



# The Symbiosis of Strategic Thinking and Planning

John A. Lanier

Leaders should not singlehandedly tackle strategy. Despite practical size limitations for effective teams, the fact remains that multiple perspectives bring value to the process. This value includes intellect, explicit knowledge, and relevant experiences. Even if the CEO resolves to engage a capable team to craft the company's strategy, more foundational work is required to underwrite success.

## Leaders should not singlehandedly tackle strategy.

Strategy has two high level components: thinking and planning. Strategic thinking

should precede planning. Especially for successful companies, the CEO may be challenged to ignite team enthusiasm for either. The team may be intoxicated by past success and comfortable with status quo. However, the competitive arena is dynamic. While fear may have mixed motivational utility, truth is pretty sobering.

Andrew S. Grove succinctly communicated a worthy rallying cry in the title of his best-selling book, *Only the Paranoid Survive*. Indeed, even the subjects of Thomas J. Peters and Robert H. Waterman, Jr.'s best-seller, *In Search of Excellence*, have not been immune to challenges since achieving their notoriety as "excellent" companies.

Another data point regards one of Warren G. Bennis' favorite corporate subjects: GE. GE is the sole original company among the 30 used to compute the Dow Jones Industrial Average. GE has retained this distinction by rigorously applying both strategic thinking and planning. Even so, Jeffrey Immelt's leadership in the post-9/11 world has yet to compare favorably with the results of his predecessor Jack Welch.

Absent sufficient barriers to market entry, imitation is a likely form of corporate flattery. Commoditizing price pressure follows suit. As John P. Kotter puts in his book, *Leading Change*, a sense of urgency helps focus the team on the task at hand.

As teams approach strategic thinking and planning, Kurt K. Lewin's unfreeze, change, refreeze model has merit. Strategic thinking covers the unfreezing and change components, whereas strategic planning applies to refreezing.

## Strategic Thinking

The ability to create value—either by providing solutions to overt or latent customer needs—is an obsession of successful leaders and their teams. Honda catapulted in market share by providing fuel efficient solutions amid the Arab oil embargo in the 70s. Google, eBay, and eHarmony represent products addressing latent demand.

Deciding how limited resources will be invested to optimize firm enterprise value is central to strategic thinking. The operative word is “thinking.” T. Irene Sanders explains strategic thinking in *Strategic Thinking and the New Science* as “insight about the present and foresight about the future.” In their book *Strategy Safari*, Henry Mintzberg, Bruce Ahlstrand, and Josphe Lampel describe strategic thinking as seeing ahead, behind, above, below, beyond, beside and through.

While the critical thinking questions about potential markets might be relatively easy to itemize, their answers may be elusive. However, if those answers are truly important to the viability of the business model, then the leadership team better have the answers.

Purpose, vision, and values are good places to start. At a high level, purpose explains what the company endeavors to achieve. Vision clarifies the milestone for confirmation of getting “there,” and values encapsulate the behavioral ground rules for professional deportment.

## Purpose, vision and values are good places to start.

The next target of opportunity is the value proposition, the rationale for customers eagerly exchanging their cash for goods and services. The key to a solid value proposition is differentiation, usually expressed in terms of value (the unit of utility received per unit of price paid), speed, quality, and service.

Strategic thinking takes the value proposition through an obstacle course that includes a SWOT--strengths, weaknesses, opportunities and threats. Team myopia and groupthink are perilous possibilities in this exercise.

How might teams accomplish healthy skepticism? First, the leader has to set the tone that dynamic conflict is noble in pursuit of viable options. Second, followers have to embrace the CEO's challenge and model what Ira Chaleff described as "the courage to challenge" in his book, *The Courageous Follower*. For example, General Billy Mitchell, the father of the modern Air Force, was ostracized and court martialed before eventual vindication; however, his leadership and followership courage catalyzed American military air superiority since World War II.

Input variety and creativity also supports strategic thinking. Customers and vendors are potential sources. Luminary opinions and futuristic thinkers are another possibility. Remember, George Orwell's *1984* was published in 1949, but reads like it was written in 2011. Strategists may find James Canton's *The Extreme Future* insightful for challenging conventional wisdom. Additionally, trended industry statistics from sources like the U.S. Department of Commerce have value. A final useful tool may be Kevin P. Coyne, Patricia Gorman Clifford, and Rene Dye's structured brainstorming described in their book, *Breakthrough Thinking from Inside the Box*.

Strategic thinking offers several possible outcomes: line obsolescence, line extension, product development, geographical expansion, exports, imports, divestiture, acquisition, and joint ventures. In fact, strategic thinking may result in appetizing opportunities that eclipse resources and managerial capabilities.

## Strategic Planning

Whereas strategic thinking produces ideas, strategic planning transforms thoughts into action. Larry Bossidy and Ram Charan speak to the attributes of good implementation in their book, *Execution: The Discipline of Getting Things Done*. Bossidy and Charan admonish teams to focus on a select few deliverables because leadership bandwidth and resources are finite commodities.

Agency theory requires that teams produce optimal economic value add (EVA). Whereas EVA is expressed in absolute terms, internal rate of return (IRR) addresses value creation as a function of time. Strategic planning analyzes options to rationalize resource distribution toward the most accretive options.

Strategic planning may choose from several models. However, the generic steps are similar and simple. Each strategic option has an execution timeline for the incurrence of incremental resource cost. Some models may include opportunity cost associated with the allocation of existing resources.



Each strategic option has an anticipated benefit whose realization results in profitability. The profitability drives asset utilization which increases economies of scale. Profitability first approaches break-even before driving an IRR for a prescribed evaluation period.

In simple terms, the highest IRR options should become prioritized. However, each option should be scrutinized with sensitivity analysis and other “what if” questions tantamount to defining beta for a stock.

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Strategic planning is not complete until it is reconciled with the general operating approach of the company, including measures and performance management. Finally, execution of the strategic plan must be tempered with the common sense imparted by Spencer Johnson in *Who Moved My Cheese?* To wit, the cheese moves and the mice must adjust to those changes in the operating environment.

## Conclusion

Clearly, strategic thinking and planning have a symbiotic relationship. If teams do not know where they are going or why, how could they effectively plot the road map? For that matter, how will they know when they succeed? For these reasons, thinking precedes planning, and thinking continually scrutinizes the plan.

## About the Author

John A. Lanier is founder and CEO of [Middle Market Methods](#), a consulting firm serving portfolio companies of middle market private equity firms. Lanier mentors clients with a “value creation road map” of leadership and process improvement solutions that “operationalize” the investment thesis. He holds an MBA and is a doctoral candidate at Regent University

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