

## The Skills of Strategic Thinking

by Rich Horwath

*Strategic thinking is not the lighthouse in a storm.  
It's the storm—dynamic, dangerous and all-powerful.*

Trying to become a more “strategic” thinker is a little like trying to become taller. There isn’t much instruction on how to do either. While I can’t help you become taller (although there’s probably a spam e-mail in your in-box promising a solution), I can shed some light on strategic thinking.

The keys to strategic thinking were identified during five years of research and interaction with executives from start-ups to Fortune 100 companies. Through this research, five key areas have emerged as tangible ways to learn to practice the art of strategic thinking.

**1. Discovering Purpose**—A clearly articulated purpose, in the form of a mission, vision and values, provides the foundation for strategy. A sense of purpose instills the underlying motivations for you to fully commit to the course of action.

**2. Creating Differentiation**—At the heart of all good strategy is the characteristic of being unique or different. Your ability to identify, create and implement that differentiation is an inherent aspect of strategic thinking.

**3. Decision Making**—Strategy involves making choices, often difficult choices that create separation from competitive offerings. Understanding the variables involved in the decision-making process will increase your capacity for strategic thinking.

**4. Problem Solving**—The ability to think critically about a situation, using analysis and synthesis, will enable you to identify the key issues and think creatively to develop effective strategy.

**5. Sculpting Strategy**—Shaping strategy combines the four previously mentioned skills into the planning and implementation phases. Sculpting strategy involves comprehensive strategic thinking to develop an action plan that will achieve your primary goals and objectives.

Building competency in these five areas will allow you to use strategic thinking on a daily basis to guide and grow your business.

### The Strategy Recipe<sup>SM</sup>

The majority of people working in corporations today spend most of their time improving their content knowledge—knowledge about their products, services, market, and all the details that go into each. All of their training, reports and communications are centered on the company’s content. And rightfully so. It is content knowledge that helps people stand out from their colleagues and move forward in their companies.

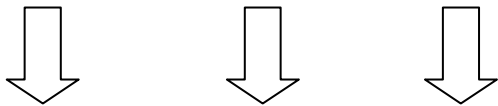
However, when those same individuals are asked to develop strategy, their content expertise and training are only part of the equation. At the strategic level, content expertise alone is not sufficient.

Strategic thinking is inherently process-based, rather than content-based. In every situation where strategy is involved, there are two dynamics at work—process and content.

We use the Strategy Recipe<sup>SM</sup> as an analogy. In our favorite recipes, from mom's homemade potato strudel, to crazy Uncle Frank's Texas Chili, there are two components: ingredients and directions. Just as any good recipe is incomplete without both ingredients and directions, so too is any strategy that doesn't take into account both content and process.

**Figure 1.1: The Strategy Recipe**

Recipe = Ingredients + Directions



Strategy = Content + Process

Many companies spend all their time on the “ingredients” and don't have any directions to follow the recipe to successful strategy. They spend hour after hour on features, advantages and benefits (FABs), cost-cost-cost and any number of other content-based areas. The “directions” for the strategy recipe are the analysis and synthesis involved in strategic thinking that lead to the key insights that provide for positive differentiation. Again, as with any successful dish, strategy requires both content (ingredients) and process (directions) for the recipe to come out right.

## Thinking and Planning

Strategic thinking can become an acquired skill used on a daily basis to better manage your business. Strategic planning involves the application of strategy, not the development of strategy. Therefore, by performing strategic planning without strategic thinking, the crucial strategy development phase does not occur. The planning is then based solely on “what we did last year, but we'll update it.” This only generates more of the “same-old, same-old” and marginal improvement at best. It leaves no room

for grounding everyone's thinking in today's reality and the dynamic search for innovation. Strategic thinking always precedes and then becomes intertwined with strategic planning.

An example of the planning process overriding the thinking process is found in one of the more popular strategic planning systems, the Balanced Scorecard. The chief criticism of this approach is that it focuses primarily on the setting and measuring of objectives, while neglecting the prerequisite strategic thinking. This is one of the reasons that traditional strategic planning has been panned by practitioners and academics (Professor Henry Mintzberg, *The Rise and Fall of Strategic Planning*) alike, who argue that strategic planning only serves to take the established and make it marginally better.

While you want to avoid using strategic planning in place of strategic thinking, the planning phase is integral to the implementation of strategy. The thinking and planning phases should be thought of as essential complements to one another.

Here are seven reasons why it's important to perform both strategic thinking and strategic planning:

- 1) Establishes direction and a framework for action
- 2) Stimulates innovation
- 3) Improves decision-making
- 4) Shifts mindsets from reactive to interactive
- 5) Enhances communication
- 6) Unleashes and focuses the power of the organization
- 7) Creates prepared minds

The wisdom and insights generated through strategic thinking are turned into real actions that drive the business in the planning and implementation phases. If planning and implementation are not preceded by strategic

thinking, you can expect the Strategy Recipe to produce the business equivalent of yesterday's meatloaf.□

## What's your Strategy Quotient?

1. Does your business unit/ company have a well articulated statement of strategy?
2. Can everyone in the group describe that strategy in one or two sentences?
3. Do you have strategic filters for making resource allocation decisions?
4. What is your group's mission?
5. What is your group's vision?
6. What are your group's values?
7. How many activities contribute to your system of strategy?
8. Name your top three competitors and the three points of differentiation for each from your customer's perspective.
9. Who are the 20% of customers that comprise 80% of your business?
10. What is your business model? (how does your business make money?)

Scoring: 1 point for each question that you can answer (or answer "yes") for a possible total of 10 points.

8 - 10 points: Sun Tzu\* would be proud  
5 - 7 points: Strategically sound  
2 - 4 points: Operations- & tactics-driven  
< 2 points: Rearranging the proverbial deck chairs on the Titanic

\*General and author of *The Art of War*

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