

Becoming a Strategic Thinker:

Raising your Strategic IQ for every day success

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Planning and managing change are the primary tasks of leaders today, and strategic thinking is essential to do them well.

— Stephen Haines

BECOMING A STRATEGIC THINKER

It's startling to realize that *75 percent of all strategic change efforts fail to achieve their intended results*. There are many factors involved in this failure, and most of them can be predicted and avoided if one understands how to plan for and manage strategic change.

Executives tell us, *"We need our managers to be more strategic in their thinking."* But what are they really looking for? To grow a business, decision makers need a disciplined way to think, plan and act for the long term, then assess and adjust their actions on a daily, weekly, monthly basis to achieve organizational goals. Strategic and Systems Thinking can help managers understand and handle complex changes, decide when to change course and when to stick to your chosen route, and recognize the time and effort it takes to complete a change – that is, to persist until the changes are embedded in the organization's way of doing things and the intended results are achieved. Having this strategic thinking skill set is vital to the career of every potential leader.

STRATEGIC THINKING DEFINED

Strategic thinking means maintaining a broad perspective about the overall goals of your organization – a focus on the end results – that guides your priorities and actions on a daily

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basis. It's having an orientation toward the longer term, with a more systemic and holistic view of how your job should function within the organization and how your organization should function in its external environment to be successful. Then it focuses on the relationships among organizational components – with effective feedback channels – to find the leverage points that best achieve your desired outcomes.

Organizations are made less effective when each department or function has its own goals, leading to functional 'silos,' conflicting objectives and therefore divergent and even competing strategies. Effective business strategy means:

1. Clarifying the direction and vision of the whole organization – with a single set of goals and Key Success Measures (KSMs) shared by everyone
2. Identifying core strategies and relationships that will drive the organization towards its vision
3. Identifying leverage points for organizational change to increase effectiveness and productivity
4. Persistently and relentlessly employing those key relationships and leverage points to pursue and achieve success

In this paper, we offer a simple, structured way to organize your thoughts on the complexities of doing business in today's world. Strategic thinking is a serious discipline, yet the capacity to do it well is within reach of all decision makers, managers and professionals.

STRATEGIC AND SYSTEMS THINKING

Strategic thinking is also called *systems thinking*, *critical thinking*, *solutions thinking*, *future and forward thinking*, *long-term thinking* and *high-level thinking*. It's *not* analytic thinking, which is tactical, mechanistic, reductionist, either/or thinking. Strategic thinking is *not* parts-oriented, or one best way, but holistic, placing a situation, goal or problem within its environment.

Why Systems Thinking?

Strategic thinking is synonymous with Systems Thinking. In essence, strategic thinking and Systems Thinking view organizations within the context of their environments. As such, an organization does not exist as an island unto itself, but as part of a larger network, web or matrix of systems that all function independently *and* interdependently.

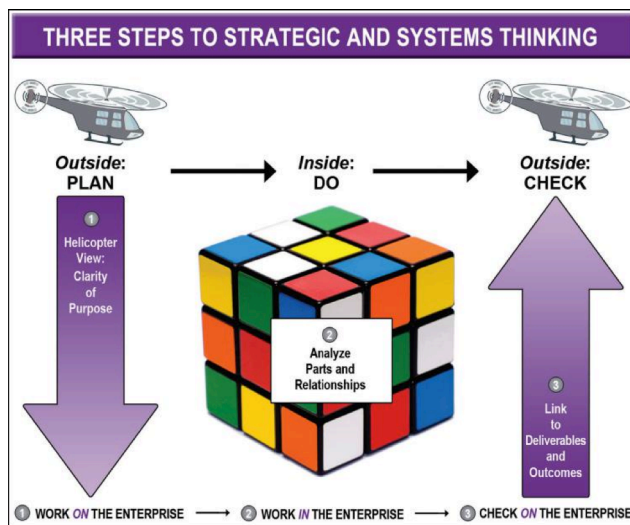
Systems Thinking focuses on relationships, multiple outcomes, holism and boundaries, the environment, the larger system and feedback. It also has a foundation based on more than 50

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years of rigorous scientific research.

Systems Thinking has many applications:

1. **Strategic Planning** – for overall direction
2. **Strategic Thinking** – for daily decision-making based on your overall direction, including priority setting, project management, problem solving, etc.
3. **Strategic Management** – a yearly cycle for running your business, creating meaningful changes and achieving success



The Natural Way the World Works

At the Haines Centre, we like to use the analogy of getting a “Helicopter View” of the organization as a system. Hovering from a height of 5,000 feet or more, it is much easier to see the bigger picture, allowing a much broader perspective on achieving purposes and results that maximize an organization’s presence and success in the marketplace.

Systems are complexities with simple foundations. By grasping of *how* an organization works as a system within a set of larger systems, it is possible to work through the complexity and arrive at effective solutions

to difficult organizational problems. In strategic and Systems Thinking, we see the “simplicity on the far side of complexity” that U.S. Supreme Court Justice Oliver Wendell Holmes, Jr., admired. System Thinking does not ignore complexity—it captures it and then finds its elegant simplicity, structure and order or essence.

THREE STEPS TO STRATEGIC THINKING

Strategic thinking can best be described as an *Outside–Inside–Outside* thinking process. This trilogy is not just to be used in a yearly strategic planning process. It is to be used on a daily basis in every meeting, with every problem and in every decision-making process. Clarity of purpose, then flexibility and integration of the parts are key.

1. Outside: Work *on* the Enterprise

Strategic thinking is first and foremost about taking a helicopter’s broad perspective of your organization within its environment. Building clarity of purpose within this dynamic and global

environment is the first priority. In his book, *The Seven Habits of Highly Effective People*, Stephen Covey calls it beginning “with the end in mind.” We call it *backward thinking* from the future to the present in order to move forward strategically. Whether you call this your *vision, mission, goals, outcomes, objectives, outputs* or *purpose*, the point is the same: Work **ON** the enterprise first.

2. Inside: Work *in* the Enterprise

Now you are ready to work **IN** the enterprise. Analyze the parts of the organization and their relationships to each other in support of your purposes, and take action. But watch out for the **Law of Unintended Consequences**. An organization is as complex as a Rubik’s Cube, which has more than one trillion possible moves—most of which are incorrect. If you change one side without paying attention to the others, you will cause unintended consequences. We call this the *Rubik’s Cube Effect*. As a result of this natural, normal and highly predictable systems and strategic problem, an outside perspective is needed again...

3. Outside: Check *on* the Enterprise

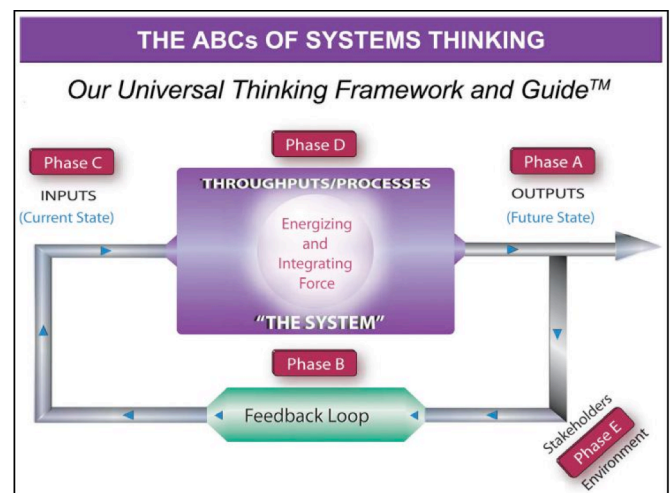
The third step—checking **ON** the enterprise—is crucial. Did you get the results that you wanted? Strategic thinking is not just about thinking—it is about thinking, planning and acting on a daily basis to achieve your desired results.

THE ABCs OF SYSTEMS THINKING

This strategic thinking process can be counterintuitive to many executives and professionals. We often think about where we are today *before* thinking about our desired future. While strategic and Systems Thinking is *the natural way the world works*, it is not the preferred or dominant way of thinking in traditional management cultures.

But 50 years of research on the science of Systems Thinking gives a *new orientation to life*. It defines the management process in five elegantly simple phases of thought and action. We call this **The ABCs of Systems Thinking**, our Universal Thinking Framework and Guide™. Each phase answers a corresponding question:

Phase A: Where do we want to be? (Ends, outcomes, purposes, goals and vision—righthand side of the system)



Phase B: How will we know when we get there? (Customers' needs and wants connected to a quantifiable feedback system.)

Phase C: Where are we now? (Today's issues and problems—lefthand side of system.)

Phase D: How do we get there? (Close the gap from C to A in a holistic way.)

Phase E (Ongoing): What will or may change in our environment in the future?

In contrast, analytic or piecemeal thinking:

- Starts with today and the current state, issues and problems
- Breaks the issues or problems into their smallest components
- Solves each component separately (usually maximizing the solution for one or two components)
- Has no far-reaching vision or goal, just the absence of the problem

In Systems Thinking, the whole is primary and the parts are secondary. Learn this simple ABCs model and the five associated questions and *voila!* You are a strategic thinker on a daily basis. The real key to strategic thinking is that simple.

Start with Phases E, A and B

The key is the right side of the systems diagram—the E, A and B Phases. Working ON the organization first is strategic thinking.

Jumping in to solutions is usually ineffective and may even be destructive. First, your problem or issue must be clarified in the E, A and B phases. If not, you will become activity-oriented, frantically trying this or that solution without clear results in mind that quantify your desired outcomes. The views and desires of your key stakeholders, and changes in the dynamic environment are often largely ignored.

Phase E: Future Environmental Scanning. Start here (remember it's ongoing) with any issue, problem or decision you make on a daily basis. How does the issue look from the Helicopter View? What is changing in the environment, both outside and inside your organization? What else does this issue impact? Who are your key stakeholders—all those who have a stake in its success? What are their views and opinions? What facts might they have that you don't? Where are opportunities and threats likely to come from?

Phase A: Desired Outcomes. Are they clear and specific? Do we all agree on them before beginning problem solving and decision-making?

Phase B: Key Success Measures. What specific KSMs should we use to define success? Your organization may call these Goals. At the Haines Centre, we set KSMs in four areas of success, the **Quadruple Bottom Line**: (1) Financial, (2) Customer, (3) Employee and Work Processes, and (4) Societal (e.g., environmental, community, global societal impacts).

Note: For those strategic thinkers wishing to read even more about these phases, see our companion white papers on *Reinventing Strategic Planning* and *The ABCs of Strategic*

Management at www.hainescentre.com.

What about Phases C and D?

Phases C and D involve Working *IN* the Organization.

Phase C: Current State Assessment. Your Current State is easier to define once you have specified your desired outcomes. When you know exactly where you are going and by when, you can identify those strengths that contribute to your success, and areas of weakness that need to be corrected. There may be things you're doing very well that don't contribute to your newly identified direction. They may have to be reduced or set aside in favor of more strategic initiatives.

Phase D: Implementation. How do we get from here (today) to there (desired future)? This is true *gap analysis*—where the gap is much different because we started with the future and used backwards thinking. Rather than more of the same, starting from the right side of the systems diagram (big picture Helicopter View first) leads to a qualitatively different set of strategies and actions—and shows that you have become a strategic thinker.

RELATIONSHIPS

There are right ways (strategic) and wrong ways (analytic and tactical) to Work *IN* the Organization. Remember the Rubik's Cube Effect and the Law of Unintended Consequences? Well, organizations tend to be structured into functional areas, leading to silos, turf battles and fragmented functions. For example:

1. Disconnected information systems
2. Department or business unit goal setting rather than organization-wide goals first
3. Different priorities and perspectives throughout the organization
4. Too many projects and consultants
5. Measuring activities rather than results
6. Performance appraisals that don't measure contributions to strategic goals
7. Training and leadership development efforts that are inconsistent with the strategic plan
8. Fragmented reward system that doesn't reinforce the organization's strongly held values

The Business Glue: Core Strategies

Strategic thinkers think, plan and work across these silos and fragmented functions. They look at the relationships and fit of the parts, people and processes involved in the problem (the Rubik's Cube Effect). They clarify and design solutions to achieve the overall goals and purposes of the issue.

In short, the core of this paper is the word *strategic*—and this gap between today's reality

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and the desired future leads to a set of **core strategies** as the primary *means* (Phase D) to the desired *ends* (Phase A). Strategic thinkers use the organization's core strategies as the *organizing principles* for all their meetings, problems, projects, issues and decisions. While every silo function has its specific expertise, every function exists for only one reason, to support the core strategies that are the organization's primary methods for achieving its vision.

Strategic thinkers use the core strategies every day and in every way during Phase D (the daily work of the organization as a system). The core strategies are the overall practical guides and *business glue* that hold it together.

The Social Glue: Core Values

If core strategies from the Strategic Plan are the business glue, what is the *social glue* of an organization that binds the employees together? It is your **core values**, the guiding principles of your daily behavior and the criteria for all your decision-making.

Much more could be said about your core values as they create your *culture*—and when culture and strategy collide, which wins out every time? Culture, of course!

Last Word on Relationships

People support what they help create. Being strategic means discovering and being responsive to your key stakeholders and gaining their buy-in to the desired changes. Becoming skilled in the group dynamics of strategic decision-making entails skills such as:

- Appreciative inquiry and dialogue—*Skeptics are my best friends.*
- Consensus decision-making—Ensuring everyone will *actively support* the decision
- Listening and questioning
- Engaging others in strategic conversations
- Developing initial *buy-in* as well as *stay-in* over time
- Engagement processes—for feedback and better understanding of consequences—such as our *Parallel Involvement Process*



SUMMARY

Strategic thinking is a new and better way to think. It is also *backward thinking*, from the future to today, to determine the best path to success.

Strategic thinking is disciplined thinking, with a focus first on the Helicopter View of your business as a system, and identifying desired outcomes. Then, focus on the Rubik's Cube of relationships between organizational components. Include constant feedback on desired results (Phase B) to help you find the leverage points that best achieve your desired outcomes (Phase A).

Think less about *Right Now*:

1. Today's issues and problems
2. Parts and events
3. Boxes, silos
4. Defending turf
5. One-shot activities for change
6. Available resources
7. Maximizing pieces

Start thinking more about the *Big Picture*:

1. Environment and opportunities
2. Outcomes and results
3. The future and direction
4. Feedback and learning
5. Goals and measures
6. The *whole* organization, the Helicopter View
7. Relationships, patterns, leverage points
8. Fit, integration and synergy of multiple change projects at once

As living systems on earth, our organizations are governed by natural laws. A successful participant must learn the rules of human systems and use them effectively to move forward. The ABC's of Systems Thinking can help clarify the rules and select strategies that work.

How we think, is how we plan, is how we act!

Don't use analytic approaches to solve systems problems.

