

A consolidation of thought pieces on the subject

Points of Interest

- *The first article highlights the five elements of strategic thinking*
- *The second speaks to aligning strategic intent and operational execution*
- *Then the idea of strategic dialogue is elaborated*
- *Creativity and innovation in organizations is discussed*
- *Page 6 looks at practical tips and an questions for reflection*

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STRATEGIC THINKING: CAN IT BE TAUGHT? (EXTRACT)

BY JEANNE M. LIEDTKA

This article argues that the essential elements of strategic thinking can be captured in five discrete, but interrelated elements. Taken together, these elements are capable of producing significant positive outcomes for organizations. Yet, it is important to note from the onset that it is individuals who think strategically, not organizations. In order to think strategically, individuals require a supporting context. Organizations need to provide that context, and to manage the strategic conversations that occur within it. Strategy planning systems can play an important role in this process.

Five Elements of Strategic Thinking *Systems Perspective*

Strategic thinking is built on the foundation of a systems perspective. A strategic thinker has a mental model of the complete end-to-end system of value creation, and understands the interdependencies within it.

Intent-Focused

Strategic intent provides the focus that allows individuals within an organization to marshal and leverage their energy, to focus attention, to resist distraction, and to concentrate for as long as it takes to achieve a goal. In the disorienting swirl of change, such psychic energy may well be the most scarce resource an organization has, and only those who utilize it most efficiently will succeed.

Intelligent Opportunism

Within this intent-driven focus, there must be room for intelligent opportunism that not only furthers intended strategy but that also leave open the possibility of new strategies emerging.

This requires that an organization be capable of practising “intelligent opportunism” at lower levels.

Thinking in Time

Strategy is not driven by future intent alone. Hamel and Prahalad agree, and argue that it is the gap between today’s reality and that intent for the future that is critical. Strategic thinking, then, is always “thinking in time” to borrow a phrase from historians Richard Neustadt and Ernest May. Strategic thinking connects past, present, and future.

Hypothesis-driven

It mirrors the “scientific method”, in that it deals with hypothesis generating and testing as central activities. In an environment of ever-increasing information availability and decreasing time to think, the ability to develop good hypotheses and to test them efficiently is critical. It is my personal belief that their ability to work well with hypotheses is the core competence of the best strategy consulting firms.

These five elements describe a strategic thinker with a broad field of view that sees the whole and the connections between its

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CLOSING THE GAP BETWEEN STRATEGIC INTENT AND OPERATIONAL EXECUTION (EXTRACT)

BY PWC

The business environment over the last several years has significantly pressured companies to deliver on their strategic priorities. Based on PwC benchmarking data obtained over the past 18 months, 78% of business leaders believe that they have defined the right purpose, vision and ambition to reach their full potential, however just 54% believe that they are executing their strategies well.

This raises the question of why is there such a gap between effective operational execution and the achievement of strategic intent? In our experience, the reason for the disconnect is internal management misalignment. PwC's Performance Alignment Leadership Model highlights four related areas which collectively drive organizational alignment: strategic priorities & tradeoffs, strategic risks, performance drivers and critical behaviors. The model is based on the premise that to achieve optimal success, organizations need to both out-perform and out-respond their peers.

Out-perform—An aligned management team will consistently:

- Identify and consider relevant risk factors when establishing and reviewing its strategies and associated internal business tradeoffs.
- Obsess on building a consistent and pervasive risk culture that influences and reinforces desired behaviors up and down the organization.
- Establish clear expectations for strategic risk management accountability and oversight. This is not only achieved through the establishment of formal governance and oversight but also, by linking individual performance targets and incentives to the effective management of specific strategic risks.
- Establish a consistent understanding of risk appetite that guides behaviors and decision making.

- Embed risk management discipline and related activities into business / operational routines.

Out-respond—An aligned management team will consistently:

- Establish risk monitoring and reporting mechanisms and processes designed to identify and/or anticipate emerging risks and opportunities earlier than competitors.
- Implement and regularly stress test internal mechanisms to respond appropriately to the inevitable crises, leveraging the most likely risk-based scenarios.
- Establish consistent and timely communication protocols on key risks and risk impacts to all major stakeholders.

An organization's ability to continually and consistently adjust its intended course, such that it maximizes upside strategic opportunity and minimizes downside risk impact, de-

pends in large measure on how effectively it has aligned around the four core leadership areas delineated in our Performance Alignment Leadership Model. When implemented effectively, each of these risk steps contributes to setting and refining corporate strategy, guiding management to make appropriate strategic tradeoffs, driving critical behaviors necessary to achieve strategic intent, and providing management with important visibility into strategic and operational effectiveness—all of which ultimately create a competitive



Types of Strategic Risk Related Challenges

- Adverse risk culture (as defined by the tone at the top and the example set by management) that drives inappropriate determination of strategic tradeoffs and/or inappropriate management behaviors.
- Lack of clarity or inconsistent understanding of risk appetite that leads to misinterpretation and the possibility that managers within the organization are accepting too much risk (creating exposure) or too little risk (resulting in under performance).
- Lack of (or inconsistent) appreciation for risks associated with strategic objectives and priorities resulting in misleading and/or incomplete perspectives on the risk landscape.
- Lack of (or insufficient access to) relevant or timely risk related information (through the use of monitoring & reporting mechanisms, risk modeling & analysis techniques, and key risk indicators) that leads to sub-optimal business decision making and limited performance.
- Unclear or inconsistent understanding of risk oversight roles and responsibilities that drives a lack of accountability for risk management and exposure to unmitigated risk events that negatively impact strategic priorities.
- Lack of effective business process integration for strategic risk related practices that reduces the relevance of strategic risk management to operational execution and lowers both real and perceived value of risk governance. coach, it is essential to believe in the potential of your staff allowing individuals to be heard and appreciated. This will have an amazing impact on their self-esteem and, ultimately, on their personal growth and job performance.

STRATEGIC DIALOGUE FOR BREAKTHROUGH THINKING (EXTRACT)

BY JUANITA BROWN AND SHERRIN BENNETT

What strategic challenges do we face? What dilemmas have we encountered that need to be resolved? How can we as a team improve the way we think about the work we do? Questions such as these lie at the heart of strategic dialogue, a special type of collaborative inquiry which supports the discovery of breakthrough insights that can substantially improve business results.

Strategic dialogue is built on the operating principle that the stakeholders in any system already have within them the wisdom and creativity to confront even the most difficult challenges. Strategic innovation is more likely to occur in an organization when its members are able to articulate the “mental models” which shape key decisions as well as the deeper beliefs and core assumptions underlying both thinking and action. Exploring questions of strategic importance together allows team members to examine their mental models or sets of working assumptions about what drives the business, the intentions of their competitors, customer needs, and the dynamic in the larger environment. Shift in strategy often requires a shift in guiding image. Strategic dialogue becomes a forum for discussing these guiding images and the deeper assumptions which gives raise to them .

Inquiry— Creating a spirit of inquiry

One of the fundamental goals of the early phases of strategic dialogue is to create a climate of discovery, questioning, and exploration- even of mystery and adventure. In the early stages of a gathering there are several key elements that can help “create the context”: Choose a setting where the normal distractions can be minimized, encourage informality, assure that all voices are heard.

The art of strategic questioning

Clear, bold, and penetrating questions which elicit a full range of dynamic responses and energy tend to open the social context for learning. People begin to realize “if we continue to think like we always thought, we’ll continue to get what we’ve already got.”

Paying attention to the words and the music

The organizational community begins to discover that they, together, have the power to change these modes of thinking into more coherent, integrated, satisfying, and effective ways both of being and of doing.

The Dynamics of Dialogue—Weaving a web of connections

Dialogue is a process of collaborative conversation. Together people in dialogue weave a web of connections between their own thoughts and what has been said before.

Embracing diverse perspectives

Each comment is seen as true in its own right and as a valuable clue essential to revealing the mystery of the whole. This expectant attitude can ignite the sparks of insight that bring innovation.

Noticing the dialogue within us and between us

We move from advocacy to inquiry and from evaluation to exploration in the service of the whole. When feeling disagreement, we search instead for differences in the assumption or core beliefs underlying our views. It is this practice that deepens the conversation into dialogue.

Allowing listening to transform us

Listening deeply and taking in the other’s meaning, we choose the risk of being changed by what we hear. In this sense, listening is a radical act. It is the willingness to allow this process to unfold that gives dialogue its transformative power.

Making meaning together

The conversation becomes a web of connections between our assumptive worlds- we enter into dialogue and it enters into us. The web of connections links core concepts and ideas into a common language and stories that are the basis for sharing meaning.

Using visual thinking

Graphic recording and the use of visual as well as verbal language during strategic dialogues assists in clarifying the underlying metaphors, symbols and core images that are at play in a strategic inquiry. The combined verbal and visual approach also allows incoherence, fragmentation, and polarities to be noticed and experienced more immediately and acutely.

Shift Happens— The pot thickens

We place our core questions and strategic issues into the “stew,” looking at them from different angles and perspectives. Simultaneously we become aware of the “heat” as we examine our own reactions and discomfort with others’ perspectives and try to suspend the certainties and rigid assumptions that tend to hold us in their grip. No one loses their individuality or unique contribution to the stew. As the pot thickens, we discover we are a community sharing deeper understandings which feel rich and fulfilling.

The opportunity and the challenge

The exploration of strategic dialogue which focuses on the meaning making process through which we co-create the future, forms part of this growing body of knowledge and practice. The challenge is to recognize the innovations in thinking as they occur and to integrate them into an increasingly effective set of core assumptions and guiding images which enable the development of coherent strategy.

Strategic dialogue encourages the kind of self management required by the more flexible and responsive organizations that are now emerging. With patience and discipline, the practice of strategic dialogue can become part of a dynamic and reinforcing process which helps create and strengthen the “communities of commitment” that lie at the heart of learning organizations capable of leading the way toward a suitable future.

CREATIVITY AND INNOVATION IN ORGANIZATIONS (EXTRACT)

BY PROF. TERESA M. AMABILE, HAVARD

According to conventional wisdom, creativity is something done by creative people. Even creativity researchers for several decades, seemed to guide their work by this principle, focusing predominantly on individual differences. In contrast to the traditional approach, the contemporary approach to creativity research assumes that all humans with human capacities are able to produce at least moderately creative work in some domain, some of the time—and that the social environment can influence both the level and the frequency of creative behaviour.

Creativity is the production of novel and useful ideas in any domain. In order to be considered creative, a product or an idea must be different from what has been done before. Innovation is the successful implementation of creative ideas within the organization. Creativity by individuals and teams is a starting point for innovation; it is a necessary but not sufficient condition. Successful innovation depends on other factors as well and it can stem not only from creative ideas that originate within the organization but also from ideas that originate elsewhere.

The componential model of creativity includes all factors that contribute to creativity—person factors as well as work environment variables. The model includes three major components of creativity, each of which is necessary for creativity in any given domain.

Expertise

Expertise is the foundation for all creative work. This component includes memory for factual knowledge, technical proficiency, and special talents in the target work domain.

Creative thinking

This component provides the “something extra” of creative performance, and creative thinking skills can be applied in any domain. Creative thinking skill depends to some extent on personality characteristics related to *independence, self-discipline, orientation towards risk-taking, tolerance for ambiguity, perseverance in the face of frustration, and a relative unconcern for social approval.*

Intrinsic task motivation

Although the two skill components determine what an individual is capable of doing in a given domain, it is the task motivation component that determines what the person actually will do. *Intrinsic motivation* is driven by deep interest and involvement in the work, by curiosity, enjoyment, or

a personal sense of challenge. *Extrinsic motivation* is driven by the desire to

attain some goal that is apart from the work itself. A number of studies have shown that a primary intrinsic motivation will be conducive to creativity than a primarily extrinsic motivation. Within the componential model, task motivation includes two elements: the person’s baseline attitude towards the task, the person’s perceptions of his or her reasons for undertaking the task in a given instance.

The componential theory suggests that creativity is most likely to occur when people’s skills overlap with their strongest intrinsic interests—their deepest passions—and their creativity will be higher, the higher the level of each of the three components.

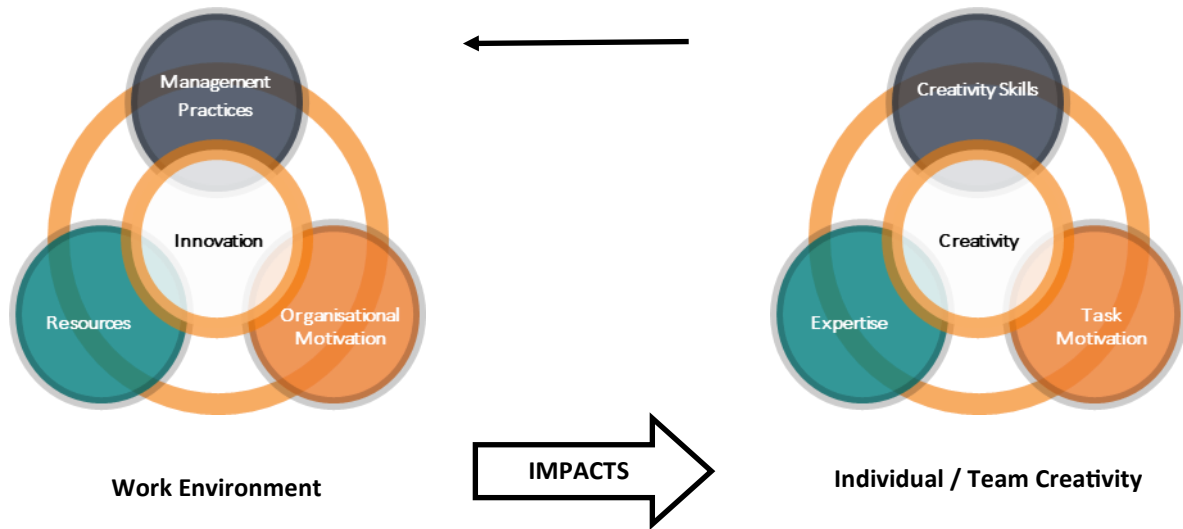
Organizational influences on creativity and innovation

The central prediction of the theory is that elements of the work environment will impact individuals’ creativity. The theory also proposes that the creativity produced by individuals and teams of individuals serves as a primary source for innovation within the organization. The most important feature of the theory is the assertion that the social environment influences creativity by influencing the individual components. Although, clearly, the environment can have an impact on any of the components of the organizational work environment the impact on task motivation appears to be most immediate and direct. The three components of the organizational work environment include all factors within organizations that have been identified as important for creativity and innovation:

Organizational motivation to innovate

The orientation toward innovation must come, primarily, from the highest levels of management, but lower levels can also be important in communicating and interpreting that vision. On the basis of existing information, it appears that the most important elements of the innovation orientation are: *a value placed on creativity and innovation in general, an orientation toward risk, a sense of pride in the organization’s members and enthusiasm about what they are capable of doing, and an offensive strategy of taking the lead toward the future.* The primary organization-wide supports for innovation appear to be mechanisms for developing new ideas; open, active communication of information and ideas; reward and recognition for creative work; and fair evaluation of work—including work that might be perceived as a “failure”.

IMPACT OF THE ORGANIZATIONAL ENVIRONMENT



Resources

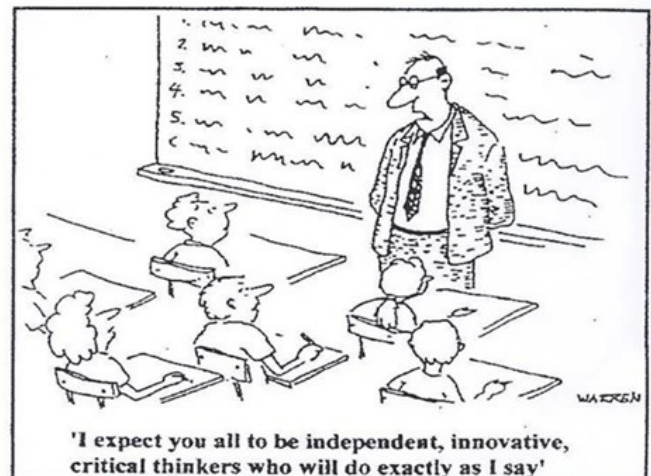
This component includes everything that the organization has available to aid work in the domain targeted for innovation. These resources include a wide array of elements:

Managing practices

This component includes management at both the level of the organization as a whole and the level of individual departments and projects. Several researchers and theorists have suggested that creativity and innovation are fostered by allowing a considerable freedom or autonomy in the conduct of one's work.

Enhancing creativity

Recently, many creativity practitioners and consulting firms have extended their repertoires far beyond single- or even multiple- creative thinking enhancement techniques. Rather, they have begun to work toward large-scale organizational development efforts aimed at embedding creative thinking approaches within an organizational environment that encourages skill development, rewards innovative results, and supports employees' deep level intrinsic involvement with their work. Given that creativity depends on intrinsic motivation coupled with skill, these approaches are promising.



Creativity is thinking; it just happens to be thinking that leads to results that we think are great.

STRATEGIC INTENT (EXTRACT)

FROM THE HARVARD BUSINESS REVIEW

If your company is struggling to outsmart formidable rivals, beware the flaws of traditional strategic planning approaches. They cause managers to misjudge the threat posed by more inventive and determined players, and prompt them to scale down their competitive aspirations to match current resources.

Managers who secure a leadership position for their company approach strategy from a very different angle. They nurture ambitions out of all proportion to their firm's current resources and capabilities. They fuel an obsessive will to win at every level of the organization—and sustain it over decades. And they define a long-term strategic intent that captures employees' imaginations and clarifies criteria for success.

Hamel and Prahalad argue that Western companies focus on trimming their ambitions to match resources and, as a

result, search only for advantages they can sustain. By contrast, Japanese corporations leverage resources by accelerating the pace of organizational learning and try to attain seemingly impossible goals. These firms foster the desire to succeed among their employees and maintain it by spreading the vision of global leadership. This strategic intent usually incorporates stretch targets, which force companies to compete in innovative ways.

Important as these initiatives are, few of them go beyond mere imitation. Too many companies are expending enormous energy simply to reproduce the cost and quality advantages their global competitors already enjoy. Moreover, successful competitors rarely stand still. The lesson is clear: Assessing the current tactical advantages of known competitors will not help you understand the resolution, stamina, or inventiveness of potential competitors.

Turn Strategic Intent into Reality

Picture strategic intent as a marathon run in 400-meter sprints. You can't know what the terrain at mile 26 looks like, so you have to focus your company's attention on the next 400 meters. How? Present corporate challenges—each specifying the next hill in the race:

Create a sense of urgency— avoid future crises by exaggerating current indicators of potential threats.

Personalize challenges— When employees see exactly what best-in-class competitors are doing they become personally focused on winning.

Give employees needed skills-- Provide statistical tool, problem solving, and team building.

Tackle one challenge at a time— You'll avoid organizational overload and conflicting priorities.

Stay Ahead of your Competition

With scarcer resources than your rivals', you need to continually outsmart your better financed competition. Competitive innovation can help. Consider these approaches:

- ⇒ **Build layers of advantages**
- ⇒ **Stake out undefended territory**
- ⇒ **Change the terms of engagement**
- ⇒ **Compete through collaboration**

Questions for personal reflection...

- *How many elements of strategic thinking do I utilise and how can use this to benefit me?*
- *How effectively am I executing our organizational strategy?*
- *How can I improve our strategic planning method?*
- *What am I doing to remain competitive ? Can I do more?*
- *Am I creating a work environment that facilitates creativity and innovation?*
- *How can strategic dialogue benefit me?*