

STRATEGIC PLANNING AND STRATEGIC THINKING

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Abstract

Strategic planning and strategic thinking are two of the most debated concepts in the strategic management literature. There is still a lack of clear understanding of just what is meant by these terms due to their numerous definitions that has led to some confusion in the strategic management literature. The aims of our paper are to define the concepts of strategic planning and strategic thinking, and to highlight the relationship between them. Our research is based on a literature review.

Key words: *strategic planning, strategic thinking, strategic management, strategy, company*

JEL classification: L1, M1

1. Introduction

In the past decades the strategic management literature has witnessed an impressive growth. Most of the researchers have focused on well-known concepts such as strategy, strategic planning or strategic thinking. Strategy represents both a multidimensional concept and a complex process. It is “as much about willpower, belief and vision as it is about analysis, planning and execution” (Houlder, 2004, p. 6). As a concept, strategy is seen as “the coordinated means by which an organization pursues its goals and objectives” (Carpenter and Sanders, 2009, p. 10). As a process, strategy involves several phases such as designing, planning, implementation and control. Companies

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are aware of the importance of matching “their strategy-making processes to the specific demands of their competitive environments” (Reeves, Love and Tillmanns, p. 76, 2012).

On the one hand, the strategic management process allows all managers of a company to interact in planning and implementing the strategy. At the top management level, the main focus of strategic planning is “the general direction of attack for the entire business, in order to achieve growth strategies, and in stabilizing or minimizing strategies” (Wittmann and Reuter, 2004, p. 2). Moreover, managers “who encourage subordinates’ attention to planning are aided in their monitoring and forecasting responsibilities by subordinates who are aware of the needs of strategic planning” (Pearce and Robinson, 2000, p. 9). Thus, strategy is “most fundamentally embodied in explicit, rigorous formal planning” (Peng, 2009, p. 481).

On the other hand, the strategic management process implies the continuous need to think strategically. The lack of strategic thinking by managers may lead to the appearance of serious drawbacks within business organizations (Bonn, 2001). Also, there is a popular view in the strategic management literature that all employees of a winning company should think strategically (O’Shannassy, 2003; Monnavarian, Farmani et al., 2011). This is why strategic thinking is fundamental to corporate survival in a highly volatile business environment (Tregoe and Zimmerman, 1983).

All types of strategies (e.g., global, corporate, business) exist to help companies in becoming successful. This is why well defined and implemented strategies integrate company’s key plans, goals, policies, programmes and commitments into a cohesive entity (Dobson, Starkey et al., 2004).

The aims of our paper are to define the concepts of strategic planning and strategic thinking, and to highlight the relationship between them. Our research is based on a literature review.

2. Defining strategic planning and strategic thinking

Strategic planning and strategic thinking are two of the most debated subjects in the strategic management literature. Since the expansion of strategic management in many fields of activity many researchers and executives have advocated the importance of these concepts. However, there is still a lack of clear understanding of just what is meant by these terms due to their numerous definitions and this, in turn, has lead to some confusion in the strategic management literature. In fact, “the field of strategy research has

never been as richly diverse as today-nor so crowded with competing theories” (Whittington, 1996, p. 731).

Planning is seen as a “formalized procedure to produce an articulated result, in the form of an integrated system of decisions” (Mintzberg, 1994, p. 12). As planning affects execution so execution does the same (Hrebiniak, 2005). The strategic planning process is:

- „a systematized approach that assembles information, shares perceptions, conduct analysis, reaches decisions, ensures consistency among those decisions, and commits managers to courses of action and performance targets” (Grant, 2013, p. 144).
- “about how senior managers sequence decision-making as a programme to achieve the organization’s longer-term purpose, strategic objectives and overall strategy, and the implementation process for cascading responsibilities and resources logically to lower levels” (Witcher and Chau, 2010, p. 9-10).
- “the process of defining an organization’s plans for achieving its mission” (Gates, 2010, p. 3).
- “a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it” (Bryson, 2004, p. 6).
- “a method used to position an organization, through prioritizing its use of resources according to identified goals, in an effort to guide its direction and development over a period of time” (Wilkinson and Monkhouse, 1994, p. 16).

These definitions show that strategic planning leads to the establishment of company’s goals and objectives and to the selection of the most appropriate way to achieve them, facilitates making the right decisions, sets up the direction that the company will follow, and contributes to the company’s long-term effectiveness.

In order to achieve the mission of a company, strategic planning requires visionary thinking. Basically, it is a way of thinking. Strategic thinking has been defined as:

- “the generation and application of business insights on a continual basis to achieve competitive advantage” (Horwath, 2015, p. 1).

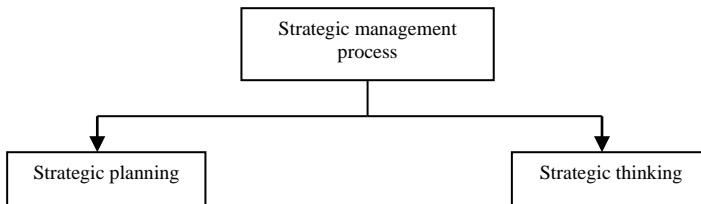
- “thinking that contributes to broad, general, overarching concepts that focus the future direction of an organization based on anticipated environmental conditions” (Goldman, Cahill et al., 2009, p. 406).
- “the way in which people in an organization think about, assess, view and create the future for themselves and their associates” (Kaufman, Oakley-Browne et al., 2003, p. 40).
- “a process by which senior executives can rise above the daily managerial processes and crises” (Garratt, 1995, p. 2).
- “the conceptual glue that holds the organization together in its pursuit of value creation” (Thakur and Calingo, 1992, p. 48)

Therefore, strategic thinking represents an unceasing cognitive process that provides company means for value creation and aims at achieving competitive advantage

3. Linking strategic planning with strategic thinking

An effective strategic management process imposes a company to establish a plan and to carry on a continuous thinking practice. This is why strategic planning and strategic thinking are two critical components of the strategic management process (Figure 1).

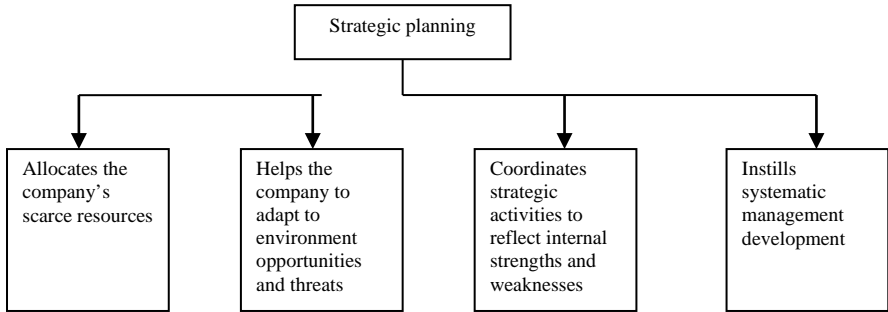
Figure 1: The two critical components of the strategic management process



Source: Authors' own contribution

Strategic planning plays several fundamental roles that fully explain its importance within a company. It establishes the allocation of resources, facilitates the accommodation of a company with a changing environment, and coordinates its strategic activities (Figure 2

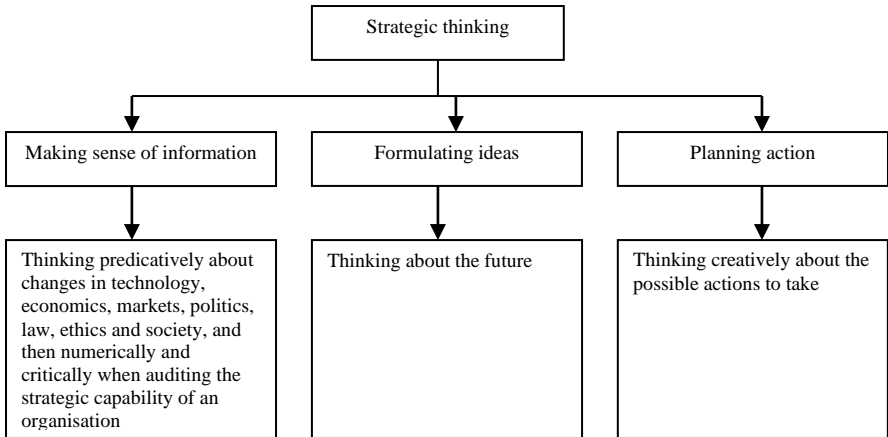
Figure 2: The four roles of strategic planning



Source: (Lorange, 1980)

On its turn, strategic thinking involves the deployment of several activities. Strategic thinking incorporates the following three activities: making sense of information, formulating ideas and planning action (Figure 3).

Figure 3: Strategic thinking activities



Source: (Wootton and Horne, 2004)

All these demonstrate that strategic planning and strategic thinking are two different but connected concepts. Firstly, strategic planning contributes to translate strategic goals into plans and programmes whereas strategic thinking

helps companies to formulate effective strategies. Secondly, strategic planning is the responsibility of the company's manager and executive levels whereas strategic thinking is performed by the whole staff at all levels. Thirdly, both concepts are using information in order to facilitate the decision-making process within a business organization. Fourthly, strategic planning helps a company to accomplish its mission and strategic thinking considers "the connection, if any, between values, vision, and mission" (Whitlock, 2003, p. 9). Fifthly, strategic planning guides company's direction whereas strategic thinking strategic thinking makes foresights about the future (Olson and Simerson, 2015). Sixthly, strategic planning and strategic thinking have to sustain each other in order to contribute in an effective manner to the deployment of the strategic management process.

4. Conclusions

Strategic planning and strategic thinking are key concepts in the strategic management literature. They are distinguishable dimensions of the strategic management process. "Thinking strategically" is different from "planning strategically".

On the other hand, strategic planning and strategic thinking are two distinctive parts that are not separated but strongly interrelated within the strategic management process. They are two complementary concepts that allow companies to reach their objectives, to provide viable strategies and to achieve competitive advantage in an increasingly turbulent business environment.

5. References

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