



# WHAT? WHY? HOW?

## A FRAMEWORK FOR STRATEGIC THINKING

BY KEVIN E. YOUSIE

Today's directors, CEOs and leaders at all levels, use the term "strategic thinking" routinely in a wide-range of conversations. This term has become a common part of our everyday language. Being viewed as a "strategic thinker" is critical for advancement in our careers. It is a fundamental consideration for search committees when filling Board and senior-level positions. Strategic thinking is an essential leadership attribute.

### What is Strategic Thinking?

A recent Google search yielded more than two million references for the term "strategic thinking." Despite the frequency with which this term is used, there is no universally accepted definition for it. Based on a review of the literature, one might define strategic thinking as:

A mind-set, set of processes, and range of competencies whereby individuals understand the strategic direction in which their organization is headed, know the relevant and situational strengths, weaknesses, and constraints especially as they pertain to their particular function within the organization, and are constantly scanning the environment to identify opportunities and threats that should be pro-actively addressed. When important issues are identified, action is initiated often in conjunction with others from across the organization.

### Characteristics of Strategic Thinking

Inherent in the definition of strategic thinking, are a number of assumptions. The definition assumes that:

- Strategic thinking is applicable to everyone in the organization, and is not exclusively the domain of senior leaders.
- There is a direct linkage between the strategy of the organization and factors in the external environment (i.e. external opportunities and threats.)
- The environment is changing and there is a need to constantly scan for relevant trends and developments that might be taking place.

- Relevant decision-making factors will vary depending upon the situation. (i.e. While some organizational strengths and weaknesses will be relevant in one situation, they will not be relevant in another.)
- There is an action-orientation that seeks to pro-actively mitigate risk and create opportunities for the organization.
- Strategic thinkers do not operate in isolation. They recognize that there are often systemic implications for other parts of the organization. They pro-actively develop a broad network of contacts they can draw upon.
- Organizations are faced with both internal and external constraints. A realistic assessment of these can be very helpful in developing viable action plans.
- There is a culture of open two-way communication enabling the most junior employee to feel safe in elevating perceived threats and opportunities of significance to the organization.

### Strategic Thinking Competencies

As a leader at any level in the organization, strength in the following three competencies is critical for effective strategic thinking. While strengths in one or two of these would be helpful, competency in all three areas is ideal.

- Having a rigorous process or framework for dealing with strategic issues.
- Asking insightful and relevant questions, having the ability to understand the answers to those questions, and being able to apply that information in a meaningful and action-oriented way.
- Communicating in a clear, memorable, and compelling fashion to assist others in the strategic thinking process.

This article focuses on the first two competencies. Much has been written about the third, effective communications. It is an important and expansive topic, beyond the scope of this article. [Note that the theme of this Leadership Compass is "Communicate," and there are specific articles in this issue which speak to that competency.]

## Two Levels of Strategic Thinking

There are two levels of strategic thinking. At the macro level, periodically there can be fundamental questioning relative to whether the mission and vision of the organization are still appropriate. More frequently, however, strategic thinking addresses situational opportunities and threats resulting from a change in the environment such as a new competitor entering the market, changes in legislation, or opportunities to lever a new technology or process. This is described more fully in Table #1.

Table #1: Two Levels of Strategic Thinking

Level One
Mission / Vision: Best practice indicates that all organizations should have a mission statement (i.e. Why to we exist as an organization?) and vision (i.e. What do we aspire to become as an organization?). From time-to-time senior leaders or the board may suggest that there is a need to revisit, validate, or amend the mission and/or vision to better reflect the realities of the time. While some stress-testing of the mission and vision will likely take place at least annually in conjunction with the annual planning cycle, an in-depth assessment is not an every day occurrence.
Level Two
Situational Opportunities and Threats: More frequently the need for critical strategic analysis and thinking arises through events such as reading the morning newspaper, listening to the radio, attending a trade show, thinking about a new technology, etc. This kind of thinking very frequently takes place outside of the work environment. Strategic threats and opportunities evolve daily as do changes with respect to internal resources or capabilities. Some of these changes may be of organization-wide significance while others pertain solely to a particular line of business or to a department. Regardless, of their origin, important external or internal changes will prompt a strategic thinker into analysis and possible action.

Regardless of the level of strategic thinking being undertaken, having a logical, disciplined, and rigorous approach to identifying and assessing strategic situations is a tremendous asset for every leader. It enhances both the speed and the quality of strategic decision-making. The "What? Why? How? Strategic Thinking Framework" is one such approach.

### The What? Why? How? Strategic Thinking Framework

In every strategic thinking situation, there are three primary activities. For simplicity these can be depicted as "What", "Why", and "How" as shown in Table #2.

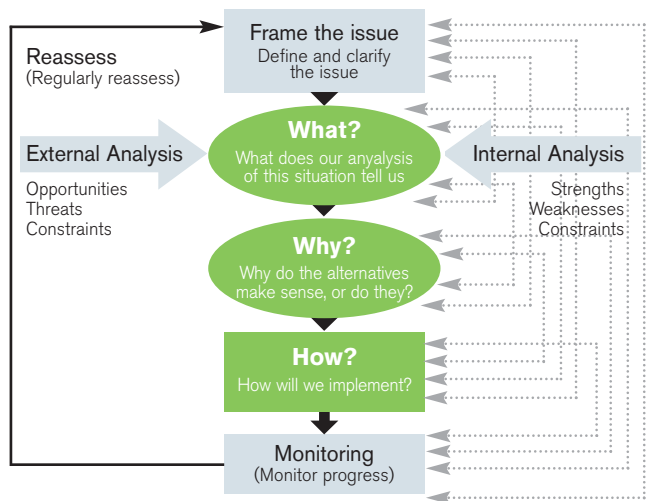
Table #2: Strategic Thinking Activities

	Primary Strategic Thinking Activity
Issue	Identification and clarification of the strategic issue
What?	Analysis of the situation
Why?	Assessment of alternatives
How?	Implementation

### A Non-Linear Process

Based upon the information in Table #2, it would initially appear that strategic thinking is a step-by-step linear process. The process would begin by identifying the issue, proceeding to an analysis of the situation, (i.e. the "What"), moving to assessing alternatives in the "Why" stage, and finally implementation in the "How" stage. In reality this is not the case. The process is much more dynamic, iterative, non-linear, and sometimes even chaotic, as depicted by the dotted lines in Table #3.

Table #3: The What? Why? How? Strategic Thinking Framework



### Steps in the Framework

#### Frame the Issue

Having a clear understanding of the issue is a critical element in strategic thinking. The manner in which the issue is defined will determine the type and scope of analysis that will be required. If the issue cannot be articulated in two or three short, concise sentences, then chances are it won't be satisfactorily analyzed or addressed. This is either because the issue is not adequately understood, or because those involved in the decision-making process are seeing it differently. Attempting to define an issue and clearly articulate it is important to achieving a successful outcome at the end of the process.

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An approach that can be helpful in testing whether or not the issue is appropriately defined is by asking how success should be measured with respect to that particular issue. This is particularly effective in a team environment. If all members of the team characterize the measures / metrics of success in a similar fashion, then there is a greater likelihood that they understand the issue in the same way. If the proposed measures / metrics are not the same, then members of the team likely view the definition and scope of the issue differently from one another. This could prove problematic if not resolved early in the process.

There are two types of issues, those that are strategic, and those that are operational (i.e. tactical) in nature. The following definitions may help.

**A Strategy:** "Strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations."<sup>1</sup>

**An Operational Tactic:** An operational tactic is a plan for attaining a particular goal with respect to short-term objective.

This distinction is important as the scope of analysis, the analytical tools employed, as well as the eventual outcomes from the analysis, will be very different. As per the diagram in Table #3, the assessment of strategic issues is a very outward-looking process and will always involve an analysis of environmental trends and developments. As operational issues are generally inward-focused a different approach to analysis is required.

A shortcut frequently used for quickly determining whether an issue is strategic or not is to assess whether it is in some way directly linked to trends and developments in the **external** environment. If it is not directly linked to external environmental forces (e.g. political, economic, social, technological, environmental as in depletion of the forests for example, or legal<sup>2</sup>), then it is not strategic.

Up front discussion and probing can be an excellent investment of time to ensure the issue is well understood and that there is a shared view of it. Without this clarity, a costly and time-consuming process could be undertaken that ultimately wouldn't yield any benefit.

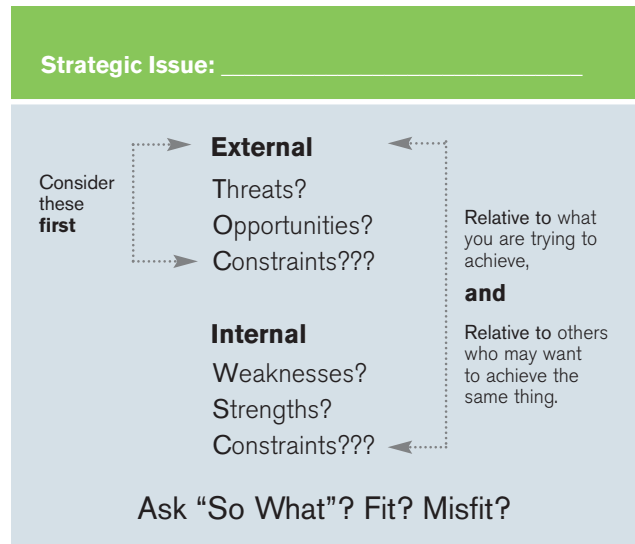
### What?

This phase involves a rigorous analysis of the situation including an assessment of external opportunities, threats and constraints, as they relate to the specific issue. These factors are external to the organization and beyond the control of management. The organization's internal strengths, weaknesses, and internal constraints are also taken into consideration at this stage. This analysis results in potential solutions being developed to address the issue. Potential risks are identified and possible methods for mitigating these are considered.

In assessing "what" it is useful to employ a TOWS analysis (i.e. threats, opportunities, weaknesses and strengths). This is similar to a SWOT analysis however our preference for the TOWS model is due to the fact that it places the assessment of external threats and opportunities before an assessment of internal strengths and weaknesses. This is important because strengths and weaknesses must be examined not only relative to the issue under consideration, but in relation to the opportunities and threats in the environment

including the strengths and weaknesses of competitors who may want to achieve the same goal. The graphic in Table #4 illustrates the TOWS model.

Table #4: TOWS Analysis



One pitfall that many leaders experience in undertaking either a TOWS or a SWOT analysis is focusing on developing lengthy lists of threats, opportunities, weaknesses and strengths without a clear focus as to "what" they are trying to achieve or without an action-orientation. An experienced team should be able to quickly identify the key threats, opportunities, weaknesses and strengths. The majority of their time and focus should be devoted to addressing the question "so what?" The question "so what?" focuses attention in a number of critical areas such as:

- How do the threats, opportunities, weaknesses and strengths identified in the TOWS analysis specifically relate to the issue at hand?
- Does the analysis indicate that a particular solution is a better fit for the organization? Is the organization well-positioned, well-configured, and well-aligned given the situation in the external environment?
- What are the risks? How serious are they? How can they be mitigated?
- What makes us think we can address this issue better than our competitors?
- What specific alternatives might we pursue?
- Thinking ahead, what will we have to do well in the implementation phase in order to be successful?

There is an plethora of well-known analytical tools and theories that can be used in conjunction with the TOWS model in order to deepen the level of analysis (e.g. Porter's Five Forces model, value chain analysis, blue ocean, demand and supply analysis, value proposition analysis, life cycle analysis, market attractiveness / strength matrix, stakeholder analysis, market research, economic analysis, environmental scanning, values analysis, etc.).

## Why?

In the “Why” phase, the various alternate solutions that emerged as a result of the earlier analysis are systematically evaluated. The pros and cons of each are assessed drawing upon information generated during the TOWS analysis. Some questions that will assist in assessing the alternative might include:

- What level of risk is involved? Are we certain we understand the risks? What is the risk-return trade-off and is it acceptable? How might we mitigate these risks?
- What is the degree of “fit” with the organization's current strategy, configuration, strengths, and weaknesses? (Generally speaking, the lower the “fit” the higher the risk involved.)
- What financial and other resources will be required to ensure successful implementation of this alternative? Can we afford them?
- Is there sufficient stakeholder support and commitment for this option? What would need to be done to obtain sufficient support?
- Is there sufficient readiness for the change within the organization to be able to implement this?
- What sort of timeframe would be involved in implementing this? Can we afford that much time?
- How will our competitors and other key stakeholders react if we do this? Can we live with that?
- Do we fully understand the assumptions behind this alternative? (i.e. What would have to be true for this to be successful?)
- Is this in keeping with our values and ethical standards?
- Is this alternative truly viable? How does it compare vis-à-vis other options that we have?

## How?

The “How” focuses on superior execution of the activities required to achieve successful implementation. Ideally implementation will be done in a manner that will assist in further differentiating the organization in a positive way from its competitors. Most of the essential tactical activities as well as a number of other factors such as timing and pace of implementation, stakeholder persuasion strategies, etc. that are required for successful implementation will be identified during the analysis undertaken in the “What” and “Why” phases.

Strategic thinkers recognize that while most key success factors are knowable at the outset, others are unknowable. Some factors that are unplanned and unknowable when the strategy and implementation plan is initially developed, will surface during the implementation phase. Some of these will be pleasant surprises, most will not. As a result, strategic thinkers anticipate the unexpected and put monitoring systems in place to identify early-warning signs in the event the implementation plan begins to falter.

## Monitor and Reassess

Approaches to monitoring success in implementation can vary widely depending upon the nature of the specific situation. Examples of some monitoring tools include: pro-forma financial targets, quality control parameters, market-share metrics, progress against planned critical-path, and timeline activities. The key point is that strategies are built upon assumptions. Some assumptions may ultimately prove to be incorrect. Strategic thinkers are aware of the assumptions that are inherent in their strategies and establish appropriate monitoring systems to test the validity of their key assumptions as implementation progresses. Monitoring of results

will sometimes indicate that a minor tweaking of the implementation plan or strategy is required. On occasion however, feedback will indicate a serious flaw. In these cases a major reassessment involving various stages of the framework will be required.

Best practice suggests that all strategies and plans should be revisited and reassessed on a regular basis, at least annually. The environment is constantly changing and without the discipline of a regular formal review critically important trends or developments could go unnoticed. Strategic thinkers are constantly scanning the environment to identify these types of situations, however given the complexity and heavy demands of everyday life, it is still possible to miss important developments. Regular reassessment of key strategies and initiatives is recommended.

## The “Issue-to-How Pitfall”

It is well accepted that organizations with a bias for action have greater success than those that don't. Results happen through actions, not by merely thinking about things. While a bias for action is generally a good thing, it can also lead to flawed strategic thinking or what might be called the “Issue-to-How Pitfall.” This is one of the most common strategic thinking pitfalls. Individuals and organizations with an action-oriented mind-set have a tendency to move directly from identification of the issue to “How” with little or virtually no analysis as to whether this may make sense. While speed of execution and time-to-market considerations are important especially in a competitive environment, more than a few organizations have experienced serious and unanticipated consequences by moving forward to action without adequately analyzing the situation.

## The “Old Paradigm / Old Mind-set Pitfall”

While a particular strategy or approach may have worked well in the past, that does not necessarily mean it will be successful in the future and yet, many leaders tend to rely almost exclusively upon their previous experiences. Given the pace of change and types of fundamental changes taking place in the external environment, this can be a very risky approach. Strategic thinkers learn from the past, however they do not rely on previous solutions and approaches. They recognize the value of creativity, imagination, and innovation in developing “real-world” strategies and solutions.

## Conclusion

Whether you sit on a board of directors, are a senior leader within an organization, or the most junior employee in the department, the ability to think strategically is important. It ensures continued focus on relevant trends in both internal and external environments which is key to effective decision-making at a personal, team and organizational level. Tools such as the “What? Why? How? Strategic Thinking Framework” and the TOWS model can prove very helpful in further enhancing one's competency in strategic thinking, a key attribute of leadership.

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1. PESTEL Model of Environmental Analysis – *Exploring Corporate Strategy, Sixth Edition*, by Gerry Johnson and Kevan Scholes, Prentice Hall, 2002.
2. Ibid