

What Gifted Strategic Thinkers Do

Study Identifies Key Competencies of Strategic Thinking

People who are successful strategists have distinct qualities and act in distinct ways.

Author: Peter Linkow Senior Associate Interaction Associates, Inc.

The need for improving the competencies of strategic thinking is spurred by unrelenting forces: the instantaneous availability of information, rising global competition as national borders fall, accelerating technological innovation, and deregulation in such industries as financial services, telecommunications, and energy. The rapid pace requires a strategic agility for constantly monitoring the competition, scanning for changes in the external environment, and identifying emerging market opportunities. Organizations whose employees sit strategically idle because they don't hold high rank or they wait for the annual planning process won't survive. Such organizations will be supplanted by ones whose employees participate capably in an ongoing strategic process. Those employees will know how to spot emerging trends, understand the strategic implications of a competitor's move, and engage in organization-wide strategic conversations.

The poor track record of most organizations in implementing strategic plans points to the need for developing strategic competencies in employees. In addition, building employees' commitment to successful strategy implementation requires their broad-based involvement in formulating the strategy.

Strategy defined

The purpose of strategy is to align and integrate the daily work of all employees around a common, focused direction. Traditionally, middle managers have performed the linchpin role of aligning direction from the top with execution from below. But with the continuing trend of de-layering and downsizing, the capacity of middle management to link employees to strategic plans is disappearing. Strategically smarter employees will have to make the linkage themselves. They will have to understand the strategic process and their role in it. They will have to speak the language of strategy, be able to interpret marketplace dynamics, and know how to identify emerging competitive threats. In short, they will need to become gifted strategic thinkers.

Yet, little is known about how to develop strategic-thinking capacity. In my research, I estimated that only about 4 percent of the U.S. organizational population is highly competent in strategic thinking. So, I set out to learn how to increase that percentage dramatically. I identified 20 gifted strategic thinkers and examined the factors that led to their success. Though strategic thinking is a cognitive activity, it's meaningful only when understood in its organizational and social contexts. I explored the strategic-thinking process of each of the 20 subjects in the context of the organization he or she leads, and I interviewed several in person.

What Gifted Strategic Thinkers Do

Study Identifies Key Competencies of Strategic Thinking

The gifted strategic thinkers in my study ... nominated by their peers ... include Joan Ganz Cooney, president of the Children's Television Workshop; Walter Wriston, chairman and CEO of Citicorp; Vernon Jordan, president of the Urban League; Harold Sperlich, president of Chrysler Corporation; Reginald Jones, chairman and CEO of General Electric; Mark Ain, founder and CEO of Kronos; and Philip Caldwell, chairman and CEO of Ford Motor Company. I sought a diverse group of strategists to help ensure that the findings would be true for men and women, across races, and in profit-seeking and not-for-profit organizations.

The crucial elements

I determined from my research that these elements contribute significantly to the making of a gifted strategist: external factors that can be managed but not learned, enduring traits and characteristics that are inherited or result from early-childhood development, and several thinking competencies that are learnable.

“Don’t bet the ranch, when we’ve got an outhouse.” ... Harold Sperlich

First, let's discuss the thinking competencies. They are

- Reframing
- Scanning
- Abstracting
- Multivariate thinking
- Envisioning
- Inducting
- Valuating

Reframing. This involves challenging and restating the underlying beliefs and assumptions on which organizational relations and actions are based. Creativity is a key component, but reframing should also be seen in its organizational and social contexts, where it often challenges the status quo. Picasso said, "Every act of creation is first of all an act of destruction." Reframing may be perceived as a seditious act. In organizations, reframing is an act of courage to go against embedded norms and firmly held leadership beliefs.

People who are superior at reframing make extensive use of metaphor and paradox. To achieve reframing, it's vital to examine underlying mental models about the future, about the organization and its dynamics, and about markets and competitors. Mental models are the assumptions and beliefs about the world that people build through their everyday perceptions and experiences.

What Gifted Strategic Thinkers Do

Study Identifies Key Competencies of Strategic Thinking

A brainstorming technique called the Contingency Diagram stimulates reframing. Instead of brainstorming about market opportunities, for example, a Contingency Diagram asks an opposite question: How can the number of market opportunities be reduced? That example of contrarian thinking gives rise to perspectives that often fall outside of the usual perceptual field of a strategist.

You can encourage reframing by scheduling Iconoclasm Forums, in which employees are encouraged to challenge their organization's assumptions and beliefs and put forward new ideas. These forums make it acceptable to challenge the status quo. The works of such creativity practitioners as William J.J. Gordon in *Synectics*, Roger von Oech in *A Whack on the Side of the Head*, and John Kao in *Jamming* provide myriad approaches to stimulating reframing.

Scanning. This is a constant, staccato search for information that bears on the current assumptions and future of an organization. Effective scanners

seek information in these areas:

- Technology
- Government and regulatory
- Economic
- Demographic
- Cultural
- Industry and market.

Scanners gather information wherever they go and from whomever might have a tidbit. Francis Aguilar, a former professor at Harvard Business School, says that 70 percent of the information on which strategists operate comes from outside of their organizations and 50 percent comes through informal channels. When visiting other companies, Ford's Philip Caldwell would shake off his handlers and dive deep into the crowd of employees to ask questions about issues and decisions he was contemplating. He called it "taking a core sample."

Decisions made by gifted strategic thinkers are typically not of the big-bang, all-at-once variety but are made iteratively through successive approximations. Such thinkers digest the information they have and make a decision. When presented with relevant new information, they test their decision against it and adjust it as required by the new data.

Kronos founder Mark Ain observes, "People say that I change my mind when I've made a mistake more rapidly than anybody they know." The dark side of that is that gifted strategists can be seen as capricious.

What Gifted Strategic Thinkers Do

Study Identifies Key Competencies of Strategic Thinking

Scanners ask powerful, empowering questions that raise the quality of the thinking of the person being queried. As I was interviewing some of the strategists in this study, they would occasionally turn the tables to see whether I had information that might be useful to them. But sometimes I learned more from their questions than they did. In all cases, I felt elevated by their questions.

Effective scanners read extensively within their fields and in diverse arenas. They are well networked in their companies and industries, and they use every gathering as a chance to garner intelligence. They appear to be in a constant state of wonder. Scanners are the people at a cocktail party who leave knowing a lot about everyone they met.

Abstracting. People who are skilled at abstracting are able to grasp the essential theme or synergy in disparate bits of information-and in such a way that leads to action. As we're bombarded with ideas, perceptions, and other forms of information in our work roles, abstraction can filter the incoming to its essential elements. In *A Primer of Visual Literacy*, D.A. Dondis calls it "simplification toward a more intense and distilled meaning." When people can divert a flood of data into a useable pool of information, they're better prepared to take effective action.

Suppose that you're trying to learn about Victorian homes so you can build one of your own design. As you look at different Victorian houses, you're overwhelmed by the detailing. To get to the defining essence of Victorian architecture, you sketch only the windows within a simple outline of the building. That is abstraction.

Such tools as multivoting, nominalgroup technique, and selection matrices are useful for getting at collective meaning, although they are subject to group think. Statistical techniques such as cluster and factor analysis are more useful for getting at distilled meaning but require substantial quantitative data.

Multivariate thinking. This is the ability to balance many dynamic variables simultaneously and discern the relationships among them. It is a holistic, systems orientation that sees the forest before the trees and also sees the trees, not to mention the spaces between the trees and the surrounding flora and fauna. When I asked the subjects whether they were forest or trees people, they all responded in a unique, although remarkably similar, way. Most said, "I am a forest person." Then after a short delay, they added, "But I'm also a trees person." They have the big picture, but they don't miss the details.

People who are superior at multivariate thinking can predict the outcome of particular actions or decisions very effectively. Presented with a decision or choice, they see immediately how it will affect B, which will affect C, and so on. But they can be perceived as being critical or negative when the outcome they foretell contradicts the decision or choice that was presented. On the other hand, if a tough decision must be made, they're the people to consult to uncover the implications.

What Gifted Strategic Thinkers Do

Study Identifies Key Competencies of Strategic Thinking

The work of Jay Forrester at the Massachusetts Institute of Technology on systems dynamics and the recent work of Peter Senge (also at MIT) and colleagues on systems thinking are valuable resources for multivariate thinking. The chapter on systems thinking in *The Fifth Discipline Fieldbook* by Senge, Art Kleiner, Charlotte Roberts, and Bryan Smith is excellent. Another resource is Pegasus Communications (pegasuscom.com), which has publications, conferences, and a newsletter on systems thinking. Mathematical modeling and simulation are useful for addressing complex variables.

Envisioning. This is the ability to see future states as vivid visual images. People with high envisioning capability tend to have excellent visual memories. They spend a great deal of time thinking about the future. When they plan, they often start in the future and work their way back to the present.

Still, visions of the future don't leap fully formed from a strategic thinker's head. Though sprung from intuition, such ideas are usually based on an enormous amount of data derived from scanning.

Betty Edward's book *Drawing on the Right Side of the Brain* and Norman Crow and Paul Laseau's book *Visual Notes* provide ways to develop envisioning skills. The vast array of visioning methods and tools—such as the Delphi Method and scenario planning—can be used to create images of the future. For instance, the appendix in Peter Schwartz's *The Art of the Long View* offers a simple process for creating scenarios.

Inducting. This is the ability to form beliefs, assumptions, and generalizations quickly from concrete, often sparse observations. Inducting builds to a conclusion—in order—through observing or measuring, detecting patterns, and formulating hypotheses to explore. Conversely, deducting begins with a theory or generalization from which hypotheses are generated and tested, leading to confirmation or disconfirmation. Inducting is open-ended and exploratory.

People who excel at inducting often run a series of small-scale, low-risk experiments to generate a range of observations. Then, they build those into a theory of action. "Don't bet the ranch," advises Sperlich, "when we've got an outhouse." The experiments form the generalizations on which large-scale decisions and actions are taken. There is plenty of literature on designing and managing such experiments, which have been so important to the quality movement.

An example of inducting is seen in the figure below. Each of the four cards has a destination on one side and a mode of transportation on the other. Your challenge is to determine which cards must be turned over to test this statement: "Every time I go to New Haven, I go by train." (See the answer at the end of the article.)

Figure ...

New Haven	Car	Train	Cambridge
-----------	-----	-------	-----------

What Gifted Strategic Thinkers Do

Study Identifies Key Competencies of Strategic Thinking

Valuating. People who are experts at valuating seek to know and understand the underlying values, beliefs, and attitudes held by current and potential stakeholders. They are sensitive to the interests of others and can envision a direction that incorporates a balance of interests. Valuers tend to conduct an intuitive stakeholder analysis and then construct a consensus that balances the range of interests optimally. By inquiring genuinely to understand other people's true interests, valuers are able to offer solutions that balance those interests and their own.

There are many stakeholder-analysis models for valuating. At a minimum, such tools should be able to identify key stakeholders, the power of each stakeholder and degree of his or her support, and each stakeholder's most significant interests, needs, or concerns. Ian McMillan provides one of the most comprehensive looks at valuating in a strategic context, in his book *Strategy Formulation: Political Concepts*.

External factors, distinguishing characteristics

The external factors necessary for gifted strategic thinking include experience, selection, and smart luck.

Experience. In his book, *General Managers*, John Kotter writes that experience is a critical success factor for general managers. They must be very knowledgeable about the industry in which they compete and about the organizations where they work. Gifted strategic thinkers maintain a wide network of relationships through which they obtain the information critical to strategy formulation. Chrysler's Harold Sperlich, the creator of the minivan, says, "If you bring in a guy who doesn't have the experience base, then he's not going to be able to have the intuitions."

Selection. In studying gifted strategists, one wonders who the gifted strategist really is—the strategist or the person who selects the strategist? Is the genius of GE really Jack Welch or Reginald Jones, who preceded Welch at the helm? Jones engineered the selection of Welch, a man fundamentally different from himself, to fit GE's current conditions and long-range needs. All gifted strategists have been selected or have done the selecting at some point.

Smart luck. This is the other side of selection. An organization selects a strategic thinker; she or he also chooses the organization. Gifted strategists have a knack for being in the right place at the right time. They make choices that take into consideration their strengths, and they're canny about matching their strengths with emerging opportunities. When I asked Walter Wriston what made him a successful leader at Citicorp, he said, "I was standing on the corner when the bus went by." True, but he had to know that the bus would get him to his destination.

What Gifted Strategic Thinkers Do

Study Identifies Key Competencies of Strategic Thinking

Among their more significant enduring traits and characteristics, gifted strategists are ego free, autonomous, and principled. People who are ego free are able to forego gratification of their own needs for the greater good of the organization or society. They have strong self-concepts, aren't narcissistic, and score high on emotional intelligence. They follow the wisdom of the poet David Ignatow: *I should be content to look at a mountain for what it is and not as a comment on my life.*

Gifted strategists are autonomous, independent people who don't need much structure because they're compelled to create structure. Imagine a gifted strategist who has parachuted alone into a desert. With only the wind, sand, and stars as material, a gifted strategist will still create some kind of structure, perhaps magnificent. Soichiro Honda, the founder of the automobile company that bears his name, insists, "I don't want to walk on the path that is already created by other people."

When I asked Wriston whether he had fundamental principles by which he conducted his business life, he replied, "Doesn't everybody?" In fact, I have asked many executives and would-be executives the same question. Few could articulate a clear set of principles. But most of the gifted strategists I've asked could reel off their cherished principles. Anita Roddick, the highly principled founder of Body Shop International, says, "I wanted something not just to invest in. I wanted something to believe in."

Companies are developing strategic thinking competencies to serve a variety of purposes in addition to fostering the agility to keep pace with rapid change, building a level of commitment that will help ensure strategy implementation, and aligning daily work with strategic direction. The Canadian Imperial Bank of Commerce is establishing the strategic competencies of its new-market managers as it switches from a traditional retail banking structure to a strategic business-unit structure. General Electric Capital is advancing the strategic capability of key leaders to help them make the transition from operational to strategic roles. DFS, the largest retailer in Asia, is raising the capacity of its leaders to foster a deeper, more inclusive strategic process. General Public Utilities is enhancing the strategic acumen of its high-potential middle managers and professionals.

In this rapidly changing world with tight-and getting tighter-resources, the capacity to make and execute strategy is a source of competitive advantage. Organizations that don't have strategic competence embedded in their infrastructures will fall behind.

(The answer to the exercise: New Haven and Car.)

Peter Linkow is a senior consultant and leader of the strategy practice at Interaction Associates, an international consulting and training firm. He acknowledges the W.K. Kellogg Foundation, which supported the research on which this article is based. Linkow can be reached at lockwood38@aol.com.