Strategic Thinking or Strategic Planning?

Loizos Heracleous

O VER FIFTEEN YEARS AGO Mintzberg argued that the meaning of the term 'strategic planning' was ambiguous, and that there was a need for a clear understanding of that term.[1] Now not only is "strategic planning" still used in a variety of ways, but the situation is made even more complicated by the

There is no agreement in the literature on what strategic thinking is, what strategic planning is, or on the nature of their interrelationship. This paper disentangles the relationship between the terms strategic thinking and strategic planning as found in the literature, identifying four main varieties of this relationship; clarifies the nature of strategic thinking and strategic planning by developing the analogy of strategic planning as single-loop learning and strategic thinking as double-loop learning; and proposes a dialectical view of the relationship between strategic thinking and strategic planning which sees them as distinct, but interrelated and complementary thought processes. © 1998 Elsevier Science Ltd. All rights reserved

Edited by
Martin Whitehill

introduction of a more recent term, "strategic thinking".

The relationship between the two ideas of strategic planning and strategic thinking is by no means clear in the literature, which is in a state of confusion over this issue. Strategic planning is often used to refer to a programmatic, analytical thought process, and strategic thinking to refer to a creative, divergent thought process. The confusion, however, stems from the fact that although there are frequent usages of the terms in the above ways, various authors still use these terms in fundamentally different ways. While for some strategic thinking and planning are distinct thinking modes which are both useful at different stages of the strategic management process (e.g. Mintzberg), for others, strategic thinking is not so

much creative as analytical (Porter); for some, strategic planning has remained an analytical activity but the organisational practices surrounding it have been transformed; for others, the real purpose of analytical tools of strategic planning is to facilitate creativity (strategic thinking); and lastly for others, strategic planning is useless and should be scrapped in favour of strategic thinking.

An exploration of the literature reveals that there is no agreement on what strategic thinking is, what strategic planning is, or what their relationship should be. This paper therefore:

- Disentangles the relationship between the terms "strategic thinking" and "strategic planning" as found in the literature, identifying four main varieties of this relationship.
- Clarifies the nature of strategic thinking and strategic planning by developing the analogy of strategic planning as single-loop learning and strategic thinking as double-loop learning.
- Proposes a dialectical view of the relationship between strategic thinking and strategic planning which sees them as distinct, but interrelated and complementary thought processes.

The following views on the relationship between strategic thinking and strategic planning are found in the literature:

Strategic Planning and Strategic Thinking are Two Distinct Thinking Modes, and Strategic Thinking Should Precede Strategic Planning

According to this view, planning cannot produce strategies because it is a programmatic, formalised and analytical process; it is rather what happens after strategies are decided, discovered or simply emerge. This is a view associated with Henry Mintzberg, arguably the most trenchant critic of planning. Mintzberg has sought to limit the theoretical space occupied by the concept of strategic planning by suggesting that it is based on certain fallacies. Firstly, the fallacy of prediction, the belief that planners can predict what will happen in the marketplace. Secondly, the fallacy of detachment, the premise that effective strategies can be produced through formalised processes by planners who are detached from the business operations and the market context. Lastly, the fallacy of formalisation, the questionable idea that formalised procedures can in fact produce strategies, whereas their proper function is to operationalise already existing strategies.[2]

Critiques of planning in a similar vein have been widespread in the popular management literature.[3,4] Other authors within this literature have accepted the conventional critiques of strategic planning (e.g. the fallacies explicated by Mintzberg), but have gone far beyond them to find no place for planning in organisations, arguing that strategic planning should be scrapped completely and strategic thinking should occur instead.[5,6]

This view, therefore, emphasises that strategic thinking and strategic planning involve distinct thought processes, where strategic planning is analytical and convergent, whereas strategic thinking is synthetic and divergent. It questions strongly the prominence and promise accorded to strategic planning, seeking to limit planning to the operationalisation of existing strategies rather than being able to generate radically new and creative strategies.

Strategic Thinking Is (and Should Be) Analytical

This is a view associated mainly with Michael Porter, whose analytical frameworks of five forces analysis, the value chain, the diamond model of national competitive advantage and strategy as activity system, are important contributions to the strategic management field. According to Porter, for example,

'strategic thinking involves asking two critical questions. First, what is the structure of your industry, and how is it likely to evolve over time? ... Second, what is your own company's relative position in the industry?'.[7]

Others have also proposed well-defined, analytical approaches as constituting strategic thinking: Zabriskie and Huellmantel,[8] for example, suggest a sequential, well-defined six-step process to enable strategic thinking, and Eden in a similar vein,[9] describes a strategic thinking process based on cognitive mapping. A similar analytical approach has also been taken in the popular literature,[10] where formalised approaches are said to constitute strategic thinking. Porter and others, therefore, use the term 'strategic thinking' not as a synthetic and divergent thought process, but as a convergent and analytical one; in the same way as other authors would use the term strategic planning.

The real purpose of strategic planning is to improve strategic thinking

Related to the above view, is the suggestion that *the real purpose of strategic planning is to facilitate strategic thinking*, where structured planning tools are used to aid creative thinking. This is a view stated succinctly in a series of Harvard Business Review articles written by former senior managers at Royal Dutch/Shell.[11-13] The strategic tool associated with this view is 'scenario planning', a process of eliciting appropriate responses to reasonably possible futures, designed to question managers' guiding assumptions, and sensitise their thinking to potential competitive arenas substantially different from current ones. Wack described the scenario planning process at Shell emphasising that

'scenarios serve two main purposes. The first is protective: anticipating and understanding risk. The second is entre-

preneurial: discovering strategic options of which you were previously unaware ... Scenarios give managers something very precious: the ability to reperceive reality'.[12]

De Geus similarly suggested that the value of the planning process does not reside in the plan itself,[13] but in changing the mental models of managers involved in this process (for similar arguments see also Nadler).[14]

Strategic Planning has Over Time Evolved into Strategic Thinking

It has been suggested that "strategic planning has changed dramatically since its inception in the early 1970's. Having survived its original design flaws, it has evolved into a viable system of strategic management (or strategic thinking)".[15] The main changes, according to this view, include the shift of planning responsibility from staff to line managers, the decentralisation of planning to business units, more attention to environmental shifts, more sophisticated selection of planning techniques, and more attention to organisation and culture as vital implementation factors.[16] Related to this viewpoint is the literature arguing that strategic planning is useful if it is carried out in an appropriate manner—involving line managers, defining business units correctly, having clear action steps and integrating the plan with other organisational controls,[17] these largely corresponding to the shifts in traditional planning practices reported by the proponents of this view.

In this view, therefore, strategic planning and strategic thinking are identified more with the organisational practices surrounding them rather than the thought processes involved. Strategic thinking is portrayed as an evolution from strategic planning, which is said to have become less elitist in its origins and more open and sophisticated in its methods.

Strategic Thinking as Double-loop Learning

Having considered the various views found in the literature, there is a need now to clarify the nature of strategic thinking and strategic planning and to place them in an appropriate context. This will be done by suggesting a dual analogy: strategic thinking can be seen as double-loop learning, and strategic planning as single-loop learning. This analogy is helpful in clarifying the nature of strategic thinking and strategic planning, and why they are different, but ultimately both necessary and complementary.

Bateson, applying Russell's theory of logical types to the concept of learning, differentiated between five types of learning:[18]

Zero learning	Specificity of response not subject to correction

Learning I	Change in specificity of response by correction of errors of choice within a set of alternatives
Learning II	A corrective change in the set of alternatives from which choice is made or a change in the punctuation of experience
Learning III	A corrective change in the system of sets of alternatives from which choice is made
Learning IV	Change in the process of learning III, but probably does not occur in any living organism on earth

Argyris concentrates on the distinction between single-loop and double-loop learning, which are analogous to Bateson's learning I and II.[19] Single-loop learning occurs when there is a match between the organisation's design for action and the actual outcome, or when such mismatches are corrected by changing actions, but *without critical examination of the governing variables for action*. Double-loop learning occurs when the correction of mismatches is arrived at by *examining and altering the governing variables for action and then the actions themselves*. Fiol and Lyles similarly differentiate between lower-level and higher-level learning.[20] Lower level learning involves the development of cognitive associations which facilitate incremental organisational adaptation but without the questioning of central norms and frames of reference of the organisation. Higher-level learning occurs when these norms and frames of reference are challenged and altered, and a more accurate understanding of causal relations exists. These levels of learning are also mirrored in Senge's distinction between generative and adaptive learning.[21] Adaptive learning is about coping within existing frames of reference, whereas generative learning is about being creative, and requires new ways of perceiving the world. Figure 1 portrays the terms used to describe the above levels of learning:

Authors	Levels of learning	
Bateson (1972)	Learning I	Learning II
Argyris (1992)	Single-loop	Double-loop
Fiol and Lyles (1985)	Lower-level	Higher-level
Senge (1990)	Adaptive	Generative

FIGURE 1. Levels of learning.

While there are differences in terminology in all the above authors, the central concept common to all

involves thinking and acting within a certain set of assumptions and potential action alternatives; or challenging existing assumptions and action alternatives, potentially leading to new and more appropriate ones. An example would be an organisation faced with deteriorating performance, and which responds by becoming pre-occupied with typical actions such as cost cutting, de-layering or re-engineering which it has also taken in the past (utilising single-loop learning). This organisation responds to hardship in ways that have worked in the past. It takes action from a fixed set of action alternatives and does not consider other, new and potentially more appropriate and creative action alternatives such as innovating new products to revitalise or expand its markets, or forming alliances to compete globally. This would amount to double-loop learning in this particular company, since its set of potential action alternatives would have expanded to include new responses and new ways of thinking about the problems faced, leading to different responses from what was done in the past.

Strategic planning in this formulation is seen as an activity carried out within the parameters of what is to be achieved, but does not explicitly question those parameters, and is therefore analogous to single-loop learning. Strategic planning most often takes an already determined strategic direction and helps strategists decide how the organisation is to be configured and resources allocated to realise that direction. This situation has given rise to a relatively common thread of the critiques of strategic planning, that it deals with extrapolations of the present and the past as opposed to focusing on how to reinvent the future; an idea which has been emphasised in recent approaches to strategy such as "strategic intent" or "strategy as revolution".[22,23]

The mode of strategy-making which can be associated with such re-inventing of the future, the creation of new competitive space as opposed to struggling over slow-growth or even shrinking markets, is strategic thinking. Strategic thinking questions the strategic parameters themselves, and is thus analogous to double-loop learning. Discovering and committing to novel strategies which can re-write the rules of the competitive arena, necessitates relaxing or suspending at least part of the conventional wisdom and assumptions about the industry, the industry recipes,[24] as well as one's psychological frames[18] in which these recipes are represented, envisioning a number of potential futures, and challenging the existing operating assumptions on which current strategies are built. The desired outcome of the cycle of strategic thinking/planning is not me-too strategies but distinct positionings, supported by unique activity systems.[25] For example, consider the following examples:

- In the early 1990s, cars were built individually and

painstakingly by craftsmen, and owning one was a potent status symbol. Going against the prevailing wisdom of the industry, Henry Ford proclaimed

"I will build a car for the great multitude . . . I am going to democratize the automobile . . . . When I'm through, everybody will be able to afford one, and about everybody will have one."

This was indeed achieved by continuous productivity improvements in manufacturing, the breakthrough coming with Ford's idea to initiate a moving assembly line. Ford had the idea on a trip to Chicago, where he observed the way the meat packers used the overhead trolley to dress beef; cutting a piece of the carcass as it moved along. Ford reversed this process, having a moving vehicle assembly line where workers added pieces as the vehicle moved along.

- Raymond Kroc, a fifty-two year old milk-shake machine salesman saw in 1954 the restaurant of Maurice and Richard McDonald in San Bernardino, operating like a fine-tuned machine in an industry in which such precision and efficiency was unknown. He realised this model would be very successful if implemented elsewhere, but the two brothers were not interested in growing the business. He cut a franchise deal with them, and started expanding what would become the unwitting application of Henry Ford's manufacturing approach to sandwich-making, and a hugely successful business which created new competitive space in the restaurant industry.

(Adapted from Gross D. Forbes' greatest business stories of all time.)

While Henry Ford was part of the U.S. vehicle industry, and Ray Kroc at the margins of the U.S. restaurant industry, none of them accepted conventional industrial wisdom as given, envisioning alternative, plausible futures which would ultimately redefine their industries. More importantly, none of them could have come up with their radical (for their time) conceptions of the future of their industry as a result of formalised planning techniques. Even today, companies which currently add higher value and deliver superior returns to shareholders are those which consistently break the rules of the competitive game.[27]

A Dialectical View of Strategic Thinking and Strategic Planning

The two main positions on the proper meaning and interrelationship between the ideas of strategic thinking and strategic planning are the ones by Henry Mintzberg and Michael Porter. Mintzberg believes that strategic thinking and planning involve distinct thought processes, the former being creative and the latter analytical; whereas Porter believes that strategic thinking is achieved by utilising analytical tools. The

underlying issue with regard to these two views seems to be a focus on different aspects of strategy. Mintzberg, for example, sees strategies as patterns in a stream of decisions and actions, which may be deliberate at times, emergent at other times, or mixed, and mostly based on managerial intuition and creativity.[28] Porter, on the other hand, being highly analytical, sees strategies as particular configurations of the value chain which are ideally unique and sustainable, providing strategic positions which cannot be easily copied by competitors.[25]

Porter drew attention to the need to understand both the cross-sectional problem (the causes of superior performance at a given point in time), and the longitudinal problem (the dynamic process by which strategies are arrived at).[29] Porter's contributions have tended to focus on the cross-sectional rather than the longitudinal problem, however, and Mintzberg's contributions have tended to focus on the longitudinal rather than the cross-sectional problem.

Whereas Mintzberg's view of strategy is more process-focused (how strategies are arrived at in organisations), Porter's view of strategy is more positioning-focused (what constitutes a sustainable strategic position in terms of particular organisational arrangements). These differential foci lead their proponents to suggest corresponding thinking modes for the aspect of strategy they focus on; Mintzberg emphasising the creative and synthetic, and Porter emphasising the convergent and analytical.

Being overly pre-occupied with terminology, (e.g. what each author means by "strategic thinking" or "strategic planning") can make one miss the essential point that, to the extent that they constitute distinct thinking modes, strategic thinking and strategic planning are both necessary and none is adequate without the other. Creative, ground-breaking strategies emerging from strategic thinking still have to be operationalised through convergent and analytical thought (strategic planning), and planning is vital but

Strategic Thinking

Thought process:

Synthetic
Divergent
Creative

The purpose of strategic thinking is to discover novel, imaginative strategies which can re-write the rules of the competitive game; and to envision potential futures significantly different from the present

Strategic Management

The purpose of strategic planning is to operationalise the strategies developed through strategic thinking, and to support the strategic thinking process

Thought process:

Analytical
Convergent
Conventional
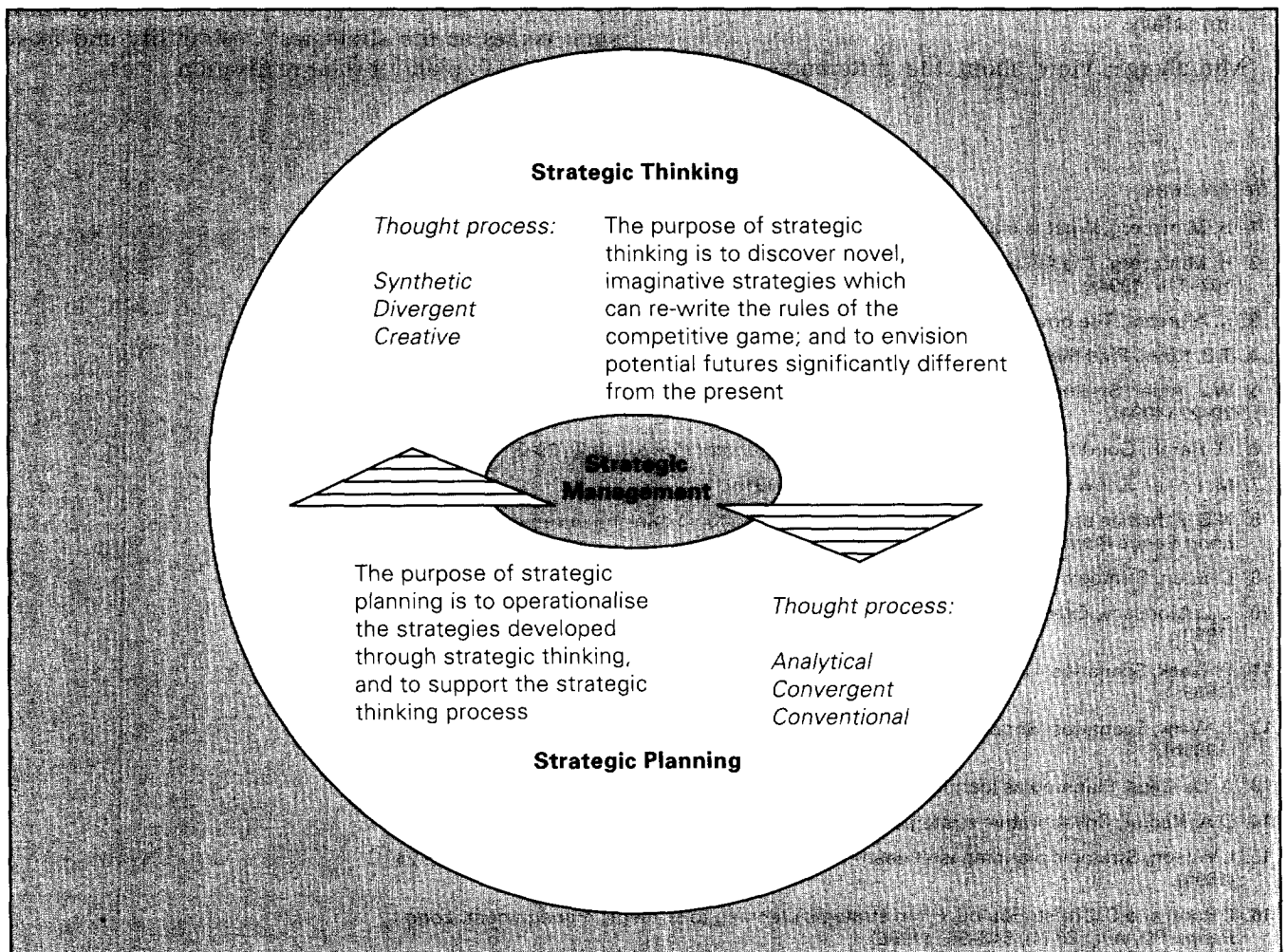
Strategic Planning

Figure 2. Strategic thinking and strategic planning.

cannot produce unique strategies which can challenge industrial boundaries and redefine industries (unless it stimulates the creative mindset in the process, as in the case of using alternative scenarios for the future).

The view proposed here holds that strategic thinking and strategic planning are interrelated in a dialectical process, where both are necessary for effective strategic management, and each mode on its own is necessary but not sufficient. This view:

● Suggests a clarification in the meaning of the terms by drawing an analogy with levels of learning; identifying strategic planning with single-loop learning and strategic thinking with double-loop learning.

● Complements Mintzberg's view about the usefulness of both strategic thinking and planning, and helps to place the Mintzberg/Porter debate in context by recognising that focusing on different aspects of strategy (the longitudinal versus the cross-sectional problem) leads these authors to advocate corresponding thinking modes, which in the final analysis are both necessary and complementary.

Mintzberg's view about the differences between strategic thinking and planning and the inability of planning to produce ground-breaking strategies does not necessarily clash with Porter's view that analytical tools are necessary, and that they can also stimulate creativity. The tools one uses at each stage of the strategic management process, are not important in themselves but as the means of encouraging the creative and analytical mindset. There ideally needs to be a dialectical thought process of being able to diverge and then converge, being creative and then seeing the real-world implications, and being synthetic but also analytical. It all comes down to the ability to go up and down the ladder of abstraction, and being able to see both the big picture and the operational implications, which are signs of outstanding leaders and strategists.

This view is not meant to be a description of actual managerial practice, but it is meant to be a suggestion for a normative, but achievable best practice. Here strategic thinking and planning occur iteratively over time, where there is a continual quest for novel and creative strategies which can be born in the minds of strategists or can emerge from the grass roots; as well as employment of analytical processes to determine such issues as the strategies' desirability and feasibility, and to plan for their realisation.

References

1. H. Mintzberg, What is planning anyway? *Strategic Management Journal* 2, 319–24 (1981).

2. H. Mintzberg, The fall and rise of strategic planning, *Harvard Business Review*, Jan–Feb, 107–114 (1994).

3. K. Albrecht, The power of bifocal vision, *Management Review*, April, 42–46 (1994).

4. T.B. Kinni, Find the corporate heartbeat, *Industry Week*, August 15, 43–47 (1994).

5. W.J. Altier, Strategic thinking for today's corporate battles, *Management Review*, Nov, 20–22 (1991).

6. O. Harari, Good/bad news about strategy, *Management Review*, July, 29–31 (1995).

7. M. Porter, Know your place, *Inc.*, Sept, 90–93 (1991a).

8. N.B. Zabriskie and A.B. Huellmantel, Developing strategic thinking in senior management, *Long Range Planning* 24 (6), 25–32 (1991).

9. C. Eden, Strategic thinking with computers, *Long Range Planning* 23 (6), 35–43 (1990).

10. G.L. Morissey, Executive guide to strategic thinking, *Executive Excellence*, June, 5–6 (1990).

11. P. Wack, Scenarios: Uncharted waters ahead, *Harvard Business Review*, Sept–Oct, 73–89 (1985a).

12. P. Wack, Scenarios: Shooting the rapids, *Harvard Business Review*, Nov–Dec, 2–14 (1985b).

13. A. De Geus, Planning as learning, *Harvard Business Review*, March–April. 70–74 (1988).

14. D.A. Nadler, Collaborative strategic thinking, *Planning Review*, Sept–Oct, 30–31 (1994).

15. I. Wilson, Strategic planning isn't dead—it changed, *Long Range Planning* 27 (4), 12–24 (1994).

16. I. Bonn and C. Christodoulou, From strategic planning to strategic management, *Long Range Planning* 29 (4), 543–551 (1996).

17. D.H. Gray, Uses and misuses of strategic planning. *Harvard Business Review*, Jan–Feb 89–97 (1986).

18. G. Bateson, *Steps to an Ecology of Mind*, Intertext, London, p. 293 (1972).

19. C. Argyris, Double loop learning in organizations, *Harvard Business Review* Sept–Oct, I 15–125 (1977).

20. C.M. Fiol and M.A. Lyles, Organisational learning, *Academy of Management Review* **10**, 803–813 (1985).

21. P.M. Senge, The leader's new work: building learning organizations, *Sloan Management Review,* Fall, 7–23 (1990).

22. G. Hamel and C.K. Prahalad, Strategic intent, *Harvard Business Review,* May–June, 63–76 (1989).

23. G. Hamel, Strategy as revolution, *Harvard Business Review,* July–August, 69–82 (1996).

24. Spender, *Industry Recipes,* Blackwell, Oxford (1989).

25. M. Porter, What is strategy? *Harvard Business Review,* Nov–Dec, 61–78 (1996).

26. D. Gross, *Forbes' Greatest Business Stories of All Time,* John Wiley, New York (1996).

27. G. Hamel, Killer strategies that make shareholders rich, *Fortune* **12**, June 23, 30–44 (1997).

28. H. Mintzberg, Patterns in strategy formation, *Management Science* **24** (9), 934–948 (1978).

29. M. Porter, Towards a dynamic theory of strategy, *Strategic Management Journal* **12**, 95–117 (1991b).

Loizos Heracleous, is at the Department of Business Policy, National University of Singapore, Singapore.