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Strategic Thinking Model for Top Business Managers and Employees

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Abstract

In this paper, the strategic thinking model of top Iranian company managers and employees has been compared and presented to help the companies interested in entering Iran's market operate independently or in partnership with these top companies. The study was conducted using a mixed-methods (qualitative and quantitative) approach. The influence of each factor was determined using the collected data. As a result, the majority of respondents believe in fundamental environmental changes and outside the focus of attention. As a conclusion, organizations need to enhance strategic thinking capability throughout the organization through education in order to achieve their organizational goals.

Keywords: Strategy, Management, Formulation, Evaluation.

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Modelo de pensamiento estratégico para altos directivos y empleados

Resumen

En este documento, se comparó y presentó el modelo de pensamiento estratégico de los principales gerentes y empleados de la empresa iraní para ayudar a las empresas interesadas en ingresar al mercado iraní a operar de manera independiente o en asociación con estas compañías líderes. El estudio se realizó utilizando un enfoque de métodos mixtos (cualitativos y cuantitativos). La influencia de cada factor se determinó utilizando los datos recogidos. Como resultado, la mayoría de los encuestados cree en cambios ambientales fundamentales y fuera del foco de atención. Como conclusión, las organizaciones necesitan mejorar la capacidad de pensamiento estratégico en toda la organización a través de la educación para alcanzar sus objetivos organizacionales.

Palabras clave: estrategia, gestión, formulación, evaluación.

1. INTRODUCTION

Despite the efforts made in the field of strategic thinking, still many questions have remained unanswered. First, does strategic thinking have a specific position in the course of the developmental stages of the exemplary strategic model and is theorizing in this category considered something different? Second, what steps and approaches are involved in the formation of a strategy in the literature? Third, is an organizational approach to strategic thinking considered a significant issue? Fourth, what are the strategic thinking characteristics

that should be taken into consideration? Fifth, how does the strategic thinking contribute to a strategic action in the organization? Sixth, what elements and in what levels can influence the formation of strategic thinking at an organizational level? These are important topics in strategic thinking which remained ambiguous and have been paid less attention. Moreover, so far there is no specific framework available that can represent the effective factors in strategic thinking. Over the past decade, the topic of strategic thinking has been paid more attention to the field of strategic management. The importance of strategic thinking capability for managers is mentioned in many studies.

The adoption of strategic decisions and actions by employees and other members of an organization, resulting from strategic thinking at the organizational level, is a subject to be addressed. The changing and unstable environmental conditions, organizational learning, learning organizations, organizational knowledge, cultural conditions, political behaviors and their role in strategy formation indicate the need for an appropriate model for organizational strategic thinking throughout the organization. The model can represent the important characteristics of strategic thinking, significant relationships between the key concepts and factors affecting strategic thinking in an organization. The key concepts of strategic thinking should be identified and the relationships between factors affecting strategic must be explained as a model. It should be demonstrated that the organizational strategic thinking capability is the outcome of a set of elements that form and determine the strategy and content of the

strategy. Strategic thinking is similar to the glue that holds together the many systems in an organization (Poister and Streib, 1999).

The ability to identify and define the related and unplanned events is a significant indication of the success of successful managers in current organizations. These abilities demonstrate strategic thinking in an organization, which represents a fundamental disadvantage in achieving organizational excellence and empowerment. The strategic capability enables managers to understand, predict, identify and control future events and influence changes rather than being affected by them. On the other hand, the application of strategic thinking in an organization will lead to failure unless the actions of managers and their management styles are taken into consideration. The growth of an organization does not merely depend on managers, their thoughts and decisions. It also depends on considering the organizational conditions and their comparison, the characteristics, conditions, requirements and priorities of the employees.

Strategic thinking is not specific to the present era. Government and community leaders in different times used the concepts and approaches in different ways. In the present era, experts of management incorporated a scientific style into strategic thinking. Strategic thinking is considered a hypothesis that involves producing and testing ideas, effective goals and strategies. Strategic thinking is the process of finding alternative ways to compete and deliver value to the customer (Abraham, 2005). Mintzberg argues that strategic thinking is an integrated perspective of the enterprise. Gary Hamel describes the strategic thinking as an artistic architectural strategy based on creativity and business comprehension; whereas, according to Stacy it is a learning-based planning. Zabriskie

defines strategic thinking as the prelude to designing the organization's future. Garat defines strategic thinking as a process through which managers view the crises and daily management process holistically and acquires different approach toward the organization and its variable atmosphere (Bonn, 2005).

From the general point of view, strategic thinking is a deep understanding of the present situation and exploiting the opportunities. This insight helps identify the market realities and rules in a timely manner and develop new strategies to deal with this situation. Most scientists who have focused their studies on strategic thinking suggest that strategic thinking is different from other types of thinking, such as systemic thinking, intuitive thinking, analytical thinking, etc. According to IchiUmi, when a strategic thinker face problems, events or situations that form a coherent whole, divides them into its constituent parts. After recognizing the components and their significance, they combine them in an excellent manner using their rethinking ability.

In traditional approaches, the environment is defined as the source of vital business information, and collecting information is the most important responsibility of managers. This concept is absolutely correct. However, the aspect of experiencing business environment is far too important, and it becomes even more important when dealing with complexity and nonlinear relationships between business factors. This contributes to a gradual but thorough understanding of business factors and their effect on value creation in the minds of strategists, and this perception is an important element of the formation of strategic thinking. New managerial approaches to the improvement of executive processes

and focusing on human resources as an important tool for doing business in organizations are of great importance to the advancement and achievement of high efficiency. Availability of a coherent planning system and believe in planned activities are the benefits of operating in modern organizations. In this respect, organizations need strategies to achieve their goals. Strategic thinking is defined as one of the two major capabilities for top performers (Collins et al., 2000). Methodology and its application is not the secret to an effective strategy (a large number of prominent managers with memorable strategies lack the experience of using usual methods of strategy development). Whereas, understanding the business elements can make a strategy strong and worthwhile. Market insight is based on a deep understanding of the rules of the game and their application. Abraham (2005) sees strategic thinking to define reliable strategies or business models, which contributes to the creation of value for the customer.

2. THE IMPORTANCE OF DOING RESEARCH

The rapid and complex global transformation has contributed to economic conversion— that is, moving from an economy relied on tangible assets to an economy of intangible assets (knowledge) as well as a rise in humanism. In other words, management and employees thinking have become a competitive advantage. Below are some of the major obstacles and challenges of strategic thinking:

Below are some of the major obstacles and challenges of strategic thinking:

1- Lack of a systematic approach
2- No participatory management
3- Lack of access to correct information
4- Managers' internal and behavioral barriers
5- Lack of key executives
6- Problem in aligning members of the organization (organizational distrust)
7- Lack of corporate incentive culture

It can be said that strategic thinking is more important than strategic management and its importance will be doubled in the years ahead. The obstacles and challenges presented in this study are based on the numerous studies and articles as well as my own considerations; though not complete, are not far from the truth.

3. RESEARCH METHODOLOGY

This is a mixed methods research, undertaken in two stages. The first stage involves designing the research model (quantitative and qualitative) using literature review and in-depth interviews (according to the exploratory nature of the study). The second stage involves using a survey method, in which the questionnaires are designed, completed and tested using the factors identified at the previous stage (quantitative).

4. THE CONCEPTUAL AND OPERATIONAL MODELS

The conceptual model is demonstrated in Figure 1 and the exact definition of operational variables is discussed in Table 1.

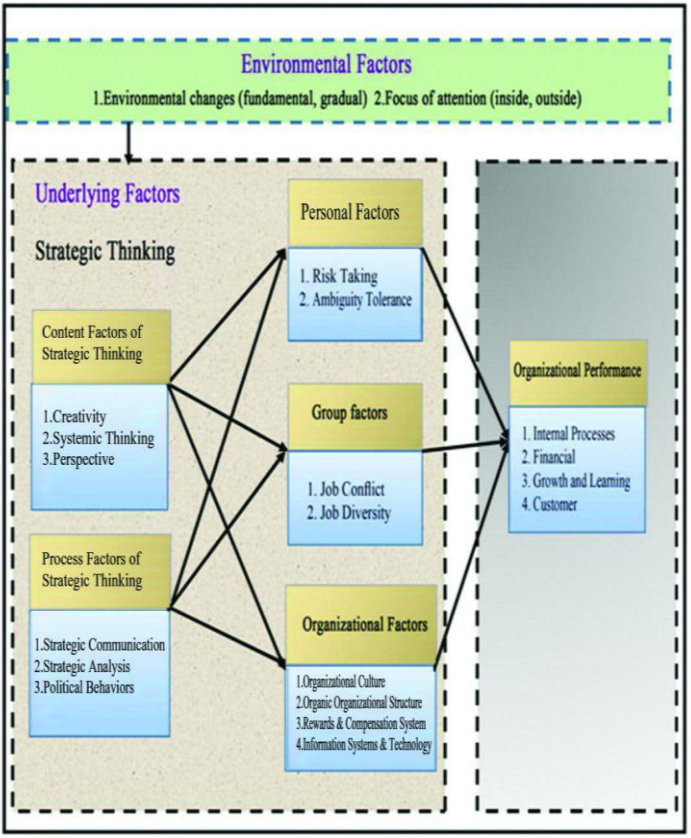

Figure 1. The Conceptual Model

Table 1. Breakdown of Concepts, Dimensions, Components and Indicators

Row	Construct or Concept	Dimension	Component	Indicator (Operational Definition of Components)
1	Environmental and Organizational factors	Environmental factors	Environmental changes	Technological changes, new markets, new rivals, exchange rates, new technologies, customer priorities, manpower costs, cost of raw materials, new rules and demographic trends

			Focus of attention	The importance of political, economic, and technological factors, rules and regulations, culturalization and organizational structure
		Individual factors	Risk taking	- Effort to earn more rewards against increased chance of failure or the negative results of failure
			Ambiguity tolerance	- Tolerance to delayed conclusion of available incomplete information in the hope of getting better information in future
		Group factors	Functional conflict	- Disagreement on solutions - Disagreement on interpretations
			Job diversity	- Incumbency (responsibility in an organization or in a group), education, work experience
		Organizational factors	Organizational culture	- Assumptions, symbols, language, values and ideology, beliefs, customs, myths and stories
			Organic organizational structure	- Communication, formality, influence, control - lack of concentration, use of technocrats, environmental survey, high separation and open communication
			Reward and compensation system	- Rewards based on Long-term performance and qualitative criteria - Organic and mechanical payment systems
			Technology and Information System	**Characteristics of Information System** - Informational efficiency, informational synergy **Types of IT** - Backup systems - Group decision - Electronic communication - Communication technology - Use of Internet and Intranet
		Content factors of Strategic Thinking	Creativity	- Creating a product, service, idea - (thought), valuable process
			Systemic thinking	- See the organization as part of the whole and a larger system - Understanding the internal relationships between phenomena rather than linear causal relationship - Recognition of the process of system change
			Perspective	- Common and core values - Common objective
		Process factors of Strategic Thinking	Strategic communication	- Strategic dialogue - Strategic thinking sessions
			Strategic analysis	- Use of information - Decision making process
			Political behaviors	- Lobbying, coalition formation, dysfunctional conflict, bargaining
2	Results	Organizational performance	Internal processes	Capacity utilization, on time delivery, inventory checking, service quality,

				time cycle standards in major activities such as JIT services, efficiency of product life cycle
			Financial	Cash flow liquidity indicators, operating profit, return on investment, return on capital employed and return on equity, earnings per share, economic value added, income growth, productivity growth
			Growth & Learning	Employee training, use of analytical information tools and an organization's ability to learn, absorb, adapt, employ and integrate new ideas throughout the organization
			Customer	Customer satisfaction, customer retention, incentives to attract new customers, customer profitability, market share, financial share in target sectors, sales review, sales delay, customer relations, etc.

5. STATISTICAL POPULATION

The research population consists of senior, middle and operations managers of top 100 Iranian companies selected by the Industrial Management Organization. A total of 161 responses of managers and 140 responses of employees were examined.

5.1. Statistical Sample and Sample Size

The research model was designed using library studies, literature review, and comments from 15 experts according to which the questionnaire was designed. Once the questionnaire was finalized, it was tested by senior, middle and operations managers and employees of top 100 Iranian companies selected by the Industrial Management Organization.

5.2. Sampling Method

The research sample was selected using simple random sampling method—that is, the questionnaires were randomly distributed among senior, middle, and operations, managers and employees. A prototype of 30 questionnaires was pretested, and the reliability of the questionnaire was determined using Cronbach's alpha coefficient, data obtained from the questionnaire and SPSS.

6. DATA ANALYSIS AND HYPOTHESIS TESTING

Both descriptive statistical and inferential statistics analyses were used in this study to analyze the data obtained from the research samples. Descriptive statistics and descriptive indices including measures of central tendency (mean, mode and median) and dispersion indices (standard deviation and variance) were used to examine the respondents' profile. Data analysis and hypothesis testing were carried out using one sample t-test and confirmatory factor analysis to determine the status of the research variables and to assess measurement models, respectively. Ultimately, structural equation model and particularly the structural equation modeling technique were used for hypothesis testing using SPSS 21 and LISREL 8.54.

7. THE NECESSITY OF STRUCTURAL EQUATION IN THE PRESENT RESEARCH

Multivariate analysis (MVA) is a very powerful and appropriate method for the behavioral and social sciences. Due to the multivariate nature of these topics, they cannot be analyzed by a bivariate analysis (where only one independent variable and one dependent variable are used in each observation). The main characteristic of multivariate data analysis is being a set of simultaneous analysis of the independent variable K and the dependent variable N. Analysis of Covariance Structure or causal modeling or structural equation modeling is an important method for analyzing complex data structures. It is essential to use structural equation modeling because there are several independent variables in the format of the main variable which should be examined for their effect on a multidimensional dependent variable.

8. DATA ANALYSIS

Data analysis was carried out using descriptive statistics to describe and summarize the demographic characteristics of the research sample including gender, age, education, position and work experience with statistical indicators. The mean and standard deviation of all variables were also examined in detail (Tavakkoli and Lawton, 2005).

Inferential statistics were used to assess the adequacy of sampling and the appropriateness of data structure using exploratory factor analysis. Confirmatory factor analysis was used to assess the validity of the questionnaire (convergent validity), the significance test of the observed and latent variables and the goodness of fit of the measurement models. Cronbach's alpha coefficient and Structural Reliability were used to evaluate the reliability of the questionnaire. Pearson's correlation coefficient was used to determine the relationship between the research variables, and Structural Equation Modeling (SEM) was used to analyze the causal relationships between variables and to test the conceptual model of the research using LISREL. Finally, the state of the industry was analyzed from the perspective of two environmental change indicators (fundamental and gradual) and focus of attention (inside and outside) according to the frequency of respondents.

9. THE PURPOSE OF USING THE TEST

Confirmatory factor analysis is used to assess the reliability of questionnaires. It is a very powerful statistic technique for testing the validity and reliability of questionnaires. In confirmatory factor analysis, separate factor loads are analyzed for each question. The results of confirmatory factor analysis for the research variables using LISREL are presented separately for each variable.

10. Test Description

The results of the confirmatory factor analysis for each research variable using LISREL are presented separately in this section. In confirmatory factor analysis, a researcher knows what question is related to what dimension—that is, there is a concept for each of the research concepts or variables in confirmatory factor analysis. The basic question in evaluating each model is whether or not these measurement models are suitable. There are two general approaches to examining measurement models. The first approach examines the validity and reliability of the variables including convergent validity and composite reliability and the second approach involves evaluating the goodness-of-fit index.

10.1. The First Approach

The convergent validity and construct reliability are discussed in the first approach:

10.1.1. Convergent Validity

Convergent validity refers to the degree to which the questions of a variable can evaluate the intended variable. There is a prerequisite for assessing convergent validity:

The factor loading of questions should be higher than 0.5 or ideally higher than 0.7. However, in some cases, a lower value for factor loadings (factor loading of 0.4) is considered acceptable. In this study, the standard factor loading is considered to be 0.5. That is, if the factor loading of a question is less than 0.5, the question is omitted (Goetsch and Davis, 2014).

10.1.2. Composite reliability (Construct Reliability)

Construct reliability is a measure for determining the internal consistency of observed variables. That is, high scores of internal consistency indicate that all measures are consistently indicative of a single issue. This measure is similar to the concept of Cronbach's alpha. Reliability is explained based on the total square of the factor loads of a structure. According to valid sources, this value should be greater than 0.7 in order to claim that there is an internal consistency between the data. CR index is calculated by the following equation:

$$CR = \frac{(\sum_{i=1}^{n} \lambda_i)^2}{(\sum_{i=1}^{n} \lambda_i)^2 + (\sum_{i=1}^{n} \delta_i)}$$

δi= Error in obvious variable

Factor load M

10.2. The Second Approach

The model fit indices including the goodness of fit and badness of fit indices are discussed in the second approach:

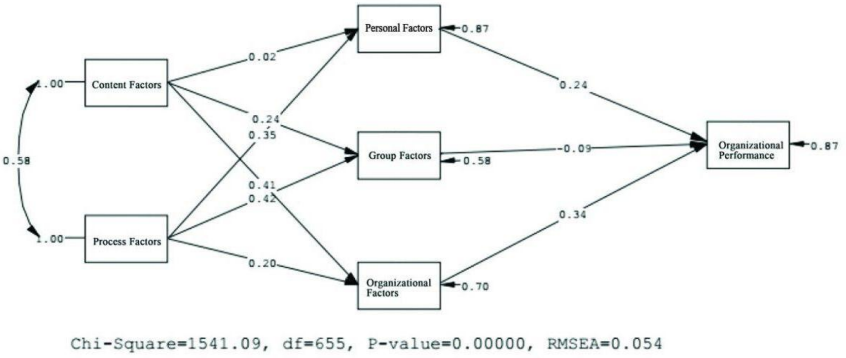

Figure 2. Standard Estimate of Structural Model (Research Hypothesis Testing) for Managers as the Statistical Population

According to the LISREL output, the calculated value $\chi 2$ equals 1541.655 relatives to the degree of freedom (655), which is less than 3, indicating that the index has a good fit. The value of RMSEA equals

0.054. The limit of RMSEA is 0.1. AGFI, GFI and NFI indices are equal to 0.91, 0.93 and 0.95, respectively, indicating that the model has a good fit.

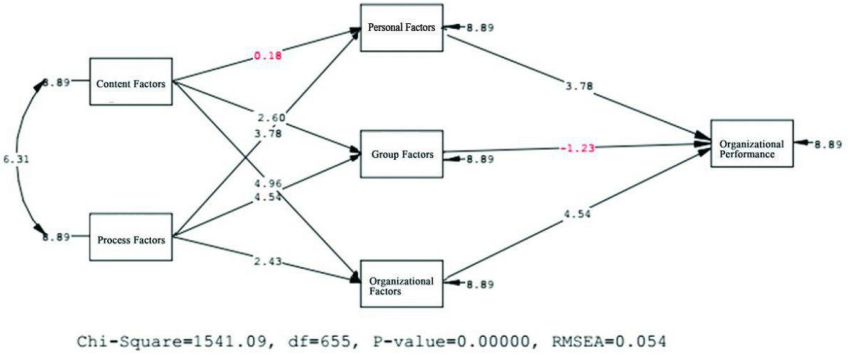

Figure 3. Structural Model at Significance Level (Research Hypothesis Testing) for Managers as the Statistical Population

According to the LISREL output, the calculated value $\chi 2$ equals 1541.655 relatives to the degree of freedom (655), which is less than 3. The value of RMSEA equals 0.054. The limit of RMSEA is 0.1. AGFI, GFI and NFI indices are equal to 0.91, 0.93 and 0.95, respectively, indicating that the model has a good fit.

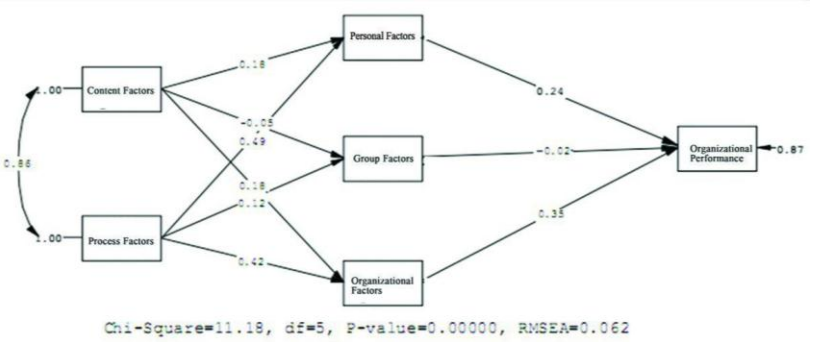

Figure 4. Standard Estimate of Structural Model (Research Hypothesis Testing) for Employees as the Statistical Population

According to the LISREL output, the calculated value $\chi 2$ equals 11.18 relatives to the degree of freedom (5), which is less than 3. The value of RMSEA equals 0.062. The limit of RMSEA is 0.1. AGFI, GFI and NFI indices are equal to 0.91, 0.93 and 0.95, respectively, indicating that the model has a good fit.

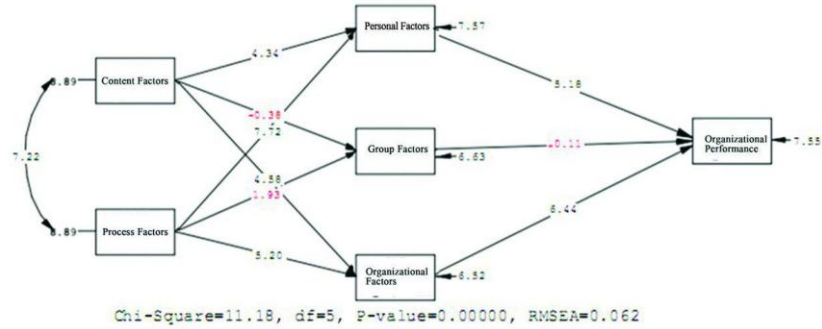

Figure 5. Structural Model at Significance Level (Research Hypothesis Testing) for Employees as the Statistical Population

According to the LISREL output, the calculated value $\chi 2$ equals 11.18 relatives to the degree of freedom (5), which is less than 3. The value of RMSEA equals 0.062. The limit of RMSEA is 0.1. AGFI, GFI and NFI indices are equal to 0.91, 0.93 and 0.95, respectively, indicating that the model has a good fit.

10.2.1. Analysis of Environmental Condition from Manager's Point of View

In this study, the frequency analysis was used to determine the status of environmental changes according to the two dimensions of environmental changes (fundamental, gradual) and the focus of attention. The frequency of 161 respondents reveals that how many people believe that environmental changes are fundamental or gradual, or, how many believe that focus of attention is outside or inside the environment. In order to determine the status of environmental changes, the mean of the two dimensions was determined; the mean of environmental changes and focus of attention equaled 3.32 and 3.36, respectively. If the mean of the environmental changes is greater than 3.32, the environmental changes are fundamental; otherwise, the environmental changes are gradual. Moreover, if the mean of the focus of attention is greater than 3.36, the focus of attention is the outside, but if it is less than 3.36, the focus of attention is the inside. Table 2 displays a brief description of the frequency of respondents according to the obtained mean.

Table 2. Frequency Analysis of Respondents for Two Dimensions Environmental Changes and Focus of Attention

Gradual changes	Fundamental changes
85 people	76 people

Inside the focus of attention	outside the focus of attention
83 people	78 people

The results indicated that among 161 respondents, 85 people believed in gradual changes and 76 people believed in fundamental changes. The results also showed that 83 people believed in outside the focus of attention and 78 people believed in inside the focus of attention. In short, the majority of respondents believe in gradual environmental changes and inside the focus of attention.

10.2.2. Analysis of Environmental Condition from Employee's Point of View

In this study, the frequency analysis was used to determine the status of environmental changes according to the two dimensions of environmental changes (fundamental, gradual) and the focus of attention. The frequency of 140 respondents reveals that how many

people believe that the environmental changes are fundamental or gradual, or, how many believe that focus of attention is outside or inside the environment. In order to determine the status of environmental changes, the mean of two dimensions was determined; the mean of environmental changes and focus of attention equaled 3.25 and 3.35, respectively. If the mean of the environmental changes is greater than 3.25, the environmental changes are fundamental; otherwise, the environmental changes are gradual. Moreover, if the mean of the focus of attention is greater than 3.35, the focus of attention is the outside, but if it is less than 3.35, the focus of attention is the inside. The table below displays the frequency of respondents according to the obtained mean.

Table 3. Frequency Analysis of Respondents for Two Dimensions Environmental Changes and Focus of Attention

Gradual changes	Fundamental changes
62 people	78 people

Inside the focus of attention	outside the focus of attention
69 people	71 people

The results indicated that among 140 respondents, 62 people believed in gradual changes and 78 people believed in fundamental

changes. The results also showed that 69 people believed in outside the focus of attention and 71 people believed in inside the focus of attention. In short, the majority of respondents believe in fundamental environmental changes and outside the focus of attention.

11. CONCLUSION

Changes in human behavior are classified in the following four categories:

1- Changes in knowledge
2- Changes in Perspective
3- Changes personal behavior
4- Changes in group behavior

Knowledge change is the easiest type of change. The perspective change is placed next to knowledge changes. Due to the positive and negative emotional dimensions of perspective, its structure is different from knowledge. Change in personal behavior is much too difficult and time-consuming than the previous two changes. However, making changes in a group or organizational performance, due to their connection with habits and custom changes, is the most difficult and time-consuming change. Although, changes in personal and group behavior are more important than other changes, making changes in knowledge, and particularly, individual perspective is essential for making fundamental changes in personal and group

behaviors. Therefore, organizations need to enhance strategic thinking capability throughout the organization through education in order to achieve their organizational goals (Pisapia, 2008).

The strategic thinking model of top business managers suggests that the content factors of strategic thinking had an effect on the group and organizational factors and the process factors of strategic thinking had an effect on personal, group and organizational factors. It is worth mentioning that the relationship between the content factors of strategic thinking and the personal factors was not confirmed. On the other hand, personal and organizational factors had an effect on organizational performance; however, the relationship between group factors and organizational performance was not confirmed. The proposed research model has been tested and presented in Figure 6. The strategic thinking model of top business employees suggests that the content and process factors of strategic thinking had an effect on personal and organizational factors. It is worth mentioning that the relationship of the content and process factors of strategic thinking with group factors was not confirmed. On the other hand, the personal and organizational factors had an effect on organizational performance. However, the relationship between group factors and organizational performance was not confirmed. The proposed research model has been tested and presented in Figure 7. By comparing these two models it can be concluded that measures should be taken to:

-Strengthen the personal and group factors in the group of managers and employees.

-Strengthen the relationship between group factors and organizational performance.

-Solve the problems of lack of relationship between the proposed models and the existing differences between the two models.

-Increase synergy and coordination between managers and employees.

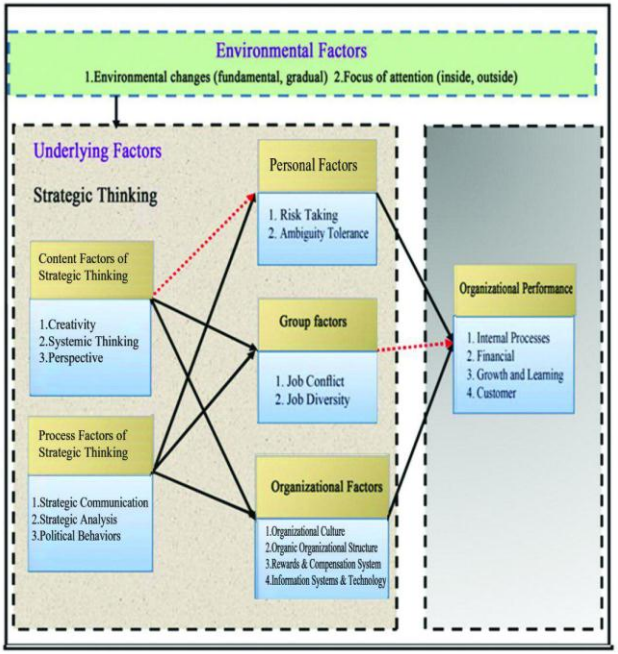

Figure 6. The Strategic Thinking Model for Top Business Managers

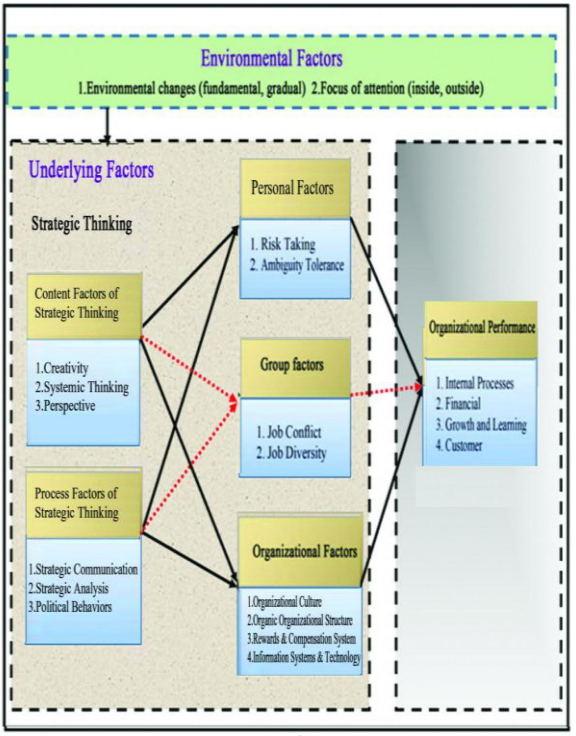

Figure 7. The Strategic Thinking Model for Top Business Employees

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