quite sure exactly when taking time to think went out of fashion but there's little doubt it has. Take a look around at the thousands of companies running like hamsters on their wheels just to stay afloat in the warm bath of mediocrity. In our action-dominated society where the motto "greed is good" has been replaced by "speed is good," it seems we're uncomfortable investing time to think for fear that we'll be associated with Francois Rodin's statue "The Thinker"—an immovable, non-contributing, huddled figure with chin on hand and bird droppings on head.

At least when we do stop to think and get together to discuss our thoughts we're talking about the important things, right? Unfortunately, no. A study by the Economist Intelligence Unit examined how senior management team members (CEO, COO, CFO, business unit presidents, managing directors, etc.) from more than 180 companies worldwide spent their time together during the year. Of the roughly 250 hours senior management teams invested in meeting together, only 15% of their time was spent on strategy issues. In fact, the research showed that senior management spent 80% of their time reviewing issues that represented less than 20% of their company's long-term value.

These findings are comparable to the research I've conducted prior to the business planning workshops I lead with senior management

teams in a variety of industries and organizations. If we know our business success is driven by critical thinking and sound strategy, why aren't we spending more time on it?

Several reasons exist as to why we do not spend sufficient time on critical thinking and strategy:

1. Shortage of time.
2. The understanding of strategy is so inconsistent among employees and functional areas that it's difficult to even get started.
3. Strategy is considered the domain of only a few top executives.
4. No uniform, methodical processes or frameworks are in place to facilitate strategy conversations and development, so it becomes time consuming and unproductive.
5. The strategy development process has not been successfully linked to daily activities, so the benefits aren't truly realized.

Let's address each of these issues individually:

1. Time Shortage: Wading through the daily swamp of e-mail, voice mail, meetings, and other activities can leave us gasping for time. Strategy development requires designated, unmovable periods of time on the calendar in order to receive the attention required to provide valuable direction.

2. Misunderstanding the Concept of Strategy: Organizations are made up of individuals coming from a host of different companies and educational backgrounds, so it's no wonder why there isn't universal understanding of an abstract concept like strategy. We provide educational courses for almost every topic imaginable—marketing, finance, diversity, leadership, etc.—

but few, if any, for critical thinking or strategy. Invest in enhancing your people's skill sets with training in critical thinking and strategy.

3. Strategy is the Domain of a Few: Everyone can and should contribute to an organization's strategy, whether it be in the form of passing along competitive intelligence, receiving customer input, or coming up with new ideas for product enhancements. Strategic thinking is everyone's responsibility.

4. No Strategy Processes are in Place: We've all been in those rambling three-hour discussions that veer off course into business oblivion and leave those meetings wondering what we just talked about. Having a proven, methodical process for discussing strategy transforms wasted meetings into productive ones.

5. Strategy is not Linked to Daily Work: I'm continually amazed at how many companies create 20-30 page strategic plans or PowerPoint decks with 95 slides and then wonder why the strategic initiatives in those plans aren't being used to drive daily activities. A detailed strategic plan of some length is fine in the planning stages, but failing to distill the plan into a brief (1-2 pages) useable document is a direct cause of poor strategy execution.

Critical Thinking Frameworks

In their book *Heads You Win*, Spitzer & Evans researched the top business leaders of the past century to identify what characteristics enabled them to achieve distinguished success. They found the critical thinking that leaders such as Jack Welch, Sam Walton and David Packard brought to bear in their businesses was fundamentally more effective than that of their competitors. Their superior thought processes enabled them to better assess complex economic environments and identify appropriate responses to central business issues.

Critical thinking is defined in Dr. Richard Paul's book *The Miniature Guide to Critical Thinking* as, "the process by which the thinker improves the quality of his or her thinking by skillfully taking charge of the structures inherent in thinking and imposing intellectual standards upon them."

In an interview with Patricia Russo, CEO of Lucent Technologies, she had this to say relative to the importance of critical thinking:

"It's a real challenge to find people that have the ability to take a great deal of information and separate it into what matters and what doesn't matter. Many people tend to get lost or defocused when addressing a complex issue, but it's the people who have what I call 'clarity of thought' that really make the difference. I'm often asked during a talent search what I'm looking for and my response always includes 'clear thinkers.'"

So how do we become more effective critical thinkers? The following critical thinking standards provide us with a place to start—a framework of criteria that allows us to more carefully examine business issues, market research reports, strategic plans, etc. Throughout the standards, a running example is used to facilitate understanding:

Clarity: clearness of thought

"Most dogs are over 300 pounds in weight"

-Clear

Accuracy: conforming to fact

"Most dogs are over 300 pounds in weight"

-Clear—not accurate

Precision: quality of being exact

"My dog Jake is overweight"

-Clear—accurate—not precise

Relevance: connection with matter at hand

"Jake likes to fetch green tennis balls in Oz Park"

-Clear—Accurate—Precise—Not Relevant

Depth: intellectual penetration

"Jake fetches balls because he's a dog"

-No depth

Breadth: wide range or scope

“What breeds of dog will fetch balls?”

-Adds breadth

Logic: valid relationship between elements

“Jake is a black Labrador. Labrador’s are hunting dogs. Hunting dogs are trained to fetch birds.”

-Develops logic

These critical thinking standards will go a long way in honing our understanding and communication of key issues relative to business strategy.

Another helpful critical thinking framework is the criteria for evaluating reasoning. We can use these criteria in evaluating an oral presentation, a written business plan and any number of vehicles in which business strategy is communicated. These criteria will ensure that we have thoughtfully analyzed the material in order to gauge its true value.

1. Main Purpose—Is the purpose clearly stated?

2. Key Question—Does the question at hand adequately address the complexity of the situation?

3. Most Important Information—What is the key data/ information residing in this material?

4. Primary Inferences or Conclusions—What line of reasoning has been used to arrive at the conclusions?

5. Key Concept—What is the underlying concept of the material?

6. Main Assumptions—What are the assumptions on which the conclusion is based and are those assumptions valid?

7. Implications/Consequences—What will the consequences—intended and unintended—be from following the material’s recommendations?

8. Point of View—Which frames, functional (i.e., marketing, sales, etc.) or otherwise, does this person bring to the situation?

Using these criteria to stimulate greater levels of critical thinking can have profound effects on an organization. Likewise, the dangers of not utilizing critical thinking criteria can be deceptively damaging. Dick Parsons, Chairman & CEO of Time Warner, had this to say:

“When you have noncritical thinkers within the group, they are always chasing rabbits. They hinder the quality and the results of the discussion, because they ask the wrong questions or focus on the wrong issues. This can ultimately limit what you as a group can achieve.”

Putting the “Intelligence” Back in Strategy

At the core of strategy’s definition is “the *intelligent* allocation of limited resources...”. Enhancing one’s critical thinking skills is a proven method of improving the hit rate for truly *intelligent* allocation of limited resources—which results in better business strategy. Isn’t it about time we traded in the hamster wheels for some good old fashioned thinking? □

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