

# Jomer & Co

## **Improved strategic thinking**

The three essential leadership questions we usually phrase when meeting senior executives are:

What is the environment in which your organization must compete and win?

What are those few things your organization must do outstandingly well to win and keep on winning in this environment?

How will you mobilize your organization to implement these things faster and better than your competitors?

This white paper explores the first two of these essential questions and elaborates on how to gain from improved strategic thinking. Ultimately, the one with the best insights is the most likely to thoroughly considering the strategic options and making winning decisions.

A good strategic decision must be underpinned by a thorough understanding of the key system factors of the value chain and the organization. A strategic thinker creates a mental model of the complete end-to-end system of value creation and the whole organization. Strategic thinking is a capability that has to do with finding alternative ways of competing and providing customer value, based on exploration and exploitation, the two fundamental activities of an organization. Exploration for discovering, developing and acquiring new value creation potential, and exploitation for capturing the potential of the extended value and the competitive advantage that refine offerings and ways of working in order to be more competitive. We now live in a global and volatile business environment where everything constantly is in motion and disruptions may be around the corner. This creates an increased pressure on leadership to create a winning strategy. In fact, this new environment of complexity requires extraordinary strategic thinking skills in order to win.

Most managers are traditionally promoted to senior levels on the strength of their ability to fix problems. Some become executives because of their functional expertise, while others are promoted based on their execution skills. However, when they join the top leadership team, instead of focusing on problem solving, they must focus on defining what problems they need to be tackling strategically when the environment shifts. Top-level executives are chosen because their individual capabilities and experiences qualify them for extremely demanding responsibilities. Executives are all individually accountable for whatever happens on their watch. CEOs think of their group of direct reports as a team, but shaping collective work of high value that fits the mix of skills of the leadership team is often difficult.

By the time executives reach top management positions, they master leadership disciplines, which are grounded in the principle of individual responsibility and accountability. As members of the leadership team, they are jointly responsible for corporate strategy, policies, objectives, capabilities, and for designing and altering the architecture of the organization. They now need to think in terms of the whole system to

maximize results with minimum effort, and they need to understand how the organization's key system factors fit together. In addition, they are in the focal point for organizational learning, especially from a strategic perspective if they promote a culture of transparency and search for lessons learnt from both successful and less successful outcomes.

Focusing too narrowly restricts the ability to think strategically. Many executives' immediate temptation is to deal with what is directly up front, since it is always urgent and need to be dealt with. Strategic challenges do not usually take clear priority over the individual executives' formal responsibilities. Although it is easier to be tactical or task-oriented, an executive must be strategic or risking to become too short sighted. Therefore, a clear understanding of the value and benefits of strategic thinking is very important. When we ask members of leadership teams what percentage of time they spend on strategic issues versus operational issues in the leadership team meetings, the answers normally range between 70% and 90% favoring strategic issues while the rest is spent on operations. However, when we observe them during a series of leadership team meetings, we often see two things. Firstly, the majority of time is spent on operational issues, and secondly, the purpose and role of the leadership team are neither defined nor communicated.

Before selecting members and establishing the leadership team, we believe the CEO needs to thoroughly think through the purpose and thus the role of the team. Members with diverse backgrounds boost the quality of thinking more than the ones with a streamlined background. The role basically depends on the level of anticipated cooperation between the members and the level of strategic discussions. At one extreme, when there is little collaboration between the members and the focus is primarily on positions and solving operational issues, the leadership team will be just an information forum. At the other extreme, when there is a well-developed collaboration and a high level of strategic thinking, the leadership team will operate as an integrated team with a strategic view. In between, with increasing cooperation and level of strategic thinking, the team will go from being a collaboration forum, a CEO's support group to a joint decision group.

Overseeing the organization's direction and how the company currently creates value, both inside and outside the company, is the job of the entire leadership team. Consequentially, it requires all members to step up and consider all major factors, which may impact the company's business, and ensure that a strategic direction that takes these factors into account is formulated. As a team, all members are mutually accountable for the quality of thinking and for the collective results. Mutual accountability, by contrast to individual accountability, is harder to develop. Gaining mutual accountability begins with a meaningful purpose and commitment to specific and common goals. A strong sense of reciprocal accountability for strategic thinking among the members of the leadership team is crucial because competitiveness ultimately depends on the pace at which a company embeds new advantages and thereby continuously enhances its strategy.

Competitive advantage is one element of a winning strategy at any given moment, not to forget that competitiveness often diminishes over time. The responsibility to the company must be to ensure that all members of the leadership team are doing strategic thinking

and that appropriate actions are taken as a result of the gained insights. Shifting toward an increased strategic level and increasing time spent on strategic issues are necessary, both to cope with today's more volatile environment and to develop the strategic muscles of the whole leadership team. Strategic thinkers are more able to spot and act on new opportunities as they arise.

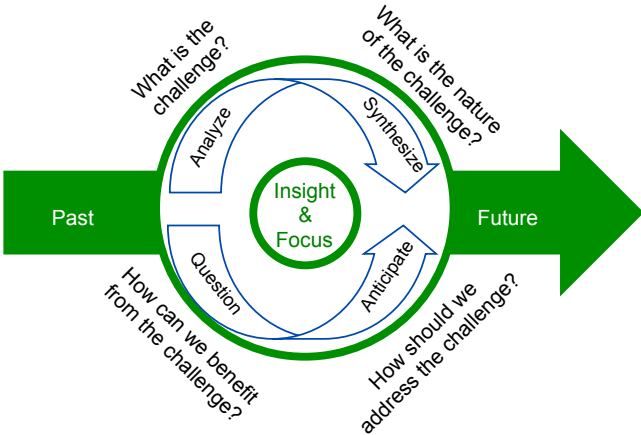
Many CEOs need to move their leadership teams from an operational focus to be more strategic focused, develop the mindset of the members, and enhance the forms of collaboration. They need to foster an open dialogue, increase the level of trust, and engage all members in a dialogue that moves away from linear and deterministic thinking to boost the odds of gaining new insights. To do this, they must welcome diversity of opinions, and be clear how and when to align divergent agendas toward a common wanted position.

**Are strategic thinkers born or made?**

*Why do some companies continuously create new forms of competitive advantage, while others watch and follow? Why do some companies redefine the industries in which they compete, while others take the existing industry structure for granted?*

In an era of continuous search for less resource intensive ways to achieve ambitious objectives, companies focusing on leveraging resources provide a very different approach to efficiency than the ones that focus on downsizing. Strategic thinking, like any other skill, can be improved by training. Improved skills position you to view the world of business as a web of interconnected ideas and people, a position you can use for creating a competitive advantage. In times of uncertainty, the ability to think strategically is an indispensable skill for navigating change and sustaining performance. Experience-based instincts how things work heavily influence all members of an organization irrespective of position, thus making it hard to challenge status quo and take advantage of new insights and opportunities without systematic effort.

Strategic thinking is the skill to shift through different levels of analysis and synthesis on one hand, and the ability to question and anticipate on the other. See fig. 1. The skill is really to be able alternate between details and the big picture, to identify signs in the



light of complexity and to discern important casual relationships. It is also important to understand the structure of the challenge or problem and its underlying causes. Here, using both deductive and inductive thinking may be helpful, i.e. taking a general idea or rule and apply it for explaining a situation or collect as many observations as possible of the situation trying to create an overall explanation of the situation.

**Figure 1. Strategic thinking is a process of identifying and understanding a strategic challenge and then developing a favorable solution that resolves the issue**

Looking at things from a different perspective, by choosing a different

angle, takes guts but is often the only successful way to unravel a problem or challenge. Put yourself in the shoes of someone you do not agree with, try to see things from that perspective and discuss the different viewpoints you encounter so you both learn from them. Question what you and other people believe you will find, what you and they know and do not know. Rephrase the challenge to get to the bottom of things in terms of root causes, connect the dots by understanding how to amplify, interpret and triangulate weak signals. Look out for hidden information and disconfirming facts. They may challenge your hypothesis. Synthesize to find out if there are any patterns. And remember, synthesizing is the opposite of analyzing, i.e. it is about reconciling differences, not finding them. So, the next opportunity may perhaps be visible but not yet seen.

Strategic thinkers interpret signs from different perspectives, forging patterns out of connections that other people fail to see, and turning problems and challenges into new solutions. They question conventional wisdom, mindsets and status quo and they challenge their own and other people's assumptions, as well as encouraging divergent viewpoints. By asking "what if-questions", they bring tough and uncomfortable issues to the table and anticipate reactions from customers, competitors and stakeholders.

When dealing with a strategic challenge, a leader must come up with a promising solution. Such solution is only solved when concrete actions, which yield results, are undertaken. Therefore, one must always evaluate the consequences. A critical part of strategic thinking is to consider what actions to do. Possibilities are unlimited but time, capital, and resources are not, which highlight the ability and willingness to make choices, i.e. what, why and when should we do it. Doing the right thing at the right time under the right circumstances is all about context. Being strategic implies a willingness to take a long-term view and search for multiple options.

Thinking strategically begins with making predictions about the future, while keeping the past in mind, to understand the direction in which things are changing. It ends with making a decision that addresses the key issues, while trying to have options open for future change. Thinking in time means holding the past, present and future in mind at the same time, in order to make better decisions and speed up implementation. However, increased directional understanding is only the beginning, the real crux is often to understand the rate of change. It is hard to make predictions about the future, since they seldom follow a straight line. *Are we looking at slow growth, flat volumes and gradual decline of business, or are we accelerating into a faster decline?* You need to keep an ear to the ground and develop a thorough understanding of the competitive context and the relevant trends. When you think strategically, you always connect the past to the present to the future. You learn from the past and use it to make predictions.

Too many companies focus on matching and beating head to head competitors, whereby their strategic thinking tends to converge along the same basic dimensions as their rivals. Head to head competition could be disastrous, especially when markets are flat or growing slowly. When rivals try to outdo one another, they usually end up competing solely on the basis of incremental improvements in cost and quality. Hence, be careful to embrace best practices, they should rather be used as baseline practices, since they are most of the time solutions to yesterday's problems. Companies become winners by capturing new opportunities and inventing next practices. Taking solutions off the shelf

do not invite you to think for yourself and will only lead to average results. Once you have realized this, there are more questions than answers. In a fast moving world where shifts in world economy have a huge impact on regional competitive advantage, ordinary thinking too often becomes a positioning exercise in which the identified options are tested by how well they fit the existing industry structure. However, the current structure, most likely reflects the strengths of the market leaders, and playing by their rules is seldom the best way to win. Too many organizations focus only on detecting ambiguous threats and opportunities on the periphery of their business, such as regulations, new research, business models and technology, when they really need to detect threats and opportunities by scanning the environment as a whole for signs of change.

In a broader sense, a company does not only compete with the companies in its own industry. It also competes with companies in industries, which produce substitute products and services. This is particularly true today when industry boundaries are becoming fussy, primarily due to the rapid change of digitization. Strategic leaders must proactively monitor the environment to foresee industry shifts, even at the periphery, so they can mobilize for coming threats and opportunities. As an example, information technology is currently revolutionizing products. The phrase “Internet of Things”, reflecting the growing number of smart, connected products, has risen to highlight new business opportunities. These products will substantially affect the structure in many industries, analogous to the previous wave of “Internet-enabled IT”. The increasing capabilities of smart and connected devices will not only change the competition within industries, but also expand industry boundaries. This occurs as the basis of competition shifts from discrete products to product systems consisting of closely related products and services and to systems that link an array of products and services together. The essence of strategic thinking lies in creating tomorrow’s competitive advantages faster than the competitors, not to mimic the ones competition possesses today.

The strategic reality has, for most companies, become more complex, and few competitive advantages are long lasting. It is not only a matter of finding a niche within the existing industry domain, it is rather about creating a new space, which is uniquely suited for the company’s strengths and capabilities. Creating such a new space requires a different pattern of thinking. Certainly, executives are well aware of the need to keep an eye on competition, but instead of looking only within the obvious boundaries of the industry, they must systematically look into nearby industries for game-changing information. They need to watch out for potential disruptive offerings from emerging competitors to secure that they do not miss any breakthroughs. Executives, groomed as strategic thinkers, seriously try to understand how much influence they have over the business environment in a broad sense and how to reshape its context to their company’s advantage.

Strategic thinking and the dialogue around strategy must not be limited in time to the next major strategy update. The company’s strategic direction must always be on top of mind among the members of the leadership team. They constantly need to consider what they can do differently or better than their competitors to reach a winning position. However, they must be careful not to foster an elitist view of the strategic issues. The need for an honest upward communication with regards to strategy definition and implementation is often ignored, or assumed to mean nothing more than

feedback. Most executives are probably more informed than the rest of the organization, but are they smarter? Obviously, there are more brains out in the organization and many of them sit closer to the customers, thus knowing more about the customers' needs and behaviors. For this reason, we recommend leaders to utilize the wisdom of the crowd. From experience we know that leaders who are willing to honestly and systematically tap in to the wisdom of the crowd are rewarded with new signs of threats and opportunities, identified by forward-thinking employees who are experimenting with new ideas at the fringes of the organization. People have different backgrounds and traditions, and they take notes of different things. If these observations are properly aggregated, they will naturally lead to more knowledge than any employee would have alone, including top management, thus increasing the quality of insights.

In an era when almost everyone has access to the same information, new value arises when clustering ideas in novel ways and asking smart questions that open up untapped potentials. Strategic thinking, when used correctly, has the potential to move your company into the future in new and innovative ways, creating long-term competitive advantage. It is an embedded and powerful tool in the Strategic Learning strategy process, a four step dynamic cycle of learn, focus, align, and execute. Strategic Learning is a systems approach to strategy and execution that embraces, develops and disseminates knowledge and is able to adapt to changes in the world so that it benefits customers, employees, shareholders and society. It is a dynamic, holistic and open-ended answer to strategy creation and implementation. The one with the best information about what is happening in the marketplace has an advantage to win the battle of insights, which is hard currency for increasing competitive strength. A winning strategy begins with superior insights. The quality of the generated insights will have a direct impact on the quality of the strategic choices and will impact the overall success.

### **Leadership evolution**

Many of the leadership teams and executives we have supported in creating and implementing strategy have come to embrace the benefits and value of enhanced strategic thinking. Improved strategic thinking has helped them consider key questions and the implication of the answers. It has helped them gain insights at the leading edge of change, and leverage those insights to benefit their business. Both formulation and execution of a strategy are among the most difficult tasks for leaders today. Strategic thinking is a creative, dynamic and powerful skill that will energize and prepare for the unknown.

Working closely with executives has put us in the fortunate position to influence and support them in raising their ambition and commitment for strategy creation and strategy implementation. They have realized the need for careful and dispassionate analysis, a willingness to stretch the boundaries and sense the actions of their competitors. They have improved their ability to see ahead and foresee the future, since their vision of the future has to be rooted in an understanding of the past. By utilizing the wisdom of the crowd, they have improved their ability to see the forest from the trees, as well as the ability to think differently by placing creative ideas into the right context. The results from immersed insights gained from improved strategic thinking have been converted into hard business benefits, such as increased competitiveness and effectiveness.

## **How can we help?**

It is impossible to eliminate risks from strategic thinking, but we argue that it is possible for companies to significantly improve their chances of success when it comes to making strategic choices if they increase the level of strategic thinking by taking an outside view and utilizing the wisdom of the crowd. This will provide a reality check that reduces the odds of pitfalls leading to losses of opportunities, time and resources.

Jomer & Co has long experience and knowledge of supporting leadership teams and executives in strategy creation and implementation. By asking adequate questions, which lead to better thinking and support in gathering facts, we guide our clients to timely address opportunities and problems. Our support is always bespoke and there are several possible entry points to a successful collaboration, for example:

- Running an Insights Workshop with the leadership team is a proven process for identifying areas in need of deeper and additional insights before making strategic choices.
- Conducting a Pre-decision Review, to understand the set of decisions that is critical for success and determine where those decisions should be made and executed, is a proven way to increase decision power and value.
- Running a Strategic Focus Workshop with the leadership team is a proven process for identifying and structuring strategic choices.
- Engaging in Strategic Coaching of senior managers' strategic challenges supports and assists them individually in their ongoing strategy development and implementation work.
- Running a Strategy Execution Workshop with the leadership team is a proven process to identify strengths and weaknesses, when closing the strategy-to-execution gap, and to build a higher ambition leadership.
- Conducting a Strategy Audit, to focus on the organization's readiness for strategy execution, provides insights to the strategic thinking, the effectiveness of the company's current or planned strategy, as well as guidelines for increasing strategic effectiveness.

## **Jomer & Co**

We help clients close the strategy-to-execution gap by creating and implementing winning strategies.

Jomer & Co is a boutique advisory firm, focusing on strategy creation and implementation. Our focus on employing professionals with extensive experience provides us with the executive resources of a larger organization while still being flexible and responsive in the relation to our clients' challenges.

We are devoted to knowledge and situational insight and are aligned to the shift in demand for management consulting services by its way of leveraging knowledge, experience and giving advice. Our experienced Consulting Associates work closely with clients throughout the stages of strategy creation and implementation.

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