Creative strategic thinking and the analytical process: critical factors for strategic success
Hussey, David
Strategic Change; Jun/Jul 2001; 10, 4; ProQuest Central
pg. 201

Strat. Change **10**: 201–213 (2001)
DOI: 10.1002/jsc.537

Strategic Change

Creative strategic thinking and the analytical process: critical factors for strategic success

David Hussey*
Visiting Professor, Department of Strategic Management and Marketing, Nottingham Business School, The Nottingham Trent University, Nottingham, UK

This article looks at the

- *Interrelationship of analysis and creative thinking, which are two of the five factors previously identified as critical for strategic success.*
- *Shows how a deficiency of either factor can lead to defective strategies.*
- *Suggests that analysis is not always objective, and that it can be heavily influenced by behavioural considerations.*
- *Examines other issues in analysis and the role of techniques.*

Copyright © 2001 John Wiley & Sons, Ltd.

Introduction

In a series of earlier papers (Hussey, 1997a,b) I proposed a model that suggested that there were five sets of factors that had to be given careful attention in order to improve the chances of strategic success. The model was derived from some 35 years of experience in the strategy field and an analysis of many of the studies into British industry and into the success and failure of strategy. The five factors in the model are:

- Analysis
- Creative strategic thinking
- The Strategic Decision Process
- Implementation
- The Capability of the Decision Leaders

Although there is no one universal set of rules for the amount of effort that should be applied under each of these headings, there are some very clear principles and definitely organization specific-solutions. Get them wrong and the strategy has a high chance of failing. Of course, there is a role of chance that lies outside this model and there can be external events that can devastate a strategy and even destroy a business. However, there is also a tendency for managers to blame external events for failures and to claim the credit when an unpredicted external event brings unexpected success (Bowman, 1976). My belief is that much more lies within the power of managers than lies outside of it. Certainly my analysis in the above-mentioned articles suggests that a very high proportion of strategic failings can be traced back to a failure to give attention to one or more of my five factors.

Analysis and creative strategic thinking

In this article the emphasis is on *two* of the factors: *Analysis and Creative Strategic Thinking*.

*Correspondence to: David Hussey, David Hussey and Associates, 44 Forestfield, Horsham, West Sussex, RH13 6DZ. E-mail: davidhussey@compuserve.com

Copyright © 2001 John Wiley & Sons, Ltd.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

Figure 1 illustrates the tension between these two factors. When both are done well, there is a good chance that the resultant strategies will be both sound and innovative. The First Direct banking operation set up by the then Midland Bank is an example where attention was given to both factors. When both are poor, the likelihood is that strategy will be unsound and of a duplicate nature. Having praised Midland for First Direct, I would now suggest that their 1980 acquisition of Crocker Bank was deficient in both factors, weakening the bank and probably contributing to their ultimate acquisition by HSBC (Beaver and Jennings, 1996).

Good analysis with poor creative input may lead to a sound strategy of the 'me-too' variety. It may be sound for as long as no one comes up with an imaginative strategy which reinvents competitive space (Hamel and Prahalad, 1994). Copycat strategies seem to be the norm in many companies but for long-term success even these require some creative thinking in the components of the broad strategy. This particular box of the matrix implies that even this is missing. Organizations that bring about a state of paralysis by analysis would also fall in this box.

Good creative thinking with poor analysis reduces the chances of success to luck. Those formulating the strategies may have sufficient insight to steer clear of all the dangers but there is a greater chance that they will not.

It is important to stress that there is no rigid sequence to whether the bright ideas precede or follow an analytical activity. Creative thinking may well precede any detailed working out but it can equally well arrive after a situation has been analysed, when the opportunity seems to jump out of the results. Neither factor is a once-only effort. For example, an analysis of a situation may stimulate a creative strategy: this may lead to a need for more analysis to check its viability; creative thinking may be needed as the strategy moves to the implementation stage; there may be more analysis needed to further define the implementation issues. In fact it may be more productive to think of the two factors as being in a symbiotic relationship, rather than as activities which are totally separate.

Ohmae (1982) coined the term 'strategic thinking' that relates these two factors. He states:

> *In strategic thinking, one first seeks a clear understanding of the particular character of each element of a situation and then makes the fullest possible use of*

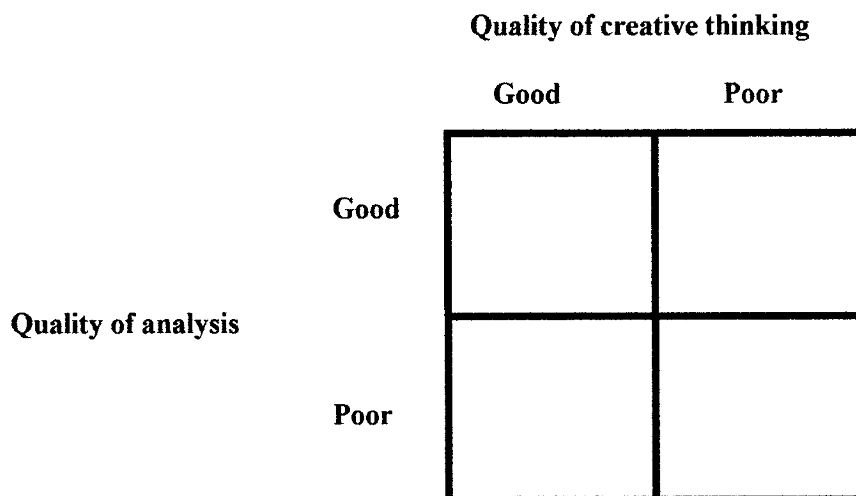

Figure 1. Analysis and creativity.

Copyright © 2001 John Wiley & Sons, Ltd.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

human brainpower to restructure the elements in the most advantageous way. Phenomena and events in the real world do not always fit a linear model. Hence the most reliable means of dissecting a situation into its component parts and reassembling them in the desired pattern is not a step-by-step methodology such as systems analysis. Rather it is that ultimate nonlinear thinking tool, the human brain. True strategic thinking contrasts sharply with the conventional mechanical systems approach based on linear thinking. But it also contrasts with the approach that stakes everything on intuition, reaching conclusions without any real breakdown or analysis.

Figure 2 takes things a stage further. Its two dimensions are the activities of the organization and the structure of the industry in which it operates. The diagram was developed to facilitate thinking about industry and competitor analysis and looks only at two of the many dimensions of a strategy.

True strategic thinking contrasts sharply with the conventional mechanical systems approach based on linear thinking

The matrix examines the things a company might do to build competitive advantage. The type of innovative thinking required will vary with the position in the matrix but there is room for some creativity in developing strategies in any of the cells. Potentially creativity has to be at its peak when the company is trying to change all the rules of the game, but we also have to accept that desirable as this might be, it is not possible for every firm in an industry to achieve such a change. Similarly there is a need for analysis in each cell, although what

INDUSTRY STRUCTURE \ ACTIVITY	Same	Novel
Same	Niches/segmentation Improved value for customers (Quality, service, price, cycle time) Cost reduction	New products New niches/ segmentation
Change	Acquire competitors Strategic Alliances Create new channels	Change nature of the industry Change how the industry operates

Figure 2. Strategic options. Developed from a diagram in Hussey (1994).

Copyright © 2001 John Wiley & Sons, Ltd.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

has to be analysed may vary. The following description of Figure 2 comes from Hussey and Jenster (1999):

> *It may choose to operate within the 'rules' of the industry, without major change to what it offers. This is the top left-hand cell of the matrix. The options here include a stronger focus on a niche strategy, seeking to identify and exploit segments where its products would have an advantage, or what might be termed improvement strategies. Those shown on the matrix are finding ways to give added value to customers, or becoming more efficient through attention to costs. Under all of these strategies most of the changes the company would make would be internal, looking at its processes and making only incremental adjustments to what is basically the same family of products. These options do not preclude the launch of new products, but these would be of a similar nature to the current offering.*

The top right-hand cell suggests a more fundamental change to some of the things the organization does, without any significant attempt to alter how the industry operates, or the balance of power between the industry firms and other 'actors' such as buyers and suppliers. Strategies might again be attention to niches and segments, in a more innovative way than the first cell implies, with a willingness to add new lines. Or it might be an aggressive policy of new product launches. An example might be the automotive manufacturer that adds a new type of car to its list, like a sports car when previously it had offered only staid family cars.

At the bottom left-hand corner, there are a group of strategic options that are designed to change how the industry is structured but without any fundamental change to what the organization does. This might include actions to reduce the number of competitors through acquisition, subject, of course, to the national monopoly legislation. Rationalization of an industry has been a traditional strategy followed by competitors anxious to improve their market position. Strategic alliances may be used for a similar reason, although, as will be seen below, there may be better reasons for making alliances. A third group of strategies is to attempt to change the channels the industry has traditionally used. So we find companies like Avon Cosmetics which do not follow the typical wholesaler/retailer route to the customers and sell direct instead. Not on the chart, but in the same category might be an attempt to work much more closely with a supplier, in a way that makes it difficult for competitors to use that supplier in future.

The bottom right-hand cell reflects a reinvention of the company and of the industry. It is this type of activity which Hamel and Prahalad (1994) believe should lie at the heart of competitive strategy:

> *...The goal is to fundamentally reinvent existing competitive space (First Direct's telephone Banking service in the United Kingdom) or invent entirely new competitive space (Netscape's Web browsers) in ways that amaze customers and dismay competitors. Sustainable profitable growthis not the product of a deal; it's the product of foresight. In turn foresight is not the product of perspiscuity, but of unconventional out of the box thinking.*

Hamel and Prahalad argue that in order to be able to reinvent the industry, the organization must identify its core competencies and concentrate on building the competency it will need to make the necessary leaps to a different future. Strategic alliances may be used to good effect in the last box of this figure.

Getting the analytical side right

There are many things that can go wrong in the analytical process. These include:

Copyright © 2001 John Wiley & Sons, Ltd.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

(1) Failure to understand that analysis may be influenced by behavioural considerations
(2) Failure to undertake the right analysis
(3) Problems with tools or techniques
(4) Misuse of a tool or technique, or otherwise corrupting the methods used.

1. Failure to understand that analysis may be influenced by behavioural considerations

There is very little analysis that is totally devoid of any behavioural influence and behavioural issues can taint what is meant to be a totally objective process. The reason is that we have to decide what to analyse and which pieces of information are relevant. Biases and beliefs may mean that something is excluded because it is not seen as important. There may also be deliberate exclusion, because to admit a possibility might be the first step to losing power or influence. Frequently those directing or undertaking the analysis are unaware that they have a problem. There is something that I term the flat earth syndrome.

> *The flat earth syndrome can more elegantly be called the boundary of perception: it is what managers believe to be the basic situation rather than what that situation really is. Medieval man knew that the world was flat, like a plate, and therefore the sensible people developed logical strategies that fitted this certain knowledge. One such strategy was not to sail too close to the edge, because you would fall off. Reality, as we now know, is somewhat different, and the strategy neither logical nor sensible. Our forefathers knew that malaria was caught by breathing the miasma from marshes, so they took appropriate and successful action to avoid it. The British motor cycle companies in the 1960s and early 1970s knew how their business worked and when Honda applied different ideas they cried "dumping" and never addressed the fundamental issue that this new competitor had a superior competitive strategy. Techniques are often used in a way that confirms prejudices, and imprisons the organization: they should be used to help free thinking, not to constrain it* (Hussey, 1999).

The forces that affect the choice of what to analyse may also affect the judgement of the validity of any conclusions. I remember the managing director of a company that made bottle-washing equipment telling me that their market had been drastically reduced by the advent of plastic bottles. His great regret was that the organization had not reacted to a study made several years before this became a problem, which identified the trend and the way it was moving. There were two reasons for ignoring the report. The first was that the man who had undertaken it was the son of a director who had been foisted on them and had been given this assignment because no one could think of what else to do with him. They resented his presence and disliked him. The second reason was that no one wanted to believe the message. Their own private flat earth was that bottles would always be made of glass and would therefore require washing. Whether they could have come up with a strategy for the new circumstances is a matter of conjecture but what is certain is that they deprived themselves of the chance until it was too late.

Techniques are often used in a way that confirms prejudices, and imprisons the organization: they should be used to help free thinking, not to constrain it

None of us can completely remove behavioural constraints from what we see

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

as important in the analytical process. After all, managers are paid to make judgements. But awareness of the possibility that we are ignoring something important and the correct use of techniques which may help us to illuminate different facets of the problem are two steps to avoiding myopia.

2. Failure to undertake the right analysis

A cause of either omitting critical analysis or analysing the wrong thing may be behavioural. It may also be ignorance of either the situation or the methodologies and therefore relate to the fifth of my critical factors in strategic success, the capabilities of the decision leaders.

A common problem is deferring part of the strategic thinking process, so that neither the analytical nor the creative elements cover all the aspects that should be covered at the appropriate time. One example can be found in KPMG (1998), a research study into European acquisitions and mergers which found that many organizations excluded certain key areas from the due diligence process. For example, areas excluded and the percentage of firms in so doing were: HR 35%, Culture 54% and IT 47%. Many companies did not budget any costs for post-purchase implementation of the acquisition or merger. Among the findings from a research programme I managed between 1983 and 1993 (Hussey, 1996), was the fact that little analysis had been done in advance by many organizations on the results of major changes they had made. De-layering was considered by many to have been implemented when the announcement had been made and the surplus people had left the organization. Few organizations appeared to have applied forethought to what should happen next, or to have realized that the strategy was not just to remove layers of management but to have an effective organization afterwards. Obviously if the need for analysis to help understand such issues never crosses the mind it will not be undertaken. In some cases failure to undertake analysis is a contributing factor to failure to implement the strategy and to its ultimate failure.

3. Problems with tools and techniques

Tools and techniques can be extremely useful when carefully chosen in the light of the situation and when properly used. They can also be dangerous when misapplied and there is a real danger of fadism and a follow-the-crowd mentality, instead of the careful selection of the right tools or technique to suit the circumstances.

A technique is a method of analysis which requires information before it can be applied and presents a business situation in a different light. Thus techniques can help to change the boundaries of perception. In many situations it can be helpful to apply more than one technique to a problem as each may illuminate a different aspect of the situation. They do not change a situation, they merely show it in a different way. We cannot see dust mites with the human eye but they are there nevertheless. Only when we help the eye with a powerful microscope can we see what we are missing. This is really what a technique can help us to do: to see and understand something that we might otherwise miss.

> *Tools and techniques can be extremely useful when carefully chosen in the light of the situation and when properly used*

A tool or methodology, may be a composite of processes and systems. Complex tools may change the organization so it pays to think through their use in advance and not to try to apply too many at the same time. An example is Total Quality Management, which requires a great commitment from the

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

whole organization and will leave its imprint on the firm even if unsuccessful. Most techniques can be used in small doses and dropped if they do not give the right insights. Most tools require major effort and cannot easily be turned on and off like a tap.

One of the best sources of information about what is going on in this area comes from management consultants Bain & Co. Since 1993 an annual survey has been undertaken of the usage of tools and techniques by companies and was featured exclusively in *Strategic Change* for the first time in August 2000. To be included a tool or technique had to be relevant to top management, topical and measurable.

The 1998 survey had a sample of 631 companies, 44% from the USA, 39% from Europe, and the rest from Asia and South America. As in all surveys, care has to be taken not to extrapolate the results beyond the nature of the sample but they probably are a fair reflection of practice in larger organizations and certainly give a good picture of trends in usage among the sample itself.

Table 1 shows the top ten tools and techniques in popularity, 1993 compared to 1998. What is not revealed in this table is that some of the tools and techniques seem to have gone through a large part of their life cycle curve in the years between 1993 and 1998. *Reengineering*, *Core competencies* and *Strategic Alliances* all appeared to have peaked in 1996 and *Benchmarking* did so in 1997. Similar patterns can be observed among many of the other fifteen tools and techniques included in the survey. So while the usage of some is still growing or remaining at a high level, others are in decline. This raises the question why. Is it that the problems these were used for have disappeared? Have more pressing problems emerged so that attention has had to be switched? Did companies find that many did not live up to their promises? Or was the use of the tool or technique just a fad which has now been replaced with a new one?

Table 1. The top ten tools and techniques: 1998 compared with 1993

	1993	1998
Strategic Planning	N/A	1
Mission & Vision Statements	1	2
Customer Satisfaction Measures	2	3
Benchmarking	3	4
Outsourcing	N/A	5
Pay for Performance	3	6
Strategic Alliances	5	7
Growth Strategies	N/A	8
Core Competencies	6	9
Re-engineering	4	10

Bain & Company: International Survey of Tools and Techniques, 1998 (see Rigby, 1999).

There are at least three factors which turn a tool or technique into a fad, another which facilitate that process and two which sow the seeds of ultimate failure:

- We live in a society where instant results are expected and managers are always under pressure to find a 'quick fix'. The new technique appears to be the solution, so in it goes. What would be an appropriate analytical solution for the situation is ignored and all hope is placed on the novel approach.
- Tools and techniques are frequently oversold. Some consultants may overstress the benefits of their approach, academics and consultants proposing new methods may create a sense of excitement when they write about it in articles and books. Hamel and Prahalad (1994) is a fine book but its tone when describing the core competencies approach is evangelical.
- Those devoid of imagination may imitate competitors. However, the tool or technique that fits the culture and situation of one company in an industry may be totally unsuitable for use in a different culture or situation.

These three factors are reinforced by the fact that many organizations have an inadequate understanding of the concepts behind the tool or technique, or of the detailed

Copyright © 2001 John Wiley & Sons, Ltd.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

requirements of the methodology. This problem goes beyond easing entry of the latest fad and there are reasons for it that will be covered later. An inadequate understanding can also contribute to ultimate disappointment with the tool or technique.

Lack of understanding may initially complement the three factors that cause people to seek fads, by making the application seem to be easy to apply with the outcome readily delivering a lasting benefit. However, it may also be one reason that leads to failure. Clearly most techniques and tools deliver value in some situations and the fact that by becoming fads they end by disappointing may owe as much to their misuse as to anything that is inherently wrong with the method itself. Lack of understanding is often a trigger for the next two factors, which make disappointment almost a certainty.

- All tools and techniques take time to apply. If something is chosen because it is fashionable and not because it is the right tool or technique for the circumstances, the quick-fix mentality may lead to unrealistic expectations about how much time is needed to make the thing work. The temptation then is to abandon efforts that have still to deliver their rewards and move quickly to the next fad that comes along.
- Most tools and techniques have to be tailored for use in a particular situation. If management does not understand this they will be unable to make the adaptation. So the seeds of failure begin to germinate.

The Bain survey also highlights significant differences between the most popular tools and techniques in the whole sample and those used by the successful and less successful companies in the survey. Less successful should not be interpreted as unsuccessful. The comparison is based on information collected in the survey and compares those who are at the bottom with those who are at the top.

In **Table 2** the top ten tools and techniques are listed for the successful and less successful companies. Those in bold font are not in the top ten of the other group. So there is not only a difference in the ranking order of importance of the tools and techniques which are common to both, but there are also many that successful companies place at the top and less successful companies do not, and vice versa.

I find the difference interesting, although I would not go so far as to use it as a formula for the successful choice of a technique. It is better to look at the situation and ask a few questions about this. Here are a few of them:

- Is the tool or technique right for the problem?
- Does it match the style and culture of the organization?
- Does it need to be supplemented with another approach?
- Is it fully understood by those who are to use it?
- What effect will applying it have on the organization?
- What particular strengths does the method have?
- What weaknesses?
- What is our motivation for using it?

Table 2. Top ten tools and techniques of successful and less successful companies

Successful companies	Less successful companies
Customer satisfaction measurement	**Merger integration teams**
Pay for performance	**Scenario planning**
Strategic planning	**Groupware**
Mission and value statements	Customer retention
Growth strategies	Benchmarking
Cycle time reduction	**Portfolio analysis**
Customer segmentation	Cycle time reduction
Outsourcing	Strategic planning
Benchmarking	Customer satisfaction measurement
Customer retention	Customer segmentation

Bain & Company: International Survey of Tools and Techniques, 1999.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

- Is the organization prepared to give it full support?

4. Misuse of a tool or technique, or otherwise corrupting the methods used

This is a bigger cause of poor analysis than might be expected and it links to the failure of understanding that I have already mentioned. My belief comes in part from various research studies; from the literature and from the many opportunities I have had to see what goes on inside numerous organizations. Certainly everyone would agree that it sometimes happens. My contention is that the occurrence is frequent, which is not the same as suggesting that no one ever gets it right.

Take BPR as an example. Coulson–Thomas (1996) researched the use of this technique across Europe. He stated:

> *Almost as many definitions of BPR were encountered as the number of cases examined. An increasingly wide range of activities from 'change programmes' to 'de-layering' are now commonly referred to as BPR. In some instances the description has been retrospective.*

BPR is about the complete rethinking of how processes are undertaken and the result of a successful BPR initiative is fundamental change. Johansson *et al*. (1993) provide some clarity of thought about BPR which they saw as:

> *The means, by which an organization can achieve radical change in performance as measured by cost, cycle time, service and quality.*

Almost as many definitions of BPR were encountered as the number of cases examined

---

The change in emphasis is the focus on the business that they described as:

> *...A set of related customer oriented core business processes rather than a set of organizational functions.*

The most serious findings by Coulson-Thomas were that most BPR exercises examined were really process simplification rather than re-engineering and were being undertaken for medium-term cost and time savings and not for long-term strategic benefits. He argued:

> *What is clear is that many of the BPR solutions being adopted are yielding cost benefits today at the price of inflexibility tomorrow. Thus paths and options are being limited and prescribed in order to 'speed things up' in ways that reduce the scope for creative thinking and innovation.*

Why does this sort of thing happen? First, there is the time pressure that all modern managers now face to get things done quickly and deliver results. Although wanting speed and benefits is not a bad thing, it is when the pressures prevent something from being done effectively. It runs alongside a trend that has been apparent for many years in British management and, I suspect, elsewhere. It is easier to change a job title than to spend time understanding and applying a new concept. There are plenty of strategic managers around that do precisely the same job as when they were called strategic planners. There are human resource managers who took the new title but still act exactly as they did when they were personnel managers. Coulsen-Thomas's work shows that it is easier for managers to say that they are now doing the fashionable BPR thing, when really they are just continuing with the roles they had before. Managers feel they are up to date because of the change of description but in reality little is different.

A second problem is that many managers and some specialists never really learn the

Copyright © 2001 John Wiley & Sons, Ltd.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

> *There are plenty of strategic managers that do precisely the same job as when they were called strategic planners*

concepts and methods they are working with. It is not all that easy to learn about some of them. Although fashionable topics like BPR do generate a literature of their own, not all of it is helpful and techniques such as portfolio analysis are rarely described in such a way that would-be users can see how to apply them. Most books on strategic management will describe the basic idea but not how to apply the technique in real situations. Consequently the technique is often misapplied or not used to its full potential. There are also unrealistic expectations created. Portfolio analysis, for example, is not a black box which will deliver the best strategy: it is a group of techniques which helps an organization to see its businesses in relation to each other. It provides a basis for looking at various strategic options and can be used dynamically. Certain portfolio methods use exactly the same information that has to be obtained to undertake industry analysis, yet many organizations have not made this connection.

The broad way in which the techniques in particular are described in the strategic management literature is often mirrored in how some business schools teach the subject. Many techniques are taught to the concept and not to the application level.

As an example I should like to take a related group of methods and contrast what I see happening with what should happen. Readers might care to match what I am saying here against what goes on in their own organizations.

In scores of books about strategic planning and strategic management one of the first steps recommended in developing a strategy is some form of position audit. It goes under various titles, including the corporate appraisal; the situation audit; and the appraisal of strengths and weaknesses. Typically such an appraisal is about the external factors and the internal factors interpreted in relation to each other.

During my years as a management consultant and before that when I held various strategic planning roles in industry, I have had the opportunity to read many strategic plans and to discuss strategy with many managers. What should be a careful analysis of the corporate position has been corrupted in many organizations to a SWOT analysis, where managers are asked to list the strengths and weaknesses of the organization. There is little objective analysis behind many of these SWOT statements and the most common method for obtaining the information is for managers to write down their perceptions. This is sometimes done as a collective exercise by a group of people and sometimes as a solo effort by the person developing the strategy. What normally results, at least in many British organizations, is two strengths and an overlong list of weaknesses.

The two strengths are something about the quality of the managing director, followed by a similar statement about the management team. The long list of weaknesses is rarely strategic and because of the perceptual boundaries of the managers concerned, really critical things may be omitted. An example is a subsidiary of an organization I was working with some time ago. Its main product was scaffold poles for the construction and building industries which it either sold or rented through a network of depots. Strengths, which the management believed they had included, were market leadership and the fact that they supplied all the leading contractors. The main threat they faced was from the recession, which was then current, and meant that their order books were depressed which was

Copyright © 2001 John Wiley & Sons, Ltd.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

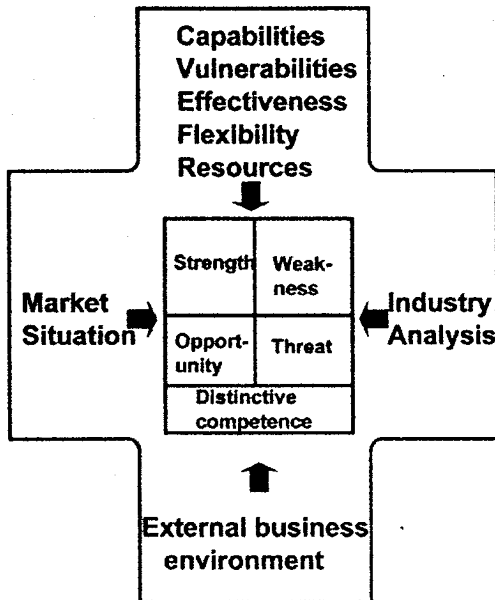

Figure 3. The internal and external appraisal.

causing them difficulties. The main action was to try to trim costs.

The true facts revealed a different picture. First, sales analysis using information available but never used in this way showed that although they served the main firms in the construction industry with another product, they no longer did so with scaffold poles. In fact they had only two of the main contractors as customers for this product and most of the other customers were house builders, often small companies.

The next step was to undertake some basic market research, which found that some 10 years previously the company had been asked to provide a hire service including the erection and removal of the scaffolding. They did not see this as their business activity so the main contractors turned elsewhere. The client claimed to hold over 70% of the market. The true figure was nearer 10%.

All this showed a considerably different strategic problem from the one the client thought it was facing.

Although the approach to SWOT analysis described above is unreliable and potentially damaging, it has two merits. First, it may provide insights that do not emerge from a deeper analytical approach and second, an understanding of managers' perceptions may be helpful. However, if this is all that is done it becomes a gross corruption of what should happen.

Figures 3–5 summarize a more analytical approach that can enable managers to develop a much more meaningful SWOT analysis. However, **Figure 3** shows that we also need to understand the organization's distinct competences plus its capabilities and resources. Industry analysis is included as an aspect of the overall appraisal and not as a separate overlay, as it is sometimes presented.

Figure 4 considers the internal aspects of the appraisal. The new thought added here is that in contrast to the SWOT approach

Figure 4. Aspects of the internal appraisal.

Copyright © 2001 John Wiley & Sons, Ltd.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

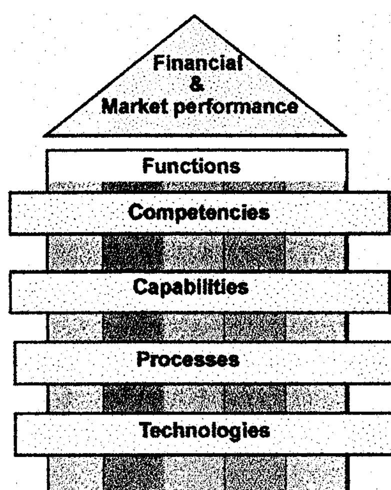

Figure 5. Ways of looking at an organization.

much of the interest in the analytical approach is based on comparing findings with competitors, customer expectations and the expectations from the current strategy. Such comparisons can reverse a strength to a comparative weakness. For example, we may think that our post-sales service to customers is excellent but this is only a strength if (a) our customers agree and (b) our competitors are not seen as considerably better than us.

The final figure (**Figure 5**) shows another way of looking at the organization. The traditional analysis of the organization as a whole and by functions is shown in the underlying part of the figure. In addition there are various cross-functional analyses such as technologies, processes, capabilities (Stalk *et al.*, 1992) and competencies (Hamel and Prahalad, 1994).

It is beyond the scope of this paper to examine all the features of the analytical approach that should lie behind theses three figures. The purpose is to illustrate how the analytical process has become corrupted in use by many organizations so that it is often little more than a guessing game.

Conclusions

Without sound analysis and creative strategic thinking companies are unlikely to produce world-beating strategies. Creativity is about insight and the use of imagination and adaptability. It is also about harnessing personal creativity to corporate ends. Creative thought may or may not lead to innovation.

Creative strategic thinking is only of value when it leads to strategic decisions. Analysis helps to direct creativity to the right problem and provides a means of checking that the ideas make business sense. The last word rests with Ohmae (1982):

Without sound analysis and creative strategic thinking companies are unlikely to produce world-beating strategies

> *Great strategies like great works of art or scientific discoveries call for technical mastery in the working out but originate in insights that are beyond the reach of conscious analysis.*

Biographical note

Professor David Hussey is Visiting Professor in Strategic Management at Nottingham Trent University, the founding editor of *Strategic Change* and a member of its Executive Committee. He is the award-winning author of some 30 books on various aspects of strategic management and author of around 100 articles and papers. He is a founder member of the Strategic Planning Society and a director of the Japan Strategic Management Society.

References

Beaver G, Jennings PL. 1996. Midland Bank plc. *Strategic Change* 5(4): 185–198.

Copyright © 2001 John Wiley & Sons, Ltd.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com

Bowman EH. 1976. Strategy and the weather. *Sloan Management Review* **17**(2): 49–62.

Coulson-Thomas CJ. 1996. Business Process Re-Engineering and strategic change. *Strategic Change* **5**(3).

Hamel G, Prahalad CK. 1994. *Competing For The Futur*. Harvard Business School Press: Boston, MA.

Harvey D. 1995. Cover story. *Management Consultancy* September.

Hussey D. 1994. *Strategic Management: Theory & Practice*. Pergamon: Oxford.

Hussey D. 1996. *Business Driven Human Resource Management.* Wiley: Chichester.

Hussey D. 1997a. Strategic management: past experiences and future directions, part 1. *Strategic Change* **6**(4): 261–271.

Hussey D. 1997b. Strategic management: past experiences and future directions, part 2. *Strategic Change* **6**(5): 331–344.

Hussey D. 1998. *Strategic Management: From Theory to Implementation*. Butterworth-Heinemann: Oxford.

Hussey D. 1999. *Strategy and Planning*. Wiley: Chichester.

Hussey D, Jenster P. 1999. *Competitor Intelligence: Turning Analysis into Action*. Wiley: Chichester.

Johansson HJ, McHugh P, Pendlebury AJ, Wheeler WA. 1993. *Business Process Reengineering*. Wiley: Chichester.

KPMG. 1998. *Colouring in the Map: Mergers and Acquisitions in Europe Research Report*. KPMG Management Consulting: London.

Ohmae K. 1982. *The Mind of the Strategist*. McGraw-Hill: New York.

Porter ME. 1985. *Competitive Advantage*. Free Press: New York.

Rigby D. 1999. *Management Tools and Techniques: An executive guide.* Bain & Company: Boston, MA.

Stalk G, Evans P, Shulman I. 1992. Competing on capabilities. *Harvard Business Review* March/April.

Copyright © 2001 John Wiley & Sons, Ltd.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission. www.manaraa.com