Strategic Thinking

Written by:

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Executive Wisdom
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Ric and his company, Executive Wisdom Consulting Group help leaders make distinctive, lasting and substantial improvements to the performance of their organisations; partnering with clients to tackle their most difficult issues and serious challenges. Just a few of his active and current clients include; Australian Legal Practice Management Association; CPA Australia and Commonwealth Bank.

Ric Willmot’s intent is not just to improve your business, but to build firms which create wisdom and wealth. Ric’s background is accounting, financial planning, and organisational psychology. Ric’s Private Clients Mentoring Program was created in 2005 and has already had over 200 executives from 12 countries graduate through the 6-month program. Late 2010, Ric’s Forums was launched. An international online business forum where people from around the world can come together 24-hours-a-day, 7-days-a-week to discuss strategy, leadership, marketing, technology, best practices, ethics and anything else which presents itself. Within one month, over 100 professionals from 13 countries had bought lifetime membership.

Ric is interviewed and quoted frequently in the media; he writes regular business columns for 4 Australian magazines, 3 Asian magazines and is the feature writer for Svoy Business: Russia’s leading corporate magazine with a readership in excess of 55,000.

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Introduction

Strategic thinking is vital in a world of constant change. However, it is misunderstood by most of the self-proclaimed gurus and consulting experts who truly do not understand what it genuinely is - and is not. Ponder for a moment though; just how important strategic thinking, innovation and creativity has become in a corporate arena of fast-paced competition.

What the majority of organisations and management forget, is that strategic thinking - to a great extent - has to be undertaken on a daily basis. There are no warning bells, however, it is the responsibility of management to identify opportunities and instigate sensible performance in an effort to raise results.
Where most people fail with strategic thinking, is that they confuse strategy with tactics. Strategy is the “what” and tactics is the “how”. To think strategically, you must never allow yourself to fall into operational or procedural thinking or tactical problem solving.

Want proof?

Think of the last “strategic meeting” you attended: it may have been for work, for your sporting club, or for your children’s Parent & Teacher Association. The purpose of the meeting was to develop a three-year strategic plan. Within fifteen minutes, the discussion moved towards discussing alternatives:

- How to raise much needed funding for the playground
- “We could hold a fete.”
- “How about a raffle. I know the owner of the car dealership and we could get a vehicle at cost.”
- “What about a black tie memorabilia auction night?”

Fine ideas, all of them, that may in essence support a smart strategy for the association. However, these are all just alternatives seeking an objective. The objective must be established prior to making decisions on tactics, actions and processes.

How can we then train our brains to be strategic when we naturally prefer to be tactical problem solvers? My observation is that you don’t win in sports (or most anything else) by playing it safe and seeking the comfort and obscurity of mediocrity. If you don’t regularly try to innovate and stretch your strategic thinking then you’re going to safely stagnate.
Tick each of those below that you can honestly answer “Yes” to:

<table>
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<tr>
<th>✓</th>
<th>WHERE DO YOU SPEND THE MAJORITY OF YOUR TIME?</th>
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<tbody>
<tr>
<td></td>
<td>1. Writing reports?</td>
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<tr>
<td></td>
<td>2. Delivering advice?</td>
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<td></td>
<td>3. Undertaking research and analysis?</td>
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<td></td>
<td>4. Implementing new ideas?</td>
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<td></td>
<td>5. Managing staff?</td>
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<td>6. Influencing clients?</td>
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<td>7. Doing the “work”?</td>
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<td>8. Acquiring new business?</td>
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<td>9. Teaching others “how we do things around here”?</td>
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<td></td>
<td>10. Experimenting?</td>
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<td>11. Debating how to do things?</td>
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<td></td>
<td>12. Trying things out?</td>
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<td>13. Working long hours or taking work home?</td>
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<td></td>
<td>14. Taking time out or even going home early?</td>
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</tbody>
</table>

For every one of these you ticked score 1 point: 2; 4; 6; 8; 10; 12; 14
For every one of these you ticked subtract 1 point: 1; 3; 5; 7; 9; 11; 13

**YOUR SCORE:**

We tend to fill our working lives with “busy work” that makes a mess of our “thinking skills”. This mess builds up, gets in our way, and eventually becomes so large that it impedes our progress. We have to stop the “busy-mess”.

What is your area of responsibility to accomplish in your business? You are paid for results (the even numbers above), not arbitrary actions (the odd numbers above). How much time are you allowing yourself to accomplish them? Why?
Our brains are programmed to make us over-confident in our thinking. This has its upside and downside. It’s wonderful that we have confidence and chutzpah. It’s what enables us to do wonderful and innovative things.

Strategy is affected by the human brain because it cleverly develops shortcuts and bad habits to quickly repeat previously learned tasks. These are brain-programmed applications created by our formalised education system and, socialisation.

Write your answers beside each of these questions:

<table>
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<tr>
<th>Guess the weight of an A380 Airbus</th>
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<tbody>
<tr>
<td>Guess the length of the river Nile</td>
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</table>

I’m guessing that nearly everyone will take an educated guess and write a specific answer. Very few to practically none will write their answer as: “Between 2,000 and 10,000 kilometres long”.

The downside of our over-confident thinking is that many executives and business leaders prefer to be precisely wrong rather than vaguely right. This means that we can easily get our strategic thinking wrong because we are over confident and therefore can make some really poor decisions.

**What is “driving” your organisation?**

What is the motive for being in business? What is (are) the propelling force(s) that are sacrosanct to your mission and vision for the organisation?

- **Is it your products or services that you offer?**

  Motor vehicle manufacturers are in this group. Their propelling force of being in business is the delivery of their product and the service of that product. Could a motor vehicle dealership add revenues by teaching you how to drive your car? Yes. Do they? No. They sell cars and then service them. The end.

- **Is it technology?**

  Microsoft’s propelling force is the design, creation and sale of technology. Could they add revenue streams if they built more robust, user-friendly software programs that worked and provided genuine customer support on how to use it better? Of course, but “customer service” or their “markets served” is not the “primary” driving force. “Technology” in and of itself, is.
• **Production capability**

This is the driving force of enterprises who base their business on maximising billable hours. Accountants, lawyers, business coaches, etc. The only way they can make more revenue is to increase production capability and increase their prices.

• **Natural resources**

Organic hobby farmers have natural resources as their propelling force. Could they increase the revenues and profit margins of their enterprise by using herbicides and pesticides? Guaranteed they would. Will they? Never! If it is not a natural resource they will not bring it in to their business model.

• **Method of distribution**

McDonald’s has this as their driving force. The McDonald’s business is designed to deliver your purchase to you, the same way, every time, in the shortest period of time. Whether you are being served inside at the counter, or outside sitting in your vehicle. It’s not about the quality or nutritional value of the food. Nobody visits a McDonald’s to browse the menu seeking a gastronomic delight.

**Strategic Misconceptions**

The biggest strategic thinking misconception is that the “Driving Force” is just another name for product emphasis, market emphasis, or production emphasis. Wrong. Just because an organisation emphasises certain skills or is known for a particular capability does not mean that those skills or that capability is the driving or propelling force.

Coca-Cola is known for its worldwide marketing capability, yet it has a PRODUCTS OFFERED driving force. 3M has long been known for its excellence in management, but “management” is not its driving force.

Strategic thinking requires a focus on many parts at one time to protect the well-being of the enterprise.

• Thinking about what’s important - product and service delivery

• Thinking about the business instead of working in the business

• Thinking agilely to accelerate from now into the future
Strategic Thinking And Innovation

The best definition I have heard for innovation (and apologies for not remembering who to acknowledge as the source) is: “creative destruction”. But how can you be creative, let alone destructively creative in your strategic thinking. Drucker and Tregoe, individually wrote about this. Here, are three examples from my 10-point-instrument developed from what was learned from both of these great management authors:

**UNEXPECTED SUCCESSES**

We are quite adept at post mortems when things go wrong. However, when things unexpectedly go right, we tend to celebrate quickly and go back to doing what we have always done.

But we can learn a great deal and acquire clever strategic thoughts when we analyse unexpected successes. The keyword being “unexpected”. And, these do not have to be our own unexpected successes, they can be those of our competitors or from outside our own industry.

The first frequent flyer program was created by Texas International Airlines in 1979, and in May 1981 American Airlines introduced AAdvantage. This was quickly followed by United Airlines (Mileage Plus) and Delta (SkyMiles), and in 1982 with British Airways creating Executive Club.

Think of an unexpected success you’ve had in the last 6 months. How could it allow you to reach out laterally and leverage upon that success to further boost your business?
The same as above only focussing on the failures and how to learn from them. That failure does not (exactly the same as with successes) need to be your own. You can learn from the failures of others. What has failed so severely that we may perhaps discover a totally new need or niche that we have evidently overlooked?

Think of an unexpected failure you've recognised in your offering or in a competitor in the last 6 months. How could it allow you to adapt your business to take an unfair advantage in the market place by offering a solution, capturing the opportunity lost this failure created, thereby boosting your business?

Aircraft hijacking of commercial flights in the 1960s created a need for airport security. Passengers and their luggage would now be scanned for weapons and hazardous items. In 1973 metal detectors (which are simply just x-ray machines with the power turned down low) became mandatory in all U.S. airports. This unexpected event (commercial aircraft hijacking) created a billion-dollar industry for GE and others who were able to manufacture and sell metal detectors to airports around the world.

What unexpected event has happened in recent history that could promote an innovative strategy for your organisation? Can you deliver a suitable ROI? Can you start now? What’s stopping you?
Other areas determined by Drucker and then by Tregoe include:

- **Process weaknesses**
  
  What “weak link” in your own business or in your competitors' business could identify a need for enhanced products or services? Process weaknesses will ceaselessly devour money and profits so long as they are seen as problems to be solved and accommodated. However, when they are viewed as opportunities, they can turn out to be the sources of completely new systems that not only eradicate the problem, but also actually propel performance upwards.

- **Changes in industry or market structure**
  
  What is changing within the industry or about your company structure that will make available opportunities for new standards? In Australia for instance, you would easily recognise health care, mortgage lending, energy, telecommunications and recreation as being areas deserving attention.

- **High growth**
  
  What growth have you and your business encountered ahead of expectations and forecasts that might guide you to leverage other business processes you deliver? Too often, we treat high growth as simply good fortune and do more of the same. In other words, if people are buying this, let’s produce more of it. Managers should look around their operation and determine what areas are growing dramatically and how they can be exploited.

Action is the only precursor to success. Strategic action is the forerunner. Intelligent strategic thinking is the foundation where all of this is built.
The Defining Aspect Of Competition

Words and language fascinate me. One reason for that interest has to do with meaning, and how easily sentences can mean entirely different things when emphasis or arrangement changes. Consider, “I told only her that I loved her” versus, “I only told her that I loved her”.

Now think about the title to this topic, “the defining aspect of competition”. In a more subtle way, like an illusion, you can interpret the meaning in two different ways. The simplest is to think that it’s about the special and unique thing that the word competition requires. In other words, what’s the one, unique thing that must be present if we want to use the word “competition”?

However, there’s a more interesting angle here. Suppose we were to make “competition” an active force, a noun instead of a verb? We could then change the meaning of the phrase and arrive at, “How does working with competition create a definition of something?” Now we’re asking about the force of competition and it’s impact on definition.

Let’s add to the mix the importance of definition itself. Do we really need definition? Suppose we’re the captain of a ship arriving at a busy port. There’s a heavy fog and it’s late afternoon. How much definition do we want in terms of the shapes, sizes, and positions of other ships in the nearby area? Do we care? Do those other ships need to be seen clearly, or can we just shrug them off as vague shapes?

What do we intend with the word definition: clarity or meaning?

Realistically, clarity and meaning have very similar connotations. We ask someone to define a term in a conversation both because we want to be clear about what they’re saying, and because we’d like to know what they think the term means. Either way, the concept of definition means better thinking, clarity of that thinking, and more comprehensive interaction with concepts.

Imagine a bicycle race. Now imagine that race where you’re the only person in the event. There’s you, your bike, and nobody else. Strange race, true, but imagine it just the same. Because it’s only you, there’s no competition.

How do you know if you’re any good as a bicycle rider? More importantly, how do you know if your bike is any good? Is it a quality bike? In fact, how much do you even care about the entire structure and concept of your bike if there is no competition?

So many of us look at competition as a threat. In the US, competition is being removed from school environments because it upsets children. They feel badly when they don’t win or place in a competitive event. Their self-esteem drops, and we wouldn’t want that, would we?
The problem is that without competition, how does anyone develop a sense of clarity and meaning about who they are? How do we define a personality without feedback and interaction with other personalities? Have you ever heard the term “borderline personality disorder?”

One way to understand a borderline personality disorder is to think that it might be a disorder, or it might not be ... hard to tell. It’s a borderline judgment call. But the proper meaning of the term is that a person has difficulty placing borders around their own sense of self. They can’t clearly differentiate themselves from things and living entities around their body. They lose themselves.

In the same way, a business without competition begins to lose its borders, characteristics, clarity, and meaning. Without constant feedback, all sorts of processes begin to blur, fade and collapse. The business loses its core mission, basic product lines, and eventually ends up out of touch with reality (which is the same as the marketplace).

Competition is a feedback system. The more competition, the more complex the feedback. In a bicycle race of only two riders, each is focused only on the few differences that might affect the outcome. But in a race with hundreds of cyclists, every imaginable aspect of not only the bikes, but also the riders themselves comes into question.

Increased competition means increased complexity. With increased complexity comes more variation. And with more variation, deeper assumptions are called into question. Those entities that successfully compete do so because they have the sharpest vision of themselves.

They have the clearest understanding of exactly who they are, why they exist, how they function, and where they can improve.

Instead of always focusing on how to change in order to better compete, try reversing the flow of information. Examine how your competition is demanding that you become increasingly aware of exactly who and what you are. Every competitive interaction is better clarifying your definition of yourself. That’s a good thing!
Clarity

Having strategic clarity is important. Here is Willmot’s Strategic Wheel:

How do you get your management team involved in strategic thinking?

Here's an approach I sometimes use when consulting to organisations on strategy:

1. Compile a list of three to six priorities for the coming year

2. Distribute the list to the managers responsible for functions, demographics, geographies and brands

The list can then become the basis of an off-site strategy alignment meeting, where managers debate the implications of the priorities for their particular business units or departments. The corporate strategy function summarises the results, adds appropriate corporate targets and shares them with the organisation in the form of a strategy memo, which serves as the basis for more detailed strategic planning at the division and business unit levels.
<table>
<thead>
<tr>
<th>QUESTIONS TO STIMULATE STRATEGIC THINKING</th>
<th>YOUR ANSWERS</th>
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<tbody>
<tr>
<td>What substantive issues face us today?</td>
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<tr>
<td>What will face us tomorrow?</td>
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<tr>
<td>What are we doing and doing well?</td>
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<tr>
<td>What are we doing and not doing well?</td>
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<tr>
<td>What are we not doing that we should?</td>
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<td>What opportunities are we missing?</td>
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<table>
<thead>
<tr>
<th>What are our priorities?</th>
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**Strategic Listening**

Strategic thinking can be greatly enhanced with strategic listening. Every person in your organisation must know “how” to hear the customer’s voice. This means that your people need to move beyond statements about customer desires. A good technique for ensuring understanding is Peter Senge’s “Five Whats” which he adapted from the ancient Chinese approach of “throwing five rings” around a problem until your focus is clearly on the cause not the symptoms.

How this works in strategic thinking is incredibly powerful. For example, if someone says a customer wants “total quality”, it’s appropriate to say: “What do you mean by that?” If the response is, “Rapid response to my problems,” it’s appropriate to respond with: “What do you mean by rapid response?”

Here’s an example of how my organisation used this exact principle in researching a client’s customer list for them:

*What do you expect from your photocopier service provider with regards to “service”, specifically?*
  1. “We expect outstanding service.”

*What does that mean to you?*
  2. “Responsiveness”

*What do you mean exactly by responsiveness?*
  3. “Quick fix of unanticipated problems for which we should not be inconvenienced.”

*What does that mean to you?*
  4. “Minimum downtime of our office copier.”

*What exactly do you mean by minimum downtime?*
  5. “Maximum of three hours for the copier to be fixed.”
Therefore, we were able to establish a strategic objective in these terms:

\[
\text{Average time lapse between initial customer call and restored service should not exceed three hours.}
\]

Our recommendation to the client was to offer this as a paid-for premium service to obtain priority attention. Without a single increase in the number of actual customers, our client increased revenues by a staggering 11% and improved customer satisfaction. It also reduced the customer complaints; because those who did not subscribe to the premium service understood that they would have up to an eight-hour response time, but recognised that clearly by dint of their service relationship.

Your turn. Thinking strategically about your business:

1A. What do you want to add to your business model that will generate a significant improvement in revenues in the next 18 months?

2A. What does 1A mean to you and your organisation?

3A. What do you mean exactly by 2A?

4A. What does 3A mean to the business?

5A. What exactly do you mean by 4A?
You need to be aware of where your strategy is working and where you need to focus your results:

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<tr>
<th>AREA OF FOCUS</th>
<th>QUESTIONS</th>
<th>YOUR ANSWERS</th>
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<tbody>
<tr>
<td>Customers</td>
<td>Are there new niches we could serve?</td>
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<tr>
<td>Value Proposition</td>
<td>Could we offer more tailored solutions?</td>
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</tr>
<tr>
<td></td>
<td>Do our customers have other needs we could satisfy within our current competencies?</td>
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<tr>
<td>Revenues</td>
<td>Could we introduce new offerings?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Could we enter new markets?</td>
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<tr>
<td>Relationships</td>
<td>What do we need to do in order to have a higher proportion of A-class customers?</td>
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<td></td>
<td>How can we spend less time and resources on C-class and X-class customers?</td>
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</tr>
<tr>
<td>Key Resources</td>
<td>Are there some key resources that we could access that would improve our business model / value / offerings / operations?</td>
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<tr>
<td></td>
<td>Are there some resources we could replace with options that are more effective?</td>
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<tr>
<td></td>
<td>Are there some key resources we could outsource?</td>
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Strategic thinking is a simple process of re-framing your mindset to become comfortable with ambiguity and to allow yourself to initially feel free to fail and be vaguely correct rather than specifically wrong.

1. Focus on improvement, not merely “fixing”.

2. Approach your business with provocative ideas rather than waiting to solve problems.

3. Place higher importance on a need you may create within the market place rather than pre-existing needs. Get there and wait for the market to catch up. This way you’ve already arrived with the solutions available for your customers.

4. Aggressively seek out the causes of your successes and don’t be overwhelmed attempting to analyse why you failed.

5. When a part of your business (product or service or production process) becomes highly successful, instead of just doing more of the same thing, move laterally and attempt to connect other areas of your organisation to that success. Find ways to exploit success while the momentum is present.

6. Don’t become defensive if a competitor scores a surprise win. Learn what you can and will do to leverage off it for even better results.

Of course, you must turn that thinking into action.
8 Tips to Developing an Action Plan

An action plan converts a solution to a linear approach for action; listing ‘who’ is to do ‘what’ by ‘when’. By following these steps, managers can be assured of a successful business outcome:

1. **List the solution as goals** - For example, “For us to ... we need to ...

2. **Generate a list of actions** - Use brainstorming to compile a list of actions necessary to successfully achieve a particular goal. Arrange this list of suggested actions in sequential order.

3. **Prepare a timeline** - Allocate dates for sequential completion of actions.

4. **Identify events affecting actions** - Take each point on the timeline and identify any other events, which would have to occur before the listed event can be addressed. Relevant points not already listed are added to the timeline.

5. **Identify likely problems** - Develop a contingency plan for any anticipated problems. Identify the causes for these problems and appropriate actions to handle them.

6. **Develop a plan to monitor action** - List ways in which the progress of the action plan will be monitored.

7. **Assign tasks** - “Who will do what, by the date set, to bring about the particular action?”

8. **Finalise the details** - Now that you have developed your plan for action in specific terms, this information should now be disseminated to all concerned.
Strategic Planning Isn’t Planning For Contingencies

We live in uncertain times, and people talk about all sorts of planning. But, as someone once said, “if you want to give the gods a real belly laugh, just make a plan!” How valuable is it, then, to make plans? Are there different types of plans?

Strategic planning often seems to mean that a company or business owner examines the future based on today’s variables. Depending on worst, best, and likely case analyses, the planner then develops a cause and response plan. This type of planning differs from tactical planning in that it usually goes out farther into the future. Tactical planning tends to be more about “how” will we do something. Strategic planning is more toward “what if” something happens.

That being said, we also see plenty of examples of long-range plans failing to take into account some unexamined event. In fact, one example is where the company has contingencies in place for twenty different problems, never expecting that all twenty events will take place simultaneously. Problems and crises have a way of coming in bunches, making planning more of an art than a science.

So what’s a person to do? Should we never bother to consider possible problems and disasters? What about considering success beyond all expectations, as with an exponentially larger number of orders or clients? Do we make plans, cross our fingers, and simply hope for the best?

Consider the entire concept of planning: At its foundation, a plan is a way to adapt to future circumstances. We can say that the better someone is at adaptation, the more successful their plans. To develop a comprehensive set of plans, one would need to be omniscient and clairvoyant. But to be skilled at adaptation requires only ordinary human capabilities, and requires much less specific planning.

An important part of adaptation is flexibility in processes. Yet many business owners don’t have a solid grasp on all the processes taking place in their business. In fact, many business owners and executives don’t actually know the key processes and critical dependencies of their core business. If that’s the case, then strategic planning ends up being more like a shotgun blast of plans, with no particular organisation.

Knowing how to adapt, and making the business highly responsive to changing circumstances is a better way to prepare for the future. Explorers throughout history didn’t know what they would encounter in new places, but they did know how to survive, how to adapt, and how to quickly assess entirely new events. Along with strategic planning, why not have a rapid-response team in place?
To better prepare for the future, it makes sense to first lay out the many processes involved in the current business. Then determine the most critical processes and what they depend on outside the company’s control. But instead of devoting full attention to setting up contingencies for failures in the dependency chain, examine how quickly each process and its function can be entirely changed.

Think about the process of setting up an order from China. The process begins with inventory management, which in turn causes an order to be generated. The critical dependencies include transportation systems, remote politics, and raw materials. Rather than developing a contingency for transportation failure (e.g., a ship sinking), a local war, or a factory burning down (taking with it all the raw materials in stock), how can this process be dramatically changed?

Suppose all three events take place at the same time - war delays the ship leaving port; an explosion destroys the factory; then, even partially loaded, the ship sinks in the Pacific. If contingency plans are in place, what happens if the necessities for those contingencies also fail?

How quickly can the source for orders be fundamentally shifted from China to another country? It isn’t important which country; it’s important to know how quickly the process can be changed. Is it possible to redirect the entire order process, perhaps setting up an immediate delay notification to all waiting customers?

Substitution is an adaptation process, and it’s been around for a long time. Rain checks are a form of substitution. Regardless of what part of a process fails, or if it goes down completely, the adaptive response is to offer a substitution. That’s not the same thing as having a specific backup product or service stockpiled as a contingency. We don’t yet know what we’ll substitute, but we know that we can come up with a substitution quickly.

Contingency planning assigns a specific response to a particular event or circumstance. Strategic planning examines possible events or circumstances that might require contingencies. But process analysis with adaptation capabilities in mind is a third option. People don’t succeed because they know how to do everything; they succeed because they know how to change and adapt to circumstances, taking advantage of evolving opportunities.
Conclusion

Successful strategic thinkers are people who:

• Continually raise the bar for themselves and others
• Hold true to the values and culture of the enterprise
• Focus on the results not the activity
• Act as catalysts and don’t seek to be heroes
• Are consciously competent
• Continually seek wisdom

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