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Strategic Analysis and The Conscious Use Of Our Thinking

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Abstract: People have always admired and respected those who can exceed and overtake others with their thinking based on ability to understand the past and the present and on ability to predict the future. There is always an interest to find ways how to improve human thinking. The theory of strategic management has dedicated several decades to development of strategic analysis and searches the ways how to recognize, understand and predict what can determine the success and the fulfilment of our expectations and intentions in the future. As a research team at our faculty, we have been studying development of strategic analyses and possibilities for their improvement. Our main aim is not only to develop new and efficient analytical methods and techniques, but mostly we search for possibilities and capabilities of human thinking involvement in strategic analyzes. This article shows the results of our study. Questionnaire technique was used to collect data from more 270 managers from companies operating in Slovakia. The study shows how managers use a conscious thinking while approaching strategic analysis and making strategic decisions. The results showed that the most important type of thinking for managers nowadays is the creative thinking. This thinking is based on gathering information, getting to know and develop own original solutions. In this case, it is a highly "conscious" thinking in which individuals create own decision based on own abilities and possibilities.

Keywords: *Strategic Analysis, Creative Thinking, Intuition*

Introduction

The ability of human thinking is an exceptional gift. Thanks to this ability, one can become a unique and inimitable persona. The ability of thinking gives us an opportunity to address the ever-emerging problems, guide and regulate our behaviour. Despite this ability, sometimes we react incomprehensibly, hastily with applying a narrow view. Other times, we are able to consider, compare and perceive things and phenomena in the context of their dynamics and with anticipating possible consequences and risks.

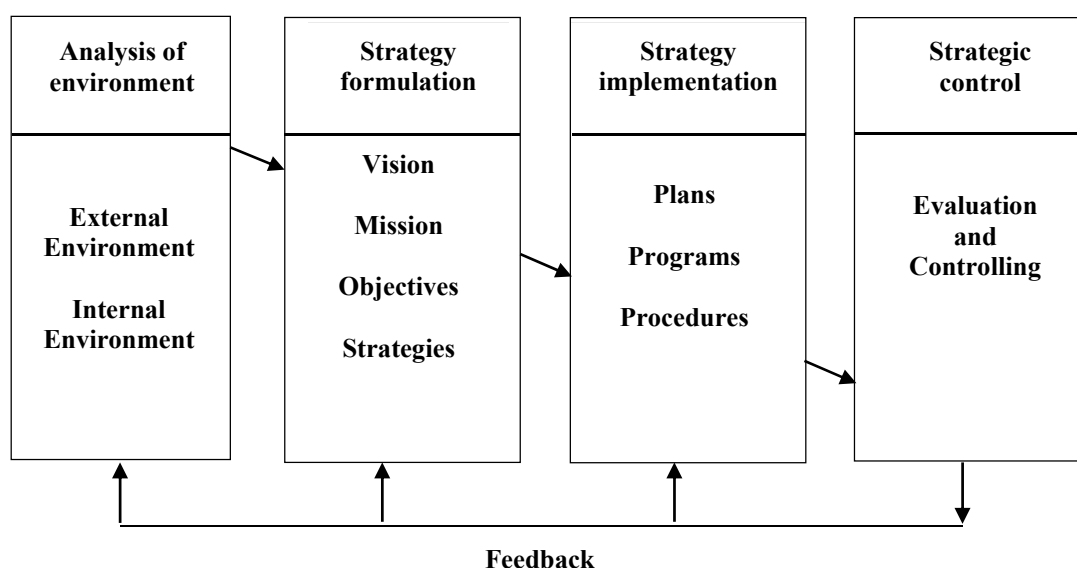
While examining the human thinking, we realized there are many of those who were studying human thinking even centuries and millennia ago. Like Winston Churchill already stated: "*The more distant we look into the past, the farther we can see into the future.*" There are various types of thinking that can be used in strategic analysis and strategic decision making in terms of preparation for the future.

Literature Review

Strategic analysis

The future orientation is the key element in strategic management as well as in strategic analysis. Strategic management is concerned with a set of strategic decisions and actions taken by top managers to determine the long-term and successful direction of the organization (Houben et al., 1999). A clear and well-formulated strategy helps managers take the right decisions to obtain superior performance. Strategic management is in fact the study of why some firms outperform others (Dess et al., 2005). Having a strategy means thinking about the future, preparing in advance for the future, having an active approach to the future. The preparation of strategy demands to perform analyzes that allow us to understand ongoing changes in the environment. Analyzes should enable us to evaluate the situation, to reveal the factors that cause changes in the environment and to anticipate the development of environment. Based on results of analysis of external and internal environment, we are able to develop a strategy that will guide our progress in achieving the strategic objectives. At Figure 1 (adapted from Wheelen, Hunger 1989, Papula 2008) we can see that the strategic analysis is the key step for formulation of strategy and making strategic decisions. The performance of strategic analysis can significantly influence the quality and efficiency of formulated strategy.

Figure 1: Strategic management process



Analyzes are in general among the important thought operations that help to improve human thinking. We use analyzes to uncover the problem, to identify the underlying factors and to study their impact (Sternberg, 2009). Analyzes help us understand the essence of what we see but do not know perfectly or we do not understand in context. In strategic management, analyzes should allow us to objectively assess the initial situation; to anticipate development of the environment and to reveal on what the development will depends; to prepare us to set strategic objectives that should be derived from the trends that exist in the environment and on the factors that influence these trends and to search for succession of changes which led us to targeted positions.

Theory of strategic management provides us with many tools and techniques suitable for strategic analysis and for creation variants and selection of appropriate solution. But the situation in the environment has in comparison to the past (foundation and development of many strategic analytical tools) changed significantly. For instance, here are some examples of

traditional tools of strategic analysis: macro-environmental ESTP/PEST analysis originally formulated by Aguilar (Aguilar, 1967) and improved into STEP (Strategic Trends Evaluation Process) by Arnold Brown in 1960s, Porter's techniques for analyzing industries and competitors was created in 1980s or widely known SWOT analysis can be traced back to 1950s and 1960s (Selznick, 1957), (Chandler, 1962), (Andrews, 1965). The later development of tradition techniques has been oriented to assessment and forecasting of the future. However, application of many analytical techniques in the current turbulent changing and unpredictable environment only with rational and logical thinking might be limited or require combine their application with other newer methods and approaches to thinking.

Methodology

The objective of our research was to understand how managers approaching strategic analysis and what type of thinking are using. In the research we conducted at our faculty (2014-2015) we were examining together with our students belonging to our course Strategic management managers of companies operating in Slovak Republic.

A total of 271 managers from various hierarchy, various sizes and life cycle of the companies were studied (Table 1, 2, 3).

Table 1: Types of managers in the research

Size		
First-line managers	110	40,59%
Middle managers	82	30,26%
Top managers	79	29,15%

Table 2: Sizes of companies in the research

Size		
Micro Enterprises	48	17,71%
Small Enterprises	66	24,35%
Medium Enterprises	80	29,52%
Large Enterprises	77	28,41%

Table 3: Life cycle of companies in the research

Size		
New-founded	27	9,96%
Growth	80	29,52%
Stabilization	152	56,09%
Decline/crisis	12	4,43%

We used questionnaires to examine the type of thinking while managers approaching the strategic analyzes and other phases of process of strategic management, mainly we focused on analysis of environment (external environment and internal environment), strategy

implementation and strategic control. Based on our long-term research on exploring managers' approaches to decision making and to strategic analysis, we distinguish four type of thinking:

1. *Routine thinking* is based on own previous experience, knowledge and ability to solve certain standard and repetitive situations, while accepting knowledge of others without direct conscious thinking and demanding collection of information, their processing and evaluation. In this case, almost like our brain is making decisions on its own, without direct involvement of our consciousness.
2. *Model thinking* is based on procedures and steps in given area that were created and verified by others and we trust to implement these procedures. In this case, this thinking is application of conscious thinking, but only partially, because we use it only in the implementation phase of given procedure. While choosing a procedure, we rely on the result of other people's thinking and the quality of the result of their thinking.
3. *Creative thinking* is based on gathering information; processing them and developing own original solutions. In this case, it is a highly "conscious" thinking. Individuals make decisions based on their own abilities and possibilities
4. *Intuitive thinking* is a way of thinking that is independent of our knowledge and logical procedures. The whole course of this thinking can be described by cognitive neuroscience. Our thoughts come to a decision mysteriously while we do not know how we found exactly solutions, why we came to such solutions and why they are coming in the moment we were not really thinking about that kind of problems.

Results

A. Approaches to strategic internal analysis

In the first part of research we examined the approach and type of managers' thinking while doing strategic analysis of impact of factors from internal environment as a part of strategic decision making. Almost majority of the managers (46,86%) tend to apply creative thinking based on scanning and collecting relevant information, selecting of specific analytical procedures and creating a know-how that company can gain significant competitive advantage. In the second place 23,62% of managers apply model thinking, they use standard methods and procedures recommended by the theory of a generally valid methodology (like financial and economic analyzes, value chains, core competence, etc.). 18,82% of managers applies tradition and routine procedures recommended from the practices of enterprises and only 10,7% of managers use intuition. The intuitive thinking was strongest among the micro enterprises (18,75%) and the number was decreasing with size of the company, in large enterprises only 2,6%. We also found out that enterprises in crises were mostly using routine thinking (50%), which can be also the reason of their unsuccessful position. Creative thinking was strongest with top management (60%) and the number was decreasing with the level of management, in first-line management only 36,6%, (they were more applying routine and model thinking). Interesting result was that intuitive thinking was mainly applied by top and first line managers (by 15%) and in the middle management only by 1,22%. Internal analyzes are analyzes where it is possible to collect all important information and to evaluate them, so it is possible to use routine, model and creative thinking. The intuition doesn't necessary need to be applied here. Intuition was applied mostly by micro enterprises which are less formal and led by one manager who has everything inside his/her head. The model approach is also suitable for this type of analysis because internal environment has a lot of techniques and methods that can be applied to its assessment. But the active approach to internal analysis of thinking is the creative thinking and as a result shows is approach used by almost majority of managers.

B. Approaches to strategic external analysis

In the second part of research we examined the type of managers' thinking while doing strategic analysis of impact of factors from external environment. Since the external environment is

much more complex than internal environment, we can also see differences in approach to thinking. Creative thinking was dominating in this area as well as with internal analysis, but the number is a little bit higher (49,82%). Routine thinking has almost the same results (19,93%) as it was in results of internal analysis and also intuition has similar results (9,59%). The model thinking was applied by 20,66% of managers, it is a lower number as it was with internal analysis. This can be a result of difficulty of assessment of external environment. The other results were very similar as with the internal analysis, maybe one difference was that middle managers used more intuition (7,36%) compared to internal analysis, but still it is a low number. To analyze and to assess factors from external environment and its development is much more complicated and involves more data and information that need to be collected, analyzed and forecasted. External environment contains macro and micro level and also international and global context. Routine thinking will be insufficient approach to these kinds of analyses nowadays. Also model thinking has limits because of the dynamicity of environment and problem of forecasting. The creative thinking will be the most suitable approach to thinking for this part of strategic analysis. But also an intuition can be even more successful here, but is limited because not everybody is able to apply this type of thinking. In our research we can see that almost majority managers tend to apply creative thinking, while intuition is done only by smaller percentage.

C. Implementation of strategy

The other part of our examination was linked to implementation of strategy. We asked managers about their approach to thinking while implementing strategies in their companies. Again almost majority of managers apply creative thinking (45,39%), but it is a little bit less than it was in strategic analysis. We can see also higher numbers of model thinking 22,51% and routine thinking 21,03% while managers implementing their strategies. Model thinking is based on following the standard methods and procedures recommended by theory and universal methodology (for example 7S, strategic planning, BSC.) Implementation doesn't always demand original solution if the company has efficient model of implementation. However, the implementation phase can be the most difficult phase in process of strategic management. There are not many techniques and methods in strategic management that help to implement strategies efficiently. Intuitive thinking was applied by 11,07% of managers (just a little bit higher number than in strategic analysis), that means that managers rely on their extraordinary innate "strategic" capabilities" while implementing strategy.

D. Strategic control

Last part of the results we would like to discuss is connected to the approach to strategic control. The results are here quite different than in strategic analysis and strategy implementation. We found out that managers applied mostly model thinking 31,73% in strategic control. That result can be also connected to the fact that for strategic control it is possible to set out standards and effective procedures in the company and to follow them. The use of creative thinking was on the second place with 29,52%, routine 26,57% and intuitive thinking had 12,07%. The level of using intuition in the large enterprise was really small (only 2,60), and model thinking was the most used approach (about 44%). The model thinking might be the suitable approach here, since strategic control doesn't involve same dynamics as it is in strategic analysis. But we should also mention that strategic analysis and strategic control should be in close relationship.

Conclusion

Entrepreneurs and managers today are constantly addressed to new emerging challenges and opportunities. Compared with the past, they are even more threatened by changes and have to face ever greater risks. The relatively stable environment in the past enabled companies to

applied analytical tools and techniques that have been proven by experience and recommendations of their development. The present situation in the environment in which managers pursue their strategic decisions, is significantly different. Not only is it marked by uncertainty related to the ongoing crisis, but above all unprecedented dynamics and unpredictability of severe changes in the environment. While strategic decisions taken in the past tended to have long-term effectiveness, the current strategic decisions do not guarantee the same effectiveness in the future. Today's achievements are an expression of strategic choices in the past, but for the success in the future is necessary to constantly fight. From this perspective, requirements for application of strategic analysis are also changing.

We completed a research that shows how managers use a conscious thinking while approaching strategic analysis and making strategic decisions. Based on results, we can see that managers in majority apply creative thinking while approaching strategic analysis and implement strategies. They mostly do not rely just on the methods and techniques theory of strategic management suggest. The creative thinking dominated in the research. Creative thinking is thinking that is based on gathering information; processing them and developing own original solutions. It is a highly "conscious" thinking in which each of the individuals makes decisions based their own abilities and possibilities. It is an active approach to thinking and decision making. The results of research can be explained in two levels. The first level is that methods and techniques in strategic management with their recommended methodology are not longer sufficient or enough to be used to assess the current environment and to forecast its development. Managers are trying to find new ways or combine classical techniques with new approaches and they are active while preparing strategic decisions. The other level of interpretation of results is that not all managers know how to apply methods and techniques of strategic analysis properly and it can be interesting to examine that in future research.

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