

# Fundamental Shifts in Strategic Thinking Concepts \*

**M. S. S. EL NAMAKI, PhD & Professor**  
**VU School of Management, Switzerland**

## Abstract

Powerful forces of disruption are penetrating the core concepts of strategic thinking and the strategy education industry. Traditional strategic thinking literature and instruction material rest on a solid base of concepts developed by authors from Ansoff and Drucker to Porter, Mintzberg and Prahalad. Their concepts lasted for decades and their literature is a standard feature of business school strategy teachings until this very day. Disruptive forces are changing this situation, however. Generic and functional disruptive forces from boundary breaking technologies, and norm shaking sociology to rule breaking economics and unsettling political shifts, have gone a long way towards introducing a new paradigm. The following article provides an attempt at identifying those concepts worn out by new realities or end game concepts, and those others constituting a novel thrust. And the impact of this shift on strategy instruction frameworks. The article draws a picture of possible future consequences as well. Those include research prospects, curricula implications and competency gaps. This could have far-reaching impact on approach and contents of strategic thinking. The article draws on past work on strategic thinking as well as contemporary work on emerging technologies especially artificial intelligence.

## Research Problems Restated: A Strategic Shift

Powerful forces of disruption are penetrating the core concepts of strategic thinking and the strategy education industry.

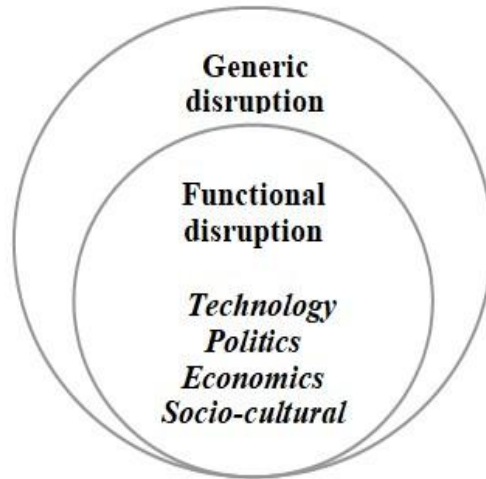
Traditional strategic thinking literature and instruction material rest on a solid base of concepts developed by authors from Ansoff and Drucker to Porter, Mintzberg and Prahalad. Their concepts lasted for decades and their literature is a standard feature of business school strategy teachings until this very day. Disruptive forces are changing this situation, however, Generic and functional disruptive forces from boundary breaking technologies, and norm shaking sociology to rule breaking economics and unsettling political shifts, have gone a long way towards introducing new paradigm.

The following article provides an attempt at identifying those concepts worn out by new realities or end game concepts, and those others constituting a novel thrust. The article draws a picture of possible future consequences as well. Those include research prospects, curricula implications and competency gaps.

## The Forces of Disruption

It is the author's contention that powerful forces of disruption have undermined many of the conceptual foundations of strategic thinking as they have evolved over the past decades. This disruption was as much generic as functional (see figure) (El Namaki, 2018).

**Figure: Domains of disruption: conceptual framework**



**Source:** El Namaki, 2018

Generic disruption is a force or a bundle of forces that cut across systems and reconfigure constituent elements. Generic disruption cuts across industries, markets organizations and functions. It does not arise from competitors in the same industry or even from companies with a remotely similar business model but from distant and previously unidentified driving force. It blends forces drawn from separate seemingly unrelated strands of science, in order to create dramatic value enhancing and rule changing propositions. (El namaki, 2018).

Functional disruption is a force that undermines one or the other aspect of system-related functional performance parameters. One can think of it in terms of four segments; a technology segment, an economic segment, a political segment and a sociology segment with each segment having its own driving forces.

### **Areas of Strategic Thinking Disruption**

The wide variety of disruption forces outlined above had tangible impact on the validity and applicability of several core strategic management concepts. The following are the prime areas of impact according to research done over the past decade.

1. Porter’s Five force analysis
2. Competitive advantage
3. Strategy formulation : BCG matrix
4. Strategic behavior
5. Scenario building
6. Leadership
7. Management control .

Porter’s five force analysis lost relevance due to many factors including lack of underlying concept definition and ignoring role of capital markets. Competitive advantage is fading in the face of technology challenge. BCG matrix lost the very essence of product development. Strategic behavior went beyond the familiar merger and acquisition. scenario building subsided in the face of rapid disruptions. Leadership content and premises shifted in the face of changing texture of demands and expectations. And finally management control addressed predetermined goal that carried little relations to the potential.

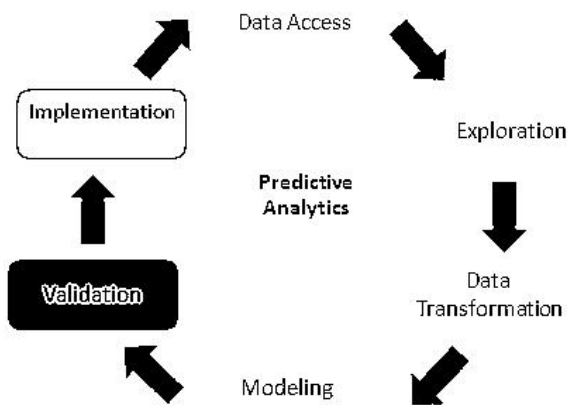
## New Strategic Thinking Premises

Failure of many key strategic thinking concepts coupled with the rapid emergence of new technologies is leading to the rise of new or novel thrust concepts. The process is driven by a myriad of previously unknown forces from artificial intelligence and data dynamics to internet of things and cognitive computing.

### Scenario Building : Predictive Analytics

Predictive Analytics are providing valid substitute to open ended environmental scanning inherent in the process of scenario building. Predictive Analytic is a form of technology that makes predictions about certain unknowns in the future. It draws on a series of techniques to make these outcomes, including artificial intelligence (AI), data mining, machine learning, modeling, and statistics. It extracts information from data and use it to predict trends and behavior patterns. Predictive Analytic uses statistics and modeling techniques to project future performance resorting to models as decision trees, regression, and neural networks. These models trace relationships, patterns, and structures in data. Those can be used to trace correlations between data and possible outcomes. (SAS.”Predictive Analysis).

**Figure Predictive Analytic**



Source: <http://michaelencode.com/presentations/2014-10-06-big-data>

### Strategy Formulation: Data Driven Strategies

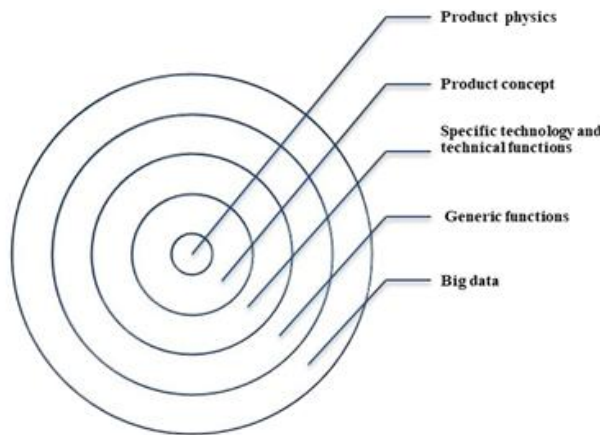
Data driven strategy formulation models will become essential element of the new strategic thinking framework.

Those are models relying on an analytical data based foundation supportive of corporate strategic directions. It is analytic and not the logic or intuition of the past. Data is viewed as an asset with a clear link to a business impact. And as a mode for better strategies and better business decisions. They predict and optimize business outcomes. All of that assumes access to the right data and to a data resource beyond limited company reach e.g. social media or data flows from sensors, monitored processes and external sources. It also assumes an ability to build models that could predict and optimize business outcomes within a data culture.

**Strategic Thinking Models: Function Specific Arenas**

Technology disruption is inducing a radical shift in product development, a shift from the product to the function.

**Figure: Product function**



**Source:** Belu et al, 2011

Product function connotes product mission within an environment. Product function analysis develops a function structure or an abstract model of the product, or product concept, without the material features of shape, dimension or material. It provides a link with the environment where the product is born, used and abandoned. (Belu et al, 2011). Disruptive technology will lead to a shift from product to function. Strategy formulation models as BCG’s will have to develop new parameters as a consequence. “We need to think of strategy and competition in terms of competitive arenas, not industries. An arena represents a chunk of resources controlled by different stakeholders – customers, certainly, but others too” (McGrath, 2019)

**Top Management Competencies: Competitive Cognition**

Competitive cognition will constitute a novel element in top management competencies. The term “competitive cognition” refers to the framework within which competitive knowledge is continuously acquired, used and retained. It is the process of making sense of the competitive environment (Walker et al, 2005). Through repeated exposure to rivals, executives learn the attributes and strategies of competitors and form mental representations of a given rival, then assign the target competitor to a category, using that classification as a guide to direct future actions. (Clark and Montgomery, 1999). Blind spots in competitive cognition and outmoded mental models can explain empirically observable phenomena such as industry overcapacity, the failure of new entries and acquisition overpayment. Industries are actually created through a shared interpretation of reality among business rivals. Rather than defining competitors on an individual basis, executives assign themselves to a competitive category (Porac and Thomas , 1990))

**Problem Solving: Diagnostic Data Analysis**

Diagnostic data analysis will provide a firm foundation for problem identification and problem solving.

Diagnostic Analytic constitute a thorough penetration of data in order to search for constraints and identify insights. It explores possible link between outcomes and possible drivers. Put differently it relates problem areas to identifiable symptoms.

Diagnostic Analytics is usually performed using such techniques as data discovery, drill-down, data mining, and correlations. In the discovery process, analysts identify the data sources that will help them interpret the results. Drilling down involves focusing on a certain facet of the data or particular widget. Data mining is an automated process to get information from a massive set of raw data. And finding consistent correlations pinpoint the parameters of the investigation (<https://www.sisense.com/>)

### **Strategic Behavior: Competitive Synergy**

Dynamic synergy analysis is a process whereby future driving forces of two companies are juxtaposed in order to identify areas of synergy and create a foundation for cross company strategic behavior.

Synergy connotes, in this case, interaction between two or more forces in a way that leads to a combined output that is greater than the sum of the individual components. Future driving forces could be capital related, technology related or productivity related. Capital could become a driving force if capital markets are mature enough to create a dynamic force. Capital market maturity here is measures in terms of instruments, institutions, players, policies and flows. Technology could become a driving force if company parameters of technological innovation measure up to industry innovation standards. Those standards could relate to the volume of patents and patent product and process conversion. Productivity is a depended function depending on capital and technology inputs.

### **Strategic Control: Implicit Learning**

Implicit learning will provide a medium for strategic control or control against the potential as opposed to control by historical standards.

The key question in strategic control is: “are goals in line with potential” ? Many goals are deduced or extrapolated and bear, in reality, little relevance to the ‘true’ potential of the organization. There are several ways to identify this potential. One of them is implicit learning. Implicit human long term memory performs “implicit learning”, a form of learning that occurs without the individual’s awareness. (Curran and Schacter, 2001).

Could business organizations develop an ability to learn implicitly and derive creative strategies and controls form this implicit learning? One could hypothesize that in very much the same way that the human brain resorts to implicit learning to enhance cognitive competencies, executives and corporations could resort to implicit learning to enhance the scope, depth and reach of strategic thinking. And identify the potential. And in very much the same way that human brain enhancement of cognitive capacities comes through the growing of new neurons, executives and corporations could enhance their strategic thinking potential by enhancing their organizations implicit memory or exposure to silent signals and stimuli originating from beyond the organizations immediate periphery (El Namaki, 2020).

## **Academic Implications**

This new era will demand fundamental shift in reference material, research streams, faculty competencies, and industry links and, of course, communication. Implications for strategic thinking curriculum are far reaching. The curriculum will have to accommodate much of the referred to innovations. Communicating the concept will require new modes. And translating the material into applied business tools will demand thorough exploration.

There is also the serious need for rugged research in new dimensions of strategic thinking. Research that explores the “thrust” concepts and puts them within a coherent strategic thinking framework. Research that will become eclectic in nature as issues and concepts of strategic thinking will cross science boundaries and relate to other sciences from neurology to psychology

Many a competency will also be reviewed and adjusted as a result of those new fields of strategic thinking. Some of those will relate to publications and others to delivery mechanisms.

## **Summary and Conclusion**

Powerful forces of disruption are penetrating the core concepts of strategic thinking and the strategy education industry.

Traditional strategic thinking literature and instruction material rest on a solid base of concepts developed by authors from Ansoff and Drucker to Porter , Mintzberg and Prahalad. Their concepts lasted for decades and their literature is a standard feature of business school strategy teachings until this very day. Generic and functional disruptive challenge posed by a broad mix of boundary breaking technologies, norm shaking sociology, rule breaking economics and unsettling political shifts, have all gone a long way towards introducing new paradigm.. One of those disruptive impacts referred to above is the emergence of what we may term “end game “strategic thinking concepts that have lost relevance and subsided. Those include five force analysis, competitive advantage, scenario building, strategy formulation models and management control among others. A new wave of new concepts are rapidly replacing those. They include data driven strategies, cognitive competition and data diagnostics analysis among others.

This shift will have far reaching impact going all the way from research directions to strategy curriculum design and strategic thinking competencies.

## References

- Belu, N, et al (2011).” Aspects on applying of functional analysis method to products design and its relationships with other various design methods”. Annals of the Oradea University. Fascicle of Management and Technological Engineering. XX (X), 2011/2. 10.15660/AUOFMTE.2011-2.2304.
- Boskin, M J (1987) “Reagan and the US Economy. The Successes, Failures, and Unfinished Agenda”, ICEG.997 Kluwer Academic Publishers
- Clark B, Montgomery D “Managerial Identification of Competitors”, First Published July 1, 1999 Research Article <https://doi.org/10.1177/002224299906300305> Journal of Marketing
- Denning S, “It's Official! The End of Competitive Advantage”, Journal of Global Competitiveness, 24(1), 51-58.
- El Namaki M (2019), Could Business Organizations Simulate the Brain's Implicit Learning Process? International Journal of Management and Applied Research, 2019, Vol. 7, No. 1
- El Namaki, M (2014). How damaged are investment capital markets today? Competitiveness Review: An International Business Journal incorporating Jun 2, 2013,03:00pm EDT
- El Namaki, M (2017), "Disruption and the Changing Concept of Leadership ", International Journal of Management and Applied Research
- El Namaki, M (2018), "Disruption in Business Environments: A Framework and Case Evidence ", International Journal of Management and Applied Research, Vol. 5, No. 1, pp. 1-7. <https://doi.org/10.18646/2056.51.18-001>
- Finlay, S (2014). Predictive Analytic, Data Mining and Big Data. Myths, Misconceptions and Methods. Basingstoke: Palgrave Macmillan. ISBN 978-1-137-37927-6.
- <http://michaelencode.com/presentations/2014-10-06-big-data/>
- <https://www.ibm.com/analytics/predictive-analytics>
- [https://www.sas.com/en\\_sg/insights/analytics/predictive-analytics.html](https://www.sas.com/en_sg/insights/analytics/predictive-analytics.html)
- Martin Reeves, Sandy Moose, and Thijs Venema “BCG Classics Revisited: The Growth Share Matrix”
- McGrath R, “Think competitive arenas, not industries”, September 2019 -, Duke Corp Education.
- McGrath, R “The End of Competitive Advantage” , HBR, August 07, 2013
- Meyer R, Volbeerda H. Porter H, “On corporate strategy”, F A J van den Bosch and A P de Man (Eds) Perspectives on Strategy 25-33 ©

Nilofer M, Why Porter's Model No Longer Works, HBR February 29, 2012.

Porter, M. (1979) "How Competitive Forces Shape Strategy", Harvard Business Review, March/April 1979.

Porter, M. (1980) Competitive Strategy, Free Press, New York, 1980.

Porter, M. "The Five Competitive Forces that Shape Strategy", Harvard Business Review, January, 2008, p.86-104

Raelin, Joseph A., The End of Managerial Control? (March 1, 2011). Group & Organization Management, Vol. 36,

No. 2, pp. 135-160, 2011 , Available at SSRN: <https://ssrn.com/abstract=1787684> or

<http://dx.doi.org/10.2139/ssrn.1787684> Vol. 4, No. 2, pp. 122-129. <https://doi.org/10.18646/2056.42.17-010>

Stonehouse, G "Competitive Advantage Revisited: Michael Porter on Strategy and Competitiveness", 2007, Journal of Management Inquiry.

Walker B, Kapelianis D and Hutt M, "The importance of properly identifying the strategies, and anticipating the actions, of rivals". MIT Sloan Management Review, July 15, 2005