



STRATEGIC THINKING:
STRATEGY AS A SHARED FRAMEWORK
IN THE MIND OF MANAGERS

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Abstract

Even though most academics, business people and consultants recognize that the purpose of strategy formulation can no longer be to generate strategic plans, critics of formal strategic planning offer little guidance on how to overcome its limitations and rarely address CEOs' concerns about turning strategic vision into an operational reality.

This paper proposes a managerial approach to strategic thinking and strategy formulation which takes both process and content issues into account. Strategic thinking is understood as a deliberate and creative process as well as the resulting state of mind. Strategy is presented as a shared framework which guides managers' daily actions. The approach is developed in a way that attempts to respond to CEOs' concerns regarding the need to manage by strategy in today's rapidly changing environment. Key building blocks of the new approach to strategy formulation are presented. Some initial empirical tests provide support for this approach. The framework outlined here seeks to contribute to top management's efforts to build a shared understanding of strategic issues and encourage actions at the front line which are consistent with the strategy pursued by the firm.

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1. Introduction

Whereas during the 1970s and 1980s many chief executives channeled their energies towards the development of a strategy for their companies and for individual business units, in the 1990s the emphasis has shifted to the search for sources of sustainable competitive advantage and ways of translating strategy into action. Progress in the strategic management field continuously sheds new light on the drivers of company performance, yet it is hard to claim that this has had any significant impact on the work of most practicing managers.

A number of factors have been cited to explain why developments in strategic management are applied so slowly. Some authors (e.g. Prahalad and Hamel, 1994) refer to the excessive emphasis on analysis to the detriment of creativity and exploration. It is claimed that analysis inhibits creativity and precludes the chance to regenerate strategy. Others argue that most models and tools, even when presented as the definitive way of thinking about strategy, are actually applicable only in very limited settings (Coyne and Subramaniam, 1996). Still others suggest that the slowness in putting ideas on strategy into practice may be due to the artificial distinction between formulation and implementation. When it comes to incorporating strategy into management practice, one of the problems is the tendency to ignore organizational issues in strategy formulation. This is something that the defenders of the current state of practice (such as the deductive approaches of Planning, Programming and Budgeting systems during the 1960s and 1970s) tried to overcome, yet most failed as a result of political pressures to avoid loss of status and influence with firms. Also, until very recently academics have looked at company organization and structure in detail only at the time of implementing a strategy. In short, the source of the problem may have something to do with the way we approach the notion of strategy and the widespread tendency among scholars to separate responsibility for thinking within organizational hierarchies from responsibility for action.

Strategic planning has been the dominant approach to strategy development for more than two decades. Yet the limitations of formal planning, as understood in the late 1970s, are amply documented (Lenz, 1987; *Business Week*, 1984; Wilson, 1994). And in recent years formal planning has been one of the favourite targets of criticism among leading thinkers in the strategy field (e.g. Mintzberg, 1994). In many cases, strategic planning turns out to be driven by techniques, not courageous inquiry. Critics of formal planning as a means of ensuring a successful strategy advocate “strategic thinking” as an alternative. Planning has failed to fulfill management expectations precisely because it has not led to strategic thinking (Hansen, 1991). Indeed, a number of authors add that strategic thinking often disappears completely in traditional planning processes. More recently, the claim that strategic thinking

will overcome the design and behavioral limitations of formal planning and provide a road map for creating effective strategies has gained in popularity. There is a widespread view, represented by several writers (e.g. Ansoff, DeClerk and Heyes, 1979), that strategic planning leads to strategic management, which then somehow leads to strategic thinking. However, not much progress has been made in defining what strategic thinking actually consists of, how to develop it, and what benefits it will bring for managers (Liedtka, 1998).

This paper seeks to bring together the limited research on process and content approaches to strategic thinking. We believe that, given the nature of the phenomenon, progress in this area depends on effectively integrating the two, and that the weaker of the two will shape the prospects of any piece of research. Here, we shall try to go beyond the notion of strategic thinking as a particular way of thinking about strategy, and see it instead as a “way of doing” which is characteristic of a particular style of management. We suggest a process that will help develop the state of mind that characterizes strategic thinking. This process involves moving from an ideal strategy (rather like the “vision” or “intended strategy” referred to in the literature) to a possible strategy. One outcome of this process is a new state of mind, which subsequently guides managers’ daily actions. We argue that, when this happens, strategy becomes a shared framework in the mind of managers. Then, self-induced reflection shapes each individual’s response to new information and becomes, over time, the driver of a refined state of mind built around an agreed-upon scheme, until a reconsideration of the strategy currently in place is called for.

The approaches to strategy that currently dominate the field (strategy as an ex-post pattern of decisions, as vision, as positioning, or as revolution, to mention the most frequently cited) provide only partial responses to practitioners’ demands for a useful management tool. We believe that the core of the problem may be the failure to capture the interconnected nature of strategy creation. Academics have placed great emphasis on either inside or outside aspects of the firm in the search for strategy, but have rarely proposed a feasible way to integrate the two. Planners have traditionally looked at outside aspects, underrating the organizational factors, while most managers have limited their search for implementation alternatives to the limited range of organizational solutions their companies have had experience of. The demands currently placed on management require establishing interconnections between the principles which guide action at different levels in the organization. The need to interconnect the efforts to set a direction, create flexibility and provide meaning as outcomes of the strategy creation process is now stronger than ever.

We believe that the notions of strategic thinking and strategy presented in this paper may shed new light on how to link aspects such as aligning efforts within the firm, providing guidance for managers at different levels in the organization as unexpected threats and opportunities unfold, and facilitating certain aspects of strategy implementation. If we succeed in integrating some of these aspects, the viewpoint embraced by this paper and similar research efforts may contribute to progress in both the academic demand for a deeper understanding of the phenomenon and managers’ concern for a practical response to this highly important issue.

2. Strategic thinking takes shape

While the term “strategic thinking” has come into wider use in the literature over the last two decades, it has been used mainly in a generic sense. Until very recently, two basic conceptions were widely accepted in the field: one identified strategic thinking with thinking

about strategy, and the other with an approach to strategy that could be distinguished from strategic planning.

In the first view, what determined the nature of strategic thinking was the nature of the issue under consideration (i.e. strategy). For instance, Raimond (1996) compares the Western and Japanese ways of thinking about strategy, the former being rigorous, analytical and quantitative, and the latter creative, imaginative and concerned with values, emotional commitment and energy. Similarly, strategic thinking has been defined as thinking strategically. Bates and Dilliard (1993) propose a method for identifying individuals who have the ability and predisposition to think strategically as well as certain capabilities. According to Suutari (1993), strategic thinking is the ability to generate ideas and make decisions based on an understanding of the precepts of strategy formulation and in accordance with the business's strategic objectives and direction. Ginsberg (1994) conceives strategic thinking as the process of resolving critical strategic issues (from generating creative ideas for solutions to evaluating these ideas).

Practitioners use the term in a similar sense. For Lawrence Bossidy (1988), former GEC chief executive, strategic thinking identifies and synthesizes the forces that affect one's business, while strategic management uses strategic thinking to set business objectives and communicate them to the organization. Kenichi Ohmae (1982), in his book *The Mind of the Strategist*, describes strategic thinking as a combination of analytic method (testing out, digesting and assigning priorities to ideas) and mental elasticity (giving free rein to imagination and entrepreneurial flair in order to come up with bold and innovative strategic ideas).

In a second, yet very similar approach, some authors use the terms "strategic thinking" and "strategic management" interchangeably. For example, Wilson (1994) writes, "Having survived its original design flaws, strategic planning has evolved into a viable system of strategic management or strategic thinking". Näsi (1991:27) approaches it as an overall concept, "a doctrine, a system of propositions and ideas about strategy and strategic action".

As the limitations of formal planning have become apparent, a third, more concrete approach to strategic thinking has sought to define more clearly the role of the managers involved in strategic planning. Over the years, the rigid processes used in strategic planning were blamed for creating a climate that impeded creative thinking. "Strategic thinking" has been proposed as a way to reinstate thinking about strategic issues as the core of planning discussions. For example, McKinsey partners Morrison and Lee, in an effort to redirect attention away from the mechanics of planning, refer to strategic thinking as the management task of dealing with substantive issues in strategy (*Financial Times*, July 27, 1979, p.21). In a 1987 article in *The Economist*, Michael Porter uses the term "strategic thinking" to mean thinking about strategic issues. He suggests broadening the scope of planning to include every aspect of competitive analysis, and so avoid falling into the trap of routines.

Finally, the fourth major approach to the concept of strategic thinking, based on the nature of the process, has become increasingly prevalent over the last decade. Further insights in the practitioner literature revolve around various aspects of how strategic thinking relates to strategic planning. Robert (1993) suggests that strategic thinking precedes strategic planning –it generates a unique picture of what the organization should look like in the future, based on qualitative rather than quantitative variables.

Among the suggestions put forward by the high-level executives who took part as speakers in the Conference Board's 1988 Strategic Planning Conference (reported in Reimann, 1988) was the idea of "moving beyond the traditional mechanical approach toward a more creative and valuable process of strategic thinking". One finds claims such as "strategic thinking lives through dialogue or dies through writer's cramp", or "strategic thinking should occur where insight and knowledge meet". Statements like these are very inspiring if one has a grasp of what strategic thinking is, otherwise the concept itself becomes a key missing piece, as if it were "the vision of the final picture in the development of a giant jigsaw puzzle", to borrow an analogy used in the same report.

In summary, up to the early 1990s strategic thinking was dealt with in very general terms and without a specific meaning. Only recently has management research developed more concrete approaches to the notion. Mintzberg's work (1994) is an example of a growing stream of research that considers strategic thinking not merely as a catchall for all sorts of ideas about strategic management, but as a particular way of thinking, with specific characteristics of its own. Mintzberg claims that strategic planning is an analytical process whose purpose is to programme a predefined strategy; the result is a plan. Strategic thinking, in contrast, is a process of synthesis, using intuition and creativity, that results in "an integrated perspective of the enterprise". Traditional planning tends to drive out strategic thinking. Näsi (1991) makes a similar comparison, differentiating between the "hard line" analytical approach, with its traditional focus on competition, and the "soft line" approach, which emphasizes values and culture.

Liedtka (1998) approaches strategic thinking as derived from managerial competences. She defines strategic thinking as a particular way of thinking that includes five specific elements: it incorporates a systems perspective, is intent-focused, involves thinking in time, is hypothesis-driven, and is intelligently opportunistic. Having these competences is what characterizes the individual strategic thinker.

For Nadler (1994), strategic thinking is a creative process of thinking about, forming, acting on, and learning about strategy. A collaborative process of formulating strategy generates shared learning, a frame of reference which constitutes the context for small decisions made over time.

Some authors suggest focusing on the consequences of strategic thinking rather than on the characteristics of a strategic thinker. Takur and Calingo conceive strategic thinking as the conceptual glue that holds the organization together in its pursuit of value creation, and suggest an illustrative analogy: "Strategic thinking can be imagined as the strand of rope in a string of pearls. The strand holds all the beads without itself being visible. If some of the beads are removed to measure the breadth of the chain, the beauty or essence of the necklace would be destroyed" (Takur and Calingo, 1992:48).

De Geus (1988) claims, on the basis of his experience at Shell, that the real purpose of effective planning is not to make plans but to change the mental models that decision makers carry around in their heads. According to de Geus, planning provides a context that facilitates team thinking, which has to do with revising each team member's view of the world. Planning becomes a key means to accelerate institutional learning. Hendry, Johnson and Newton (1993) conceive strategic thinking as the cognitive processes through which organizations and environments are understood and strategies are developed.

Strategic thinking, as a structure of meaning (schema), is presented both as the medium of social cognitive action and as the product of such action. According to Boland *et*

al. (1990), “the dynamic engagement [in an ambiguous situation] is the medium of strategic thought, and a newly reconstructed or enacted schema is the product of strategic thought”.

We tend to agree with Hansen, who, based on the experience he gained from monitoring the development of a company over a 15-year period, concludes, “I am inclined to suggest that strategic thinking is more a state of mind than just another planning process” (1991:129). The following sections describe a possible process that could lead to strategic thinking, but focus on strategic thinking as a state of mind. This conception provides the foundation for a new approach to strategy as a derivative of strategic thinking.

3. Strategic thinking as a process and as a state of mind

We conceive of *strategic thinking* as a set of ideas, principles, policies, concrete rules and operational procedures that shape the way managers think about their role and that guide their daily actions. This set of ideas and rules is more malleable than corporate ideology or organizational identity, which are more permanent. Also, strategic thinking is different from operational plans, which represent more concrete commitments and specific actions at particular points in time.

As Peter Senge (1992) warns, new ideas and insights will never be implemented unless they become part of a manager’s mental model. Strategic thinking can guide managerial action only if it is embedded as a frame of reference. In this sense, therefore, strategic thinking can be thought of as a state of mind.

Each level within the company sets the guidelines and constraints within which strategic thinking will develop at lower levels. If aggregate frameworks are clearly established, and if these frameworks have been thoroughly internalized by the managers concerned, then they will actively manage the way a shared understanding builds up. Tregoe and Zimmerman (1980:79) argue that “individual managers who can carry their organization’s strategy in their head are always ‘with it’. Every plan that must be developed, every decision that must be made, can be tested against this mental picture. This is day-to-day implementation in its most basic and important sense.”

Strategic thinking, as a structure of meaning, is not only an end product but also a context of social cognitive action. The process of building the set of ideas and insights that constitute strategic thinking has to be formally managed as a deliberate process. It can neither emerge spontaneously nor be the result of the sedimentation of management practices and habits over time. Yet some of the insights will, of course, come from self-induced reflection and mental discovery. However, unless a formal approach to strategy is set up, ongoing decisions are likely to be governed by the unquestioned assumptions, beliefs and values encapsulated in managers’ experience and the organizational culture (Johnson, 1992).

Hansen (1991) suggests that strategy be considered an outcome of strategic thinking, derived from a shared vision and setting a direction for the organization. Tregoe and Zimmerman define strategy as the framework which guides the choices that determine the nature and direction of an organization (1980:17). Combining these two views, we conceive strategy as the output of a process guided to create a shared framework in the mind of managers. Strategy is narrower and more specific than strategic thinking. Strategy yields common guidelines at different levels, made up of specific agreements and decisions, which

company employees internalize and follow. Yet strategy does not dictate how these guidelines are to be implemented in practice. That is for the individual manager to decide.

The process we suggest here differs significantly from more classical approaches to strategy formulation based on analytic tools and techniques. It starts by creating a gap, then envisions an ideal (along much the same lines as strategic vision or strategic intent) and then gradually settles into a feasible position (Masifern, 1984; 1997). The resulting conceptual framework constitutes a shell which enables managers to make real-time decisions that are coordinated and integrated under the agreed strategy.

Therefore, strategic thinking contains features of both a process and a state of mind. It begins with deliberate search, continues with the building of a shared framework in managers' minds, moves on to implementation in daily activity, and finally includes a review and update of its basic contents as conditions change outside and inside the company.

The following sections address each of these issues by outlining what we believe to be the key building blocks of our approach to strategic thinking.

4. Strategic thinking as the outcome of downscaling the ideal strategy to a possible strategy

After reviewing some of the most important works on strategy definition, Hax and Majluf propose an integrative and comprehensive concept of strategy. They view strategy as “a fundamental framework through which an organization can assert its vital continuity, while, at the same time, it forcefully facilitates its adaptation to a changing environment” (1991:6). Their multidimensional approach certainly overcomes most of the limitations of earlier perspectives that centered strategy around a set of decisions and actions oriented towards the creation of competitive advantage.

However, today's highly dynamic and complex environment places increasingly heavy demands on managers. All levels of management have to deal with situations that would have been unthinkable only a short time ago. Fast front-line execution has to be consistent with the corporate sense of unity, direction and purpose that is central to most traditional definitions of strategy. The rule that front-line managers must wait for a decision from above no longer applies. Top managers need to regenerate their companies and build organizations capable of changing quickly and repeatedly (Masifern, 1984; 1997). Organizations will gradually give managers greater autonomy, but at the same time demand greater responsibility from them and expect a performance that justifies their position. Management procedures should contribute to training people to adapt to new jobs in constantly changing organizations.

Traditional plans depreciate very fast. Part of the problem is that our analysis progresses much more slowly than the changes in the environment. By the time the plans are printed and published, they are already obsolete. A number of authors therefore exhort us to bring creativity and imagination into the strategy-making process (James B. Quinn, Tom Peters, Henry Mintzberg, to mention just a few). Yet the literature provides only limited guidance on the factors involved in the process of moving from creative thinking to action.

Managers need to operate under aligned frames of reference. The state of mind identified here as strategic thinking is the result of a formal process. A possible systematic

approach to the development of strategic thinking is to involve managers in formal deliberation on how to move from the ideal strategy to a possible strategy for the business unit concerned. The *ideal strategy* is the strategy that responds best to external impacts (1) (Masifern, 1984; 1997). It is a distant target, a mental image of a utopian future state of the business unit concerned. It is unconstrained by any feature of the existing internal situation (position, capabilities, organizational design, etc.). The ideal strategy can originate at any level of the organization, created by teams of managers in the focal unit, and does not come from high-level executives (apart from the institutional and corporate levels of strategy). The ideal strategy conveys an image of the best possible position for the company or business unit in the changed circumstances it is likely to find itself in in the future. In a sense, it represents what we would like to do, in much the same way as Andrews and other authors have used the concept in the past.

The *possible strategy* is the result of scaling down the ideal strategy to a feasible end point. From the largely utopian image, we descend the steps created by limitations in resources, organizational culture, legislation, current market trends, etc. Internal analysis plays a major role in arriving at the possible –but not the ideal– strategy. From an initial position of what we envision, we gradually reduce our ambitions by considering issues such as internal and external acceptance, the level of costs involved, the risks we are willing to assume, and so on. This process modifies the conceptual framework of the people involved and generates a new state of mind: the content of strategic thinking.

Conceiving the ideal strategy is mainly a creative process, driven by logical reasoning, imagination and the will to transform reality. This deductive process yields specific sets of goals, ideas and insights. One could argue that an inductive procedure, deriving a general view from particular aspects of organizational life, would be a valid approach. However, we believe that nowadays the deductive method offers more immediate results and original solutions, so long as one has some experience in using it. We suggest that analytic tools and procedures play a critical role in validating conclusions and can also generate insights by raising interesting questions from different angles.

What we have expounded so far has a number of implications. We shall just touch briefly on a few of the conceptual implications here and leave the more practical ones for a later section.

- First, the popular academic debate over the dominant direction of influence between strategy and structure (2) can be seen in a new light. Structure is not only a means of implementing strategy, but also a determinant of the possible strategy (though not of the ideal strategy).
- Second, it is the possible strategy that is implemented, not the ideal one. Yet implementation aims not only to command the organizational resources and arrangements to attain the possible strategy, but also to reduce the gap between the possible and the ideal strategy. This method of articulating strategic

(1) Although various concepts have been proposed to tackle the notion of an *ideal* (e.g. Hamel and Prahalad's "strategic intent", Collins and Porras's "vision", Ackoff's "idealized design", or Holyoak and Thagard's "target analogue"), we believe that none of them captures the full meaning of the *ideal strategy* as presented in this paper.

(1) We use the notion of structure here in its broader sense to include management structure, management systems, management style, and people and job design; this is a key aspect of implementation that has gradually been introduced in the field as "organization".

thinking may bring new insights regarding the usefulness of gap analysis in management, building on the work of Andrews (1987), Hamel and Prahalad (1989), Liedtka and Rosenblum (1996), and others. Building an area of agreement on the ideal strategy will help create a common purpose in the company. The effort to achieve a consensus in resolving the tension between the ideal and the possible strategy generates shared understanding. The desire to close the gap between the two drives organizational learning.

- A manager is unlikely to delegate to a subordinate unless the two share an understanding of purposes and priorities. Strategic thinking may help bridge the gap between strategy formulation and implementation, which in the academic field have been treated as separate areas of concern, even though practicing managers claim that they act while they formulate and think while they implement.
- Finally, Masifern (1997) and Vilà (1997) describe how the failure to make the distinction between the ideal and the possible strategy may be an important factor in explaining strategy incrementalism. Managers often admit that the strategies of consecutive years tend to look very alike, which is surprising given the tremendous changes taking place in and around most companies and the fact that one of the most important functions of strategy is to enable companies to adapt to changing conditions. We suggest that the failure to appreciate the need to change a company's strategy may be due to a behavioral limitation, not a rational one, in the way we use techniques such as SWOT analysis.

5. Strategic thinking as a specific frame of reference

Managers can approach information processing in two dominant ways (Walsh, 1995). They can either let past experience guide current information processing, or they can let the current information context guide the process. Walsh claims that, in the former case, it is the cognitive structures generated from experience that affect individuals' abilities to attend to, encode and make inferences about new information. In the latter case, the new information itself shapes individuals' response to it, which will include developing amended knowledge structures to be used in the first fashion.

Empirical researchers tend to link strategic thinking to mental representations of strategic decision makers (see Huff, 1990). "Frame of reference" is a general term for the knowledge structure that an individual draws upon to guide his/her interpretations, inferences and actions in any given situation. However, we argue that the mere existence of a mental scheme does not make the actions of a manager or team "strategic".

We can categorize these frames of reference in four types, according to the content and drivers for modification of a manager's mindset and whether the state of mind is singular or shared, as shown in Figure 1 below.

- [1] This represents a state of mind that is updated solely on the basis of accumulating personal experience, along with the values and beliefs resulting from immersion in a given organizational culture. These individual characteristics result from the sedimentation of practices and have an enduring

character. An individual mindset which is modified on the basis of experience, values, beliefs and habits we shall call a drifted frame of reference. It is not modified through deep decisions and reconsiderations on the part of the focal person, but mainly through external stimuli (such as new company values or new organizational rules) and ongoing personal incidents. The individual's innate gifts and personality traits have considerable influence on the meanings and connections that make up the actual content of the individual mindset.

Leaders who have held a position of power in the organization for a certain length of time may have little incentive to deviate from [1], since they are likely to have adopted a way of behaving which they find comfortable and which fits their own set of ideas. The fact that the corporate leader is settled in [1] may explain, in part, why most organizations automatically resist new truths, and why it is so difficult to change the corporate mind. This topic has been extensively covered in the literature; for instance, Chris Argyris has written about how individuals in companies engage in what he calls organizational defensive routines to preserve their status and abiding sense of security. The feeling of comfort is a major obstacle to moving to frame [2].

- [2] This represents a frame of reference that is updated on a continuous and deliberate basis. In light of new events that catch his/her attention, the manager ponders the circumstances and adjusts his/her mindset to fit the new reality. This mindset is driven by insights and formal decisions. Skills of reflection, as defined by Peter Senge, shape the mental model. This kind of person is genuinely interested in finding flaws in his/her internal logic and corrects his/her view of the world accordingly. We can characterize this as a reflected frame of reference.

The boundary between the drifted and the reflected frames of reference is thin. It is reasonable to question whether a reflected mindset can be sustained if it is merely an individual, isolated effort. Frame [2] can easily regress into [1], as the significant activities are frequently shortchanged in most organizations because resources, people and management attention are directed towards short-run demands. Cognitive limitations, such as our tendency to see mainly what we believe in, and facts of organizational behavior, such as the difficulty of challenging accepted wisdom and the established order, all contribute to make [2] anything but a stable state of mind. We maintain that a manager needs to be equipped with a formal procedure in order to reach the idiosyncratic mode of reflective thinking. Even though there may be such a thing as an isolated strategic thinker, building the cognitive structure that characterizes strategic thinking will achieve the best results when it is conducted by teams of managers, made up of people who have to coordinate their activities and integrate their efforts.

Figure 1. Types of frame of reference

	Habits values	Insights decisions
Individual	Drifted frame of reference (1)	Reflected frame of reference (2)
Collective	(3) Enduring organizational mindset	(4) Strategic thinking

- [3] This is best described as an enduring organizational mindset, an essentially inflexible collective mind that changes only gradually. It is cultural in nature, insofar as it is the deeper level of basic assumptions, values and beliefs shared by the members of an organization that shape the individual's state of mind. Common patterns of behavior operate below the level of awareness and define the central "taken for grantedness" of the manager's role and worldview. The realm of *organizational culture* (Schein, 1986) belongs to this cell. However, other characterizations also capture aspects of this sedimented collective mind. For example, Albert and Whetten's (1985) organizational identity defined as "managers' beliefs about what is central, distinctive and enduring about their organization" may have some value here. Prahalad and Bettis (1986) introduce the notion of dominant logic as "mental maps developed through experience in core business". They suggest that managers conceptualize the business and make critical resource allocations on the basis of representations that are likely to be of historical environments rather than of current circumstances.

It is certainly possible that organizational members will act according to the leader's set of beliefs, or those of their immediate boss. Yet these people will not grasp those beliefs as their own. In the move from [1] to [3], the key ideas that shape mindsets belong to those who generated them, not to those who receive them. This situation differs from [4], where all organizational members have to give up some personal preference in order to reach a common ground of shared understanding, consensus and commitment.

- (4) This constitutes what we refer to as *strategic thinking*. As mentioned above, it represents a flexible frame of reference which is refined as a result of reflection, reconsideration and new insights, and which places objectives and priorities as the common ground with the frames of reference of the other managers with whom the focal manager has to interact. Some organizations facilitate strategic thinking by putting in place a formal process aimed at producing a conceptual shell that is shared in the minds of managers. The

drivers of these coupled frames of reference are new insights and formal decisions made through discussion, as a result of the managers' involvement in a deliberate reconsideration of the shared understanding which guides their actions.

Strategic thinking is put together and reshaped as a team formally develops consensus and commitment. The rules governing progress are not derived from hierarchy or command-and-control styles of management. There is no imposition of ideas by a leader or boss; instead, contributions to find the best solution for the unit of interest are made by all. Every member of the team has to give up some personal preferences. The final outcome enhances the capacity for action of all those involved, yet it also curtails their freedom, to the extent that everybody is committed to the agreements reached. Commitments are made on the basis of purposes and priorities, not according to specific courses of action, as discussed below.

Strategic thinking represents a context where strategy and organization are to be developed taking into account aspects of both outside-in and inside-out approaches to strategy. Initially, external factors drive the willingness to transform reality. However, the realm of strategic thinking takes us into a dynamic setting where frequent changes are made to organizational arrangements in a continuous attempt to move the company in the direction of the ideal strategy. New operating procedures are to shape habits and ways of working. Yet emergent values, beliefs and personal experiences per se do not create strategic thinking. For the resulting frame of reference to constitute strategic thinking, it has to be the outcome of a deliberate process, with intentional and active participation of the focal manager. During this process, the major principles, basic assumptions and key rules of organizational action are validated and/or reconsidered. Subsequently, self-induced reflection will shape the individual's response to incoming information. These are the main reasons for the assertion that not just any state of mind amounts to strategic thinking. This is also the rationale behind our claim that strategic thinking is the result of formal decisions that guide daily activity, and not just any mental frame that precedes action.

6. An alternative approach to strategy as derived from strategic thinking

Tregoe and Zimmerman address a critical aspect of the link between formulation and implementation when they claim that "Strategy as a framework must be carefully integrated into the thinking of managers, otherwise, strategy will simply not happen" (1980:98). This notion of strategic thinking leads us to conceive strategy as a shared framework in the mind of managers. This represents an outcome crystallized as a conceptual shell that enables managers to make decisions in real time and, more importantly, coordinates and integrates individual efforts under a single agreed-upon strategy. The authors add, "If key strategic choices are made in the absence of a [shared] framework, top management abdicates control and runs the risk of having a direction which is fragmented and in the hands of whoever is making these choices" (Tregoe and Zimmerman, 1980).

Strategy lies at an intermediate level of specificity between strategic thinking and plans (whether strategic or operational). Strategic thinking is far removed from clear-cut

specifications. It will not be actually written down, so it leaves a lot of room for operational freedom. Plans are very specific; they represent concrete and clearly spelled-out commitments. Codifying strategy, writing it down, is not a necessary goal, and we argue that it should not be so. Strategy is about guiding action without close fastening or afflicting ties. Nevertheless, a team may wish to write out a few aspects of the strategy and make them clearly explicit in order to ensure that proper deliberation has taken place. Traditional approaches to strategy have suggested that it needs to be articulated, converting tacit knowledge into explicit knowledge. In today's environment, the critical task is internalization, using tacit and explicit knowledge to refine one's own mental framework and knowledge base.

The collaborative process of arriving at strategy generates shared learning, an agreed-upon reference which clarifies the context in which small decisions are to be made over time. The shared framework does not impose concrete courses of action on managers. This is very much in line with Robert (1993), who calls on strategic thinking to provide a road map for creating an effective business strategy without dictating specific details. He adds that this would create a common direction, a shared vision that all company employees could understand and follow. It would enhance communication and generate a set of filters through which day-to-day decision making could be rationalized.

During the 1970s, it was generally agreed that strategy should be approached in adaptive, contingent and operating modes. Today it is imperative that strategy leave ample degrees of freedom, so that managers can accommodate their daily action to unforeseeable events. In doing so, it would respond to Suutari's more recent suggestion that strategic thinking should provide a bridge between the planned and the adaptive modes of strategy (Suutari, 1993).

In the past, planning significantly hindered the autonomy of the lower levels of management. Today, top managers have to avoid specifying the tasks to be performed by their subordinates. Middle managers use their intelligence in deciding how to attain the agreed-upon targets. Faced with unexpected events, they assess whether it is possible to act in the spirit of the shared framework. Eventually, significant challenges to the common logic will call for a collective revision, and a new, deliberate process of strategic thinking will start. Until this happens, however, decisions in real time will have followed the dictums of a strategy in an ongoing process of adaptation. We believe that this is a major advantage of the approach to strategy derived from strategic thinking when compared to other ways of conceiving strategy-making.

Mintzberg proposes viewing strategy as a perspective, its contents consisting of an ingrained way of perceiving the world (Mintzberg and Quinn, 1992:16). In an earlier paper, the same author suggests that managers either consciously, though more often unconsciously, build an emergent strategy through their daily actions. In our opinion, to the extent that a shared framework is internalized in the minds of strategists, strategy turns out to be a guide for daily action which nevertheless permits on-the-spot adjustment to circumstances. Once new developments unfold, a deliberate strategy fosters learning, as alternative courses of action are compared. Some options stem from the previously formed strategy, others from a process of reflection which extends the shared mindset, while others may demand a more profound reflection since they imply deviating from the agreed-upon framework. A reflected pattern of decisions guided by the deliberate strategy (a shared framework in the mind of strategists) will foster organizational learning before and after the strategy is formulated, whereas a purely emergent strategy would preclude it.

7. Implications for managers

Even though most academics, business people and consultants have recognized that the purpose of strategy formulation can no longer lie in generating strategic plans, critics of formal strategic planning have offered little guidance on how to overcome its limitations and address CEOs' concerns about turning strategic vision into an operational reality.

The managerial approach outlined here is developed in a way that tries to respond to the concerns of top management on how to spread in their organizations the ability to manage by strategy in today's rapidly changing environment. Strategic thinking can contribute to this goal by aiding top management efforts to build a shared understanding of strategic issues and by encouraging actions at the front line which are consistent with the strategy pursued by the firm. While more definitive conclusions require further empirical testing, it is nevertheless possible to single out a series of potential advantages associated with strategic thinking on the basis of the authors' experience of work completed for a few companies and the rationale advanced in this paper:

- Daily actions are easily integrated, since they are born of the same framework. Managers make decisions in the light of a shared understanding of objectives and priorities, not of preconceived plans. Each manager can adapt strategy, from the time it was created as a shared framework, to accommodate external and internal changing conditions (to the extent that these are not radical changes and do not call for a re-evaluation of strategy). As a consequence, daily decisions are integrated under a shared understanding without having to wait until the next strategy meeting takes place.
- Decisions stemming from different departments display a higher level of coordination, since managers have a better understanding of their common purpose. Any manager follows at any given time both the premises of his/her basic discipline (e.g. finance, marketing, logistics, purchasing, and the like) and the guidelines of the strategy of the unit he/she serves in.
- Strategic thinking translates into speed, since it facilitates decision making. It also guarantees flexibility, since it makes it possible to change plans and tailor actions to specific changing conditions. An organization which has developed the capacity for strategic thinking among its members can locate decision making close to where the action takes place. Freedom to decide enables swift responses.
- Strategic thinking may provide a common language that invites employees at all levels to engage in strategic conversations. Shared understanding depends on open communication, which both requires and contributes to aligned mental models and a common language. Conversations articulate individuals' thinking and so become a central vehicle for developing a coherent and evolving motion picture of strategy and organizational design.
- Strategic thinking makes delegation easier, since expectations are aligned and become more foreseeable both from the viewpoint of a manager and from that of his/her collaborators. It can also become a vehicle for self-control, since it facilitates self-evaluation of progress without having to resort to hierarchical means of supervision.

- To the extent that it is generated by a deductive approach, strategic thinking breeds innovation. It facilitates the emergence of ambitious objectives, which is the essence of escaping from the inertia of current strategy to enable drastic changes in the way the firm builds its future. Strategic thinking entails a process of creatively searching for alternative ways to close the gap between the ideal strategy and the possible strategy for the company as a whole and for its different units.

If strategic thinking contributes to a common language, a shared understanding and organizational learning, it may become an important ingredient of the glue that will hold together the organizations of the future.

8. Conclusions

In line with the emerging stream of research in the strategy field that regards strategic thinking as a better way to approach the question of strategy than traditional strategic planning, we argue that one of the most significant sources of competitive advantage for companies in the future will be their ability to build a shared understanding. The approach outlined in this paper sheds new light on the mainstream approach to strategy making. Strategic thinking, as described here, may provide the necessary context to align strategy formulation, certain aspects of implementation (such as integration, coordination and delegation) and daily action. This notion of strategy leads to a fundamental issue in management, namely the fact that organizations are instruments for accomplishing collectively what cannot be done alone.

When strategy is regarded as an internalized scheme, it may add to a series of concepts introduced in the management literature which attempt to identify the glue that holds an organization together. To mention only the work of a couple of seminal authors, Peter Drucker (1994) refers to “the theory of the business” as the set of fundamental assumptions that shape any organization’s behavior, dictate its decisions and define what are considered meaningful results, and argues that this construct should be treated as a hypothesis subject to continuous testing. And Philip Selznick speaks of the “character” of an organization (1957: 47), conceived as “distinct and integrated commitments to ways of acting and responding that are built right into it”.

The way one approaches strategy has major implications for putting it into practice. Implementation will not happen unless managers are involved in the strategy formation process and feel the resulting strategy as their own. This would certainly be described as an intangible asset in academic terms, yet we argue that “Strategic thinking feels almost tangible when one has it”.

Successful business strategies result not from rigorous analysis but from a particular state of mind (Ohmae, 1982:4). The essence of strategy formation is not creating plans, but building a shared framework in the minds of strategists. Given the persistence of change, it may be that in the near future, in strategically managed firms, good managers will not be those who meet plans, but those capable of changing plans according to strategy. □

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