



Providing Vision and
Leadership for the Future
of the HVAC and
Sheet Metal Industry

STRATEGIC THINKING



NEW HORIZONS
A Chance to Grow FOUNDATION An HVAC and Sheet Metal Industry Initiative™

*vision
future*

STRATEGIC THINKING

2013 Prepared By:
Garrison Associates
New Construction Strategies

NEW HORIZONS FOUNDATION CONTRIBUTORS

Summit Council

The Summit Council is comprised of the **Champion**, **Summit Counselor** and **Summit Circle** contributor categories. All members of the Summit Council receive national public acknowledgment at industry annual meetings and other special events and programs. In addition, they have the opportunity to participate in shaping the agenda for the New Horizons educational and research program.

Guy Gast, Chairman

Angela Simon, Vice Chairman

Ron Rodgers, Chairman Emeritus

Champion - \$200,000

ACCO Engineered Systems

Milt Goodman, California

Bay Area SMACNA Chapter

Joseph Parisi, Chapter Representative

Sean O'Donoghue, Executive Vice President

SMACNA - Los Angeles Chapter

Richard Rivera, Chapter Representative

Kevin O'Dorisio, Executive Director

SMACNA - St. Louis Chapter

Howard Stine, Chapter Representative

Kelly M. Hogan, Executive Director

Sheet Metal and Air Conditioning Contractors' National Association, Inc.

Represented by Vincent R. Sandusky

Summit Counselor - \$100,000

Ron and Cindy Rodgers

Arizona

AABCO Sheet Metal Company

Ronald J. Palmerick, New York

Bright Sheet Metal Co., Inc.

Phil Meyers, Indiana

C & R Mechanical Company

George R. Edinger, Sr., Missouri

Holaday-Parks, Inc.

Gerald Parks, Jr., Washington

Lennox Industries, Inc.

Terry Johnston, Texas

Marelich Mechanical Co., Inc.

Keith Atteberry, California

McCusker-Gill, Inc.

Kevin R. Gill, Massachusetts

Sheet Metal Connectors, Inc.

James R. Myers, Minnesota

Streimer Sheet Metal Works, Inc.

Frederick L. Streimer, Oregon

Therma, Inc.

Joseph Parisi, California

Welsch Heating & Cooling Company

George L. "Butch" Welsch, Missouri

Yearout Mechanical, Inc.

Kevin Yearout, New Mexico

Columbia Chapter SMACNA

Jerry Henderson, Chapter Representative

SMACNA Chicago

Jack Baer, Chapter Representative

Tony Adolfs, Executive Director

SMACNA – Western Washington, Inc.

Douglas A. Happe, Chapter Representative

Baron W. Derr, Executive Vice President

NEW HORIZONS FOUNDATION CONTRIBUTORS – Continued

Summit Circle - \$50,000

Angie and Michael Simon
California

Guy and Deana Gast
Iowa, Field of Dreams

Charles E. Jarrell Contracting Co.
Howard Stine, Missouri

Climate Engineers, Inc.
Mark C. Watson, Iowa

Harrington Bros. Corp.
Steve Perrone, Massachusetts

Jack's Mechanical Solutions, Inc.
Gabe Martinez, New Mexico

Key Air Conditioning Contractors, Inc.
Richard Rivera, California

Melrose Metal Products, Inc.
Mitch Hoppe, California

Miller Bonded, Inc.
Keith E. Wilson, New Mexico

New England Sheet Metal Works
James M. Boone, California

SSM Industries, Inc.
Thomas Szymczak, Pennsylvania

Stromberg Sheet Metal Works, Inc.
Robert B. Gawne, Sr., Maryland

Walsh Mechanical Contractors
Paul M. Le Bel, Sr., Massachusetts

Walsh Mechanical Contractors
Paul M. Le Bel, Sr., Massachusetts

*Sheet Metal & Air Conditioning Contractors' Association
of New Mexico*
Alan Weitzel, Chapter Representative
David M. McCoy, Executive Director

*Sheet Metal Contractors Association of Philadelphia
and Vicinity*
, Chapter Representative
William F. Reardon, Chapter Executive

Sheet Metal Contractors of Iowa, Inc.
John Ilten, Chapter Representative
Kim Best, Chapter Manager

SMACNA Boston, Inc.
Joseph F. Cullen, Chapter Representative
Thomas J. Gunning, Executive Director

Patron - \$25,000

D.D.S. Industries, Inc.
Dwight D. Silvia, Massachusetts

Dee Cramer, Inc.
Matt Cramer, Michigan

Felhaber, Larson, Fenlon & Vogt, P.A.
William K. Ecklund, Minnesota

Lyon Sheet Metal Works, Inc.
Michael Corrigan, Missouri

Matrix Group International, Inc.
Joanna Pineda, Virginia

Maxwell Systems, Inc.
Karl Rajotte, Pennsylvania

Novak Heating & Air Conditioning, Inc.
Randy Novak, Iowa

*Sheet Metal Contractors Association of
Central Pennsylvania*
Lori A. Eshenaur

SMACNA of Oklahoma, Inc.
Terry O. Elliott

SMACNA – Sacramento Valley Chapter
Kathleen Mitchell

NEW HORIZON FOUNDATION CONTRIBUTORS – Continued

Statesman - \$10,000 and up

McKamish, Inc.

David McKamish, Pennsylvania

U.S. Sheet Metal, Inc.

Bruce J. Stockwell / John Unger, Michigan

SMACNA – Kansas City Chapter

Stacey Smyly

Ambassador - \$5,000 and up

CMF, Inc.

David Duclett, California

Murphy Company

Mark Bengard, Missouri

Scalise Industries

Mark Scalise, Pennsylvania

William J. Donovan Company

Edmund J. Bransfield, Pennsylvania

Diplomat - \$2,500 and up

Energy Labs, Inc.

Ray Irani, California

Kinetic Systems, Inc.

Michael Gonzalez, Arizona

Tri-Metal Fabricators, Ltd.

Joe Toso, British Columbia, Canada

Houston Sheet Metal Contractors Association

Glenn Rex

Delegate - \$100 and up

Blue Diamond Sheet Metal, Inc.

Al LaBella, New York

Boston Air Systems, Inc.

Barry Dwyer, Massachusetts

FABRI-TECH Sheet Metal, Inc.

James Van Becelaere, Missouri

Ladco, Inc.

Doug Hamilton, Iowa

Florida SMACNA, Inc.

Susan Karr

MCA-SMACNA of San Antonio, Inc.

Bob Pisors

SMACNA Arizona

Carol Goguen

CONTENTS

Executive Summary	1
Why Strategic Thinking Is Critical for Every Company's Success.	3
<i>How to Learn Strategic Thinking.</i>	6
<i>What does this report cover?.</i>	7
<i>Key Points from Chapter 1</i>	8
<i>Chapter 1 Endnotes</i>	8
What Is Strategic Thinking?	9
<i>Definitions.</i>	9
<i>Key Points from Chapter 2</i>	27
<i>Chapter 2 Endnotes</i>	28
Systematic Approach to Strategic Thinking	29
<i>Questions.</i>	31
<i>Matrix System</i>	32
<i>Strategic Thinking System</i>	32
<i>Key Points from Chapter 3</i>	33
<i>Chapter 3 Endnotes</i>	33
Getting the Right People Involved.	34
<i>Need a New Perspective.</i>	37
<i>Involving Everyone Benefits the Company.</i>	37
<i>Involving Everyone Benefits the Employees</i>	39
<i>How to Identify the Right People</i>	39
<i>What Information Do You Need?.</i>	40
<i>Think Systematically.</i>	41
<i>Developing Strategic Thinking Skills</i>	43
<i>The Key Positions and Their Roles</i>	44
<i>How to Motivate People</i>	46
<i>Asking Questions</i>	47
<i>Summary.</i>	48
<i>Key Points from Chapter 4</i>	48
<i>Chapter 4 Endnotes</i>	48
Defining the Problem	49
<i>The Need for a System to Defining the Goal</i>	51
<i>Conventional Thinking Creates Problems.</i>	53
<i>A Powerful Purpose Is Critical.</i>	53

<i>The Importance of a Higher Purpose</i>	54
<i>Problem Statement versus Purpose Statement</i>	55
<i>The Facts</i>	55
<i>Summary</i>	57
<i>Key Points from Chapter 5</i>	58
<i>Chapter 5 Endnotes</i>	58
Developing Possible Solutions	59
<i>Develop as Many Possible Solutions as Possible</i>	59
<i>Create Win-Win Situations</i>	60
<i>Emphasis on Outcomes</i>	62
<i>Obstacles</i>	62
<i>The System</i>	62
<i>Questions</i>	63
<i>Summary</i>	63
<i>Key Points from Chapter 6</i>	63
<i>Chapter 6 Endnotes</i>	63
Identifying the Right Solution	64
<i>What Requirements Are Essential?</i>	64
<i>Let People Express Their Feelings</i>	66
<i>Paring Down the List</i>	68
<i>A Structured Solution</i>	69
<i>The Simple Case</i>	70
<i>The Complex Case</i>	71
<i>Summary</i>	74
<i>Key Points from Chapter 7</i>	74
<i>Chapter 7 Endnotes</i>	74
Executing the Strategy	75
<i>Gaining Commitment</i>	75
<i>Execution System</i>	77
<i>Summary</i>	82
<i>Key Points from Chapter 8</i>	82
<i>Chapter 8 Endnotes</i>	83
It's About Leadership	84
<i>Final Thoughts</i>	86
<i>Chapter 9 Endnotes</i>	87

EXECUTIVE SUMMARY

Abraham Lincoln said, “If I had eight hours to chop down a tree, I’d spend six hours sharpening my ax.” Strategic thinking is to solving a problem as sharpening an ax is to chopping down a tree. While we probably don’t need a three-to-one ratio of strategic thinking to implementing a solution, it is definitely clear that investing in structured thought has significant benefits over just jumping into the problem.

However, strategic thinking is more than simply solving a problem. It would be great if when we were faced with a problem, we could sit down and bring the necessary resources together to permanently solve it. Often this goal can be achieved; however, with regard to many of the complex challenges we face, it should not be surprising to learn it’s virtually impossible to develop a permanent solution. This isn’t a failure of the process of strategic thinking, but the reality of living in a constantly changing world. What works today may not work tomorrow. For example, a company’s strategic plan must address each client’s needs. This means a strategic plan must change to meet each client’s changing needs.

Change is often good. In the 1800s when someone was too hot, if he could afford it, he had servants wave hand-held fans in an effort to cool him. Today, fortunately for the HVAC and sheet metal industries, we merely turn up the thermostat of the air-conditioning unit. This reinforces the fact that strategic thinking is not a destination, but a journey. To be able to navigate this journey successfully with consistently reliable results requires a strategic thinking process.

An effective strategic thinking process offers a few significant benefits, which include the following:

- It helps everyone in the organization to not only understand the current strategy but buy in to it.
- It makes the company more flexible to the rapidly changing market conditions.
- It empowers employees to take initiative.
- It increases retention of your people after you have invested in their development.
- It develops your company’s future leaders.

Effective strategic thinking requires a system to tap your most important resources—your people’s knowledge, experience, and wisdom. The key elements of a strategic thinking system include:

- *Get the right people involved* – Jim Collins mentioned, “getting the right people on the bus in the right seats.” This step is critical because without the right people, it’s difficult to achieve the desired results. But just as important it’s about tapping into the knowledge, experience, and wisdom of your people throughout the organization. Studies reveal that when companies win awards for innovation, most of the time the idea came from the rank-and-file, not management.
- *Define the problem* – Unless you understand the problem, your chances of solving it are remote. In fact, the number one reason for project failure is not clearly defining the problem or goal. This requires communication with all those who have insight into the problem or situation.
- *Develop possible solutions* – There are usually multiple solutions to a problem. The objective should be to find the best solution that takes into account all of the constraints. Obviously, a technically better solution that can’t be installed by a critical deadline is not the best solution. This is an important concept because too often people jump on

the first idea that works instead of exploring all the possibilities. The problem is the first few ideas that surface are often the most obvious, and if they were the true answer, they would have been implemented before. Studies indicate the best ideas usually come between the fifteenth and twentieth ideas. It requires a collaborative effort to peel back layers of the problem to get at the source. When you are developing the possible solutions, there should be no debate or discussion on the merits or disadvantages of the idea because that discourages new ideas. In this phase of the process, we want quantity combined with a free flow of ideas.

- *Identify the right solution* – This phase is about analyzing the ideas put forth in the previous phases. The first step is to eliminate those ideas that don't fit within all of the constraints – Once this has been accomplished, the analysis process can begin in earnest. To be effective, it's essential that all key personnel are involved. That is the only way to fully take advantage of their collective experience, knowledge, and wisdom. There are tools to help improve this process, but one caution is to avoid focusing on data. When talking about the future, wisdom is more valuable than data because there is no data on the future.
- *Execute the strategy* – No matter how great the strategy, if it's not executed, it will not be successful. To a great extent, execution is about gaining buy-in, which is one of the main benefits of working through the above phases. Skipping them places the goal at risk.
- *It's about leadership* – Effective strategic thinking requires leadership. This leadership is not about command and control, but about perceiving the existing conditions and allocating resources, both capital and human, in the best manner possible. It's not

about the leadership coming up with all the ideas, but instead it's about the leadership making sure the company's strategic thinking process is followed.

Strategic thinking isn't just a theoretical process involving the mind but a practical application that engages everyone throughout an organization to better solve problems, plan projects, and develop the company's business strategy. Strategic thinking is the tool to deal with not only constant change but rapid change. It is therefore a skill that everyone needs to master. To paraphrase Edward de Bono, everyone needs to master the skill of strategic thinking to get the most of one's intelligence.

1 WHY STRATEGIC THINKING IS CRITICAL FOR EVERY COMPANY'S SUCCESS

- *How can we ensure everyone in the company not only understands our current strategy, but also buys into it?*
- *How can we become more flexible and responsive to the rapidly changing market conditions?*
- *How can we inspire our people to take the initiative and respond to our efforts to empower them?*
- *How can we hold on to key people after spending a ton of time and money developing them?*
- *How can we ensure that future leaders will be here when we need them? If you find yourself asking any of these questions, you are a prime candidate for strategic thinking!*

Strategic thinking addresses these issues because it is more than just part of the company's strategic planning process—it is a skill that needs to be incorporated into the daily activities of *every* business. Strategic thinking should be applied during overall project planning and when addressing serious problems and situations that occur on a daily basis. Mastering the art of strategic thinking is essential, because companies that master it will not only survive but will thrive in today's rapidly changing business environment. Strategic thinking allows you to look at challenges from a new or different perspective—it is so important, it is one skill that can't be outsourced.

Strategic thinking allows companies to leverage their knowledge, skills, and resources. This skill has never been more important than in today's

hypercompetitive construction industry. Andy Bruce and Ken Langdon wrote, "To succeed in the future, it is necessary to put time and effort now into predicting what your customers will want and then guide the market toward adopting your customers' views of the future."¹ The most successful companies use innovation to remain ahead of their competition, which requires strategic thinking. This is essential for the contractor because of rapidly changing client demands. These new challenges require new approaches.

While most companies have the knowledge and skills they need, the problem is often the inability to effectively tap those resources. The solution is to develop a strategic thinking process. This book explains how contractors can achieve that goal on their journey to maximizing their potential.

It doesn't matter whether you are an international firm with thousands of employees or a small contractor with only a handful of staff. Every contractor is confronted on a daily basis with problems, challenges on their projects, and threats and opportunities that impact the company's business strategy. Of course, the scope and complexity of the problems will vary depending on the size and type of the company, but a contractor's failure to address its unique challenges will have a detrimental impact on the contractor's success. What these diverse situations have in common for all contractors is the need for a *strategic thinking process* to enable them to effectively work through the challenges.

For decades the construction industry has had the highest turnover of companies of any industry, except the restaurant industry. Further, in 2005, in the middle of a construction boom, 40 percent of contractors didn't make a profit—largely because both the industry and the individual contractors

failed to adequately address the challenges they faced. This was in part due to a lack of strategic thinking. Unfortunately, without an effective strategic thinking process, it is virtually impossible for contractors to consistently solve the challenges they face. In contrast, those contractors that use a strategic thinking process gain the following benefits:

- Find better solutions to problems
- Minimize potential problems through better project development
- Make smarter decisions
- Out-think the competition
- Maximize the value delivered to clients, which allows the contractor to increase its profitability
- Maximize performance and profitability
- Grow and stay ahead of the competition
- Identify and seize profitable new opportunities
- Identify threats to build an effective defense
- Survive the industry downturn even while being understaffed
- Create a company vision

Since strategic thinking is involved in virtually everything a contractor does, it's important that contractors develop this skill in all their people. The problem is that there are very few strategists, or individuals who effectively use strategic thinking skills. What compounds the problem is that many strategists do their strategic thinking intuitively, which means they aren't sure how they did it and aren't able to teach others how to do it.

The majority of the construction industry prefers to rely on reproductive thinking versus productive thinking. "Productive thinking is a way to refine what is known; it aims for

efficiency. Productive thinking is a way to generate the new; it aims for insight."² This helps explain the comment by Doug Woods, CEO of DPR Construction, "This industry hasn't changed the way it does business a whole lot in the last hundred years."³ This has resulted in a shortage of successful examples of strategic thinking in the construction industry, but that doesn't mean change isn't needed. It's time the industry applies its considerable skills and knowledge in a new way.

"Thinking is the operating skill through which intelligence acts upon experience," declares Edward de Bono. He adds that the operable words in that definition are "operating skill, intelligence, and experience."⁴ Therefore, if thinking is a skill, then so is strategic thinking.

If strategic thinking is a skill, that means it can be taught and improved with practice. A major barrier to improved strategic thinking is the general belief in society that there isn't anything that can be done to improve one's thinking because thinking is tied to intelligence. This has resulted in very few courses on how to improve one's thinking abilities. De Bono argues that nothing is further from the truth. In fact, he explains the relationship between thinking and intelligence by using an analogy of an automobile. The performance characteristics of the vehicle are the like a person's intelligence. The driver's driving abilities are the equivalent of thinking skills. If a driver has limited skills, he can't get the maximum out of the vehicle, no matter what type of vehicle it is.⁵ Therefore, to maximize your natural intelligence, you must develop your strategic thinking skills. This report is designed to help its readers to improve their strategic thinking capabilities by helping them to understand the strategic thinking process that can be used over and over again and even taught to others.

While strategic thinking and strategic planning are related, they are different. Strategic thinking is the exploration process or discovery process of looking at situations from a new perspective. Strategic planning in contrast takes what was learned from the strategic thinking process and develops a plan to implement the desired goals, purposes, and objectives of the organization within the strategy. Typically, without a strategic thinking process, it's difficult for companies to effectively address the critical

challenges they face. This usually results in underperformance. Gary Hamel and C. K. Prahalad wrote in *Competing for the Future*, "If a top management team cannot clearly articulate the five or six fundamental industry trends that most threaten its firm's continued success, it is not in command of the firm's destiny."⁶

During one of my NCS Radio interviews with Clemson professor Dennis Bausman, he reported that his research indicated that contractors without a strategic plan are 35 percent less profitable than those with a strategic plan. What surprised him most was the fact that 25 percent of the six hundred largest general contractors didn't have a strategic plan.⁷ When I conducted a survey of contractors on strategic thinking, approximately 50 percent of the responding contractors indicated they didn't have a strategic plan. Contractors without a strategic plan are almost certainly not doing strategic thinking, and unfortunately, many with a strategic plan skipped that essential step also. So should anyone be surprised that the construction industry is struggling? In fact, in the middle of a construction boom, *Forbes* magazine reported that the return on investment for the construction industry was 9.7 percent compared to 16.7 percent for all other U.S. industries in 2005.⁸ If the return was that bad during a construction boom, what can we expect when the industry is in a downturn?

Below is an excerpt from my book *Strategic Planning for Contractors*. While the comments are about strategic planning, they apply equally to the strategic thinking process and are potentially more important because of strategic thinking's impact on day-to-day operations.

"Does Your Company Need a Strategic Plan?"

The short answer is yes because every business needs a strategic plan. Unfortunately, too many business owners have built-in excuses for why they don't need to develop a strategic plan. Below are some of the examples of common excuses and the author's answers.

"Our business conditions change too fast." Actually, if there were no changes, you wouldn't need a plan.

"We have no time for strategic planning." Planning saves time; plus, a plan doesn't have to take long.

“We’re too small.” Small companies have little room for error; therefore planning is essential.

“We have no resources or people for strategic planning.” In this situation, it’s more important to allocate people efficiently and avoid being at the mercy of larger companies.”⁹

While this report is not about strategic planning, it’s important to understand its relationship with strategic thinking. In essence, strategic thinking is the foundation of the planning process whether we are talking about a company’s business plan or the planning of a project. Every contractor understands the importance of a solid foundation, because without one, a plan is unreliable.

The objective of strategic thinking is to identify a strategy. This is necessary to create alignment throughout the organization. This allows the departments or even individuals in the organization to identify the actions, performance, and projects that support the company’s strategy. Without the guidance of a strategy, an organization’s path is uncharted, much like a person traveling without a compass. The lack of a strategy yields one of two results: The first is terrible inconsistency in the organization, because without a common direction, each person does what he or she thinks is best. The second is an owner who makes all of the decisions, regardless of how small. Both of these approaches are horribly inefficient and harmful to the success of a company.

How to Learn Strategic Thinking

While strategic thinking is linked to a company’s business strategy, for most people, that’s not the place to begin to learn about strategic thinking. Why? It’s the most complicated. The best place to start is with

problems. Everyone has problems. Starting here allows everyone to practice the strategic thinking process on issues with which they are familiar. As individuals develop their strategic thinking skills, they can start to apply them to planning projects or planning the company’s business strategy.

What makes strategic thinking effective is divergent thinking. Divergent thinking is stimulated by involving as many people as possible to obtain diverse perspectives. The idea of encouraging everyone in the organization to participate in the strategic thinking process is discussed in greater detail in Chapter 4, but for now the important idea is that it helps create buy-in to the solution, which is essential for successful execution of the solution.

It may appear that many employees are reluctant to participate in the strategic thinking process, but once the inhibitions are removed, most employees welcome the opportunity. It’s common for employees to be reluctant initially because no one has asked their opinion in the past, so they aren’t sure what they are supposed to do. Since they aren’t sure what to say, they are quiet even if they some have ideas. Others aren’t sure how to explain their ideas, which makes them reluctant to say anything because they don’t want to look foolish. A lot of employees think their comments will not be taken seriously or have no benefit, so they stay quiet. Therefore, it’s critical that the company encourage their employees to participate and ensure they realize it’s a safe environment.

Unfortunately, too often companies take the wrong approach even when they are attempting to include employees.

Typically the process starts with the boss asking the workers for their suggestions on what they can do to increase productivity. That sounds like a good idea, but that's not how the worker perceives the request. The worker's perception is, "They want me to work harder, as though I'm not working hard enough already. Besides why should I work harder so the company can make more money?" That's certainly not the way to build collaboration.

A more effective approach would be to ask the workers questions from their perspective: "What drives you crazy that we can eliminate?" "What can we do to make your life easier?" Since these questions are about the workers and not the company, the workers are more likely to offer suggestions. When the workers offer suggestions, tell them to go ahead and implement them. This process works for the company because if the suggestion improves the worker's performance, the company benefits. The continuous improvement process is the easiest way to initiate most people into the strategic thinking process that is discussed in greater detail in Chapter 2. What's important here is that the right questions start the process of pulling everyone together to generate superior results.

This book will explain in greater detail all of the aspects of strategic thinking at the various levels, but the important idea to keep in mind is that regardless of the size of the company or whether it has a strategic plan, strategic thinking can be used to create continuous improvement that will increase profitability.

Strategic thinking isn't just a theoretical process involving the mind, but a practical application that engages everyone throughout an organization to better solve problems, plan

projects, and develop the company's business strategy. Strategic thinking is the tool to deal with not only constant change but rapid change, and is therefore a skill that everyone needs to master. To paraphrase de Bona, everyone needs to master the skill of strategic thinking to get the most of one's intelligence.

What does this report cover?

Chapter 2 explores the concepts of thinking—strategic and other forms—to help the reader better understand how to tap his or her own internal resources while at the same time avoiding the traps that diminish strategic thinking. Chapter 3 explores the importance of creating a system to implement a company-wide strategic thinking process. This is important because everyone has different levels of strategic thinking capabilities, but the process allows everyone to maximize their own personal capabilities.

The next four chapters are devoted to the four critical elements of any strategic thinking process, with Chapter 4 focusing on getting the right people involved. This subject covers who should be included and how to get those people to participate. Chapter 5 is about the process of defining the problem or situation. Chapter 6 describes the process of how to obtain as many different perspectives as possible to improve the odds of generating superior solutions. Chapter 7 discusses the process of evaluating the possible solutions developed in Chapter 6, and also explores how to identify, evaluate, and prioritize the benefits of each proposed solution. In other words, Chapter 6 focuses on getting as many ideas as possible, while Chapter 7 then analyzes those ideas to determine the optimum solution for the situation. Chapter 8 describes the execution process, or how to carry out the selected solution from Chapter 7.

Execution is critical to the strategic thinking process, but unfortunately too many strategists mistakenly believe that it's not part of their responsibility. This mistaken belief often results in the failure of the strategy because without the necessary action steps, it doesn't matter how good the strategy is.

Chapter 9 describes the leadership necessary to create a strategic thinking organization.

Key Points from Chapter 1

- Strategic thinking is a skill that needs to be incorporated into an everyday culture in businesses.
- Strategic thinking is critical to the success of every business, regardless of size.
- Strategic thinking allows companies to leverage their knowledge, skills, and resources.
- Strategic thinking is the key to solving problems, planning projects, and developing company business strategies.
- Strategic thinking is the foundation for planning.
- Strategic planning is about getting as many diverse perspectives as possible, which means including as many people as possible in the process.
- The key to getting people involved in the process is about focusing on what is important to them.

Chapter 1 Endnotes

¹ Andy Bruce & Ken Langdon, *Strategic Thinking*, Dorling Kindersley Book, 2000, pg 17

² Tim Hurson, *Think Better*, McGraw-Hill, 2008, pg 37

³ William C. Taylor & Polly Labarre, *Mavericks at Work*, Harper, 2006, pg 46

⁴ Edward de Bono, *Thinking Course*, Facts on File Inc 1994, pg 2

⁵ Edward de Bono, *Thinking Course*, Facts on File Inc 1994

⁶ Gary Hamel and C. K. Prahalad, *Competing for the Future*, Harvard Business School Press, 1994

⁷ Dennis Bausman, *Why You Need a Strategic Plan*, NCS Radio Interview, September 4, 2007

⁸ *Forbes Magazine*, December 28, 2005

⁹ Ted Garrison, *Strategic Planning for Contractors*, Advantage Books, 2005

2 WHAT IS STRATEGIC THINKING?

To better understand strategic thinking, it's essential to understand its relationship to strategic planning, strategy, and strategist. While they are related, they have different specific meanings.

Definitions

What is a Strategist?

A strategist is someone who thinks strategically.

The American Management Association's research on leadership indicates the most important competency for a leader is the ability to develop a strategy.¹ The problem is that other research efforts indicate that only about 4 percent of leaders at all levels of organizations are strategists.² These statements certainly provide evidence for the importance of a study on strategic thinking. One of the worst sins for a businessperson is to fail to prepare to be a strategist.

What Is Strategy?

Harvard professor Michael Porter wrote, "Strategy is the creation of a unique and valuable position involving a different set of activities."³ Since strategy is the product of strategic thinking, a good strategy depends on effective strategic thinking, whether it's the business strategy for a company, the strategy for a project, or the solution to a problem. The number one reason a business, project, or effort to solve a problem fails is that it is the result of a poor definition, goal, or strategy. Without a clear strategy, it's impossible to develop a plan to address the challenges. As Yogi Berra once proclaimed, "You've got to be careful if you don't know where you're going 'cause you might not get there."⁴

However, a strategy is not about just the future; it must also address the gap between the current situation and the desired destination. This is true whether you create a company's business strategy, plan a project, or solve a problem. A strategy allows a company to make day-to-day decisions along its journey that are consistent with where the company wants to go. Without guidance, many decisions might actually have a negative impact on the company's future or a project's outcome. A strategy that has been embraced encourages people to work together to achieve the common goal.

Strategy is about change. Change is about innovation. In essence, a strategy is the response to changing conditions, whether at the company level, the project level, or simply the problem level, because they are all about achieving a specific goal. Each of these three situations is different, but they are all connected by a common factor—*strategic thinking*.

What Is Strategic Planning?

Strategic planning is the process of developing plans and implementing the necessary tasks to reach the goals, purposes, and objectives outlined in the strategy of the organization, project, or problem solution. Many people think of *strategy* and *strategic planning* as synonyms, but the planning function has a distinct meaning. In essence, strategy creates a vision or a series of goals or objectives, while the planning effort then establishes a process to achieve the vision or goals.

What Is Strategic Thinking?

Strategic thinking is an intensified exploration of strategy from new directions that creates new concepts. It's a thinking process, an exploration process, and a discovery process.

It's a journey, not an event. McGill University professor Henry Mintzberg explained that strategic thinking is a synthesizing process that uses intuition and creativity to create "an integrative perspective of the enterprise."⁵ Further, Mintzberg's writings emphasize the importance of creativity, exploration, and understanding discontinuities. In other words, strategic thinking is essential if individuals and companies are going to create new solutions.

If strategic thinking is so important, why have so few people mastered this critical skill? Since strategic thinking is a rather abstract concept, it is often misunderstood and improperly defined. Unfortunately, many commonly held beliefs about strategic thinking miss the target. All of this is further complicated by the fact that most organizations pour their training resources into building operational skills instead of strategic thinking.

In part, conventional wisdom creates barriers to developing strategic thinking capabilities. When John Kenneth Galbraith coined the expression "conventional wisdom" in the 1950s, it wasn't a compliment. He stated that conventional wisdom doesn't necessarily mean it's true. It merely means that a majority of people *believe* it's true. He further explained that people have a need to be correct. So they attach themselves to the conventional wisdom of the time. The problem here is that even if the conventional wisdom was accurate at one time, once the situation changes, the so-called conventional wisdom is no longer accurate. Group mentality tends to lag behind the real world, which results in many "conventional wisdoms" that are widely believed to be true but are in fact not accurate.⁶ Galbraith observed, "Faced with the choice of changing one's mind and proving there's no need to do so, almost everyone gets busy on the proof."⁷ One example of conventional wisdom is that strategic thinking can't be taught—but this is not true.

Reproductive Thinking versus Productive Thinking

Jim Collins wrote, "Good is the enemy of great,"⁸ identifying a critical barrier to strategic thinking. Reproductive thinking, which was defined earlier as a way to refine what is known in an attempt to increase efficiency, is often perceived as less risky than productive thinking—attempts to generate new ideas or insights. The combined impact of something being good, especially in the past, and believing it is safe can block better solutions. There is nothing wrong per se with reproductive thinking, because improving efficiency should be everyone's goal. In fact, Kaizen is a form of reproductive thinking and has many benefits even in strategic thinking, as will be discussed later. However, many situations require that a problem be examined in its entirety, as Edwards Deming advised, to avoid sub-optimization.

Examining a problem in its entirety requires productive thinking. Why? The best solution often requires a totally new approach, not just a tweaking of the old approach. Stepping back and taking a new look at a problem can also energize employees. In an interview, Ron Rodgers, the former CEO of a large sheet metal and air-conditioning contractor, reported this approach often energized his people and got them excited about fixing the problem. Rodgers further reported that because his company took the time to do the necessary productive thinking, they were able to generate better solutions for their clients, enabling them to achieve about 4 percent higher profit margins than their competitors.

Productive thinking is different than what most of us do on a daily basis. It can make many people feel uncomfortable because it often explores uncharted territory. But productive thinking is needed to create new ideas and breakthrough solutions to grow your company. This is the main benefit of strategic thinking.

Obstacles to Strategic Thinking

In addition to the barrier created by conventional wisdom, there are probably as many obstacles to strategic thinking as there are people, since each individual has specific blind spots and biases. The short list that follows offers a few of the most common obstacles that may impact creativity and strategic thinking efforts.

Intelligence Trap

Many highly intelligent individuals who have years of experience appear to suffer from flawed thinking from time to time—leading others to question whether the person has twenty-five years of experience or one year of experience twenty-five times.

De Bono reported, “A highly intelligent person can take a view on a subject and then use his or her intelligence to defend that view. The more intelligent the person the better the defense of the view. The better the defense of the view the less that person sees any need to seek out alternatives or to listen to anyone else. If you know ‘that you are right’ why should you do either of those things? As a result, many intelligent minds are trapped in poor ideas because they can defend them so well.”⁹

De Bono described a second aspect of the intelligence trap. When an individual believes he is more intelligent than those around him, even if it’s true, he wants to get

satisfaction from that intelligence. De Bona said, “The quickest way and most reliable way to be rewarded for intelligence is to ‘prove someone else wrong.’ Such a strategy gives you an immediate rush and establishes your superiority.”¹⁰ Offering constructive ideas is much less rewarding because it may take years to prove those ideas, so being critical is more appealing, lamented de Bono.

We all struggle with the idea that someone else, especially someone less experienced, might have a better idea than our own. We take pride in our beliefs, but we need to be careful our pride doesn’t get in the way. Chapter 5 will provide tools for contractors to overcome this obstacle.

Critical Thinking

Some schools actually teach “critical thinking,” but while critical thinking is a valuable part of the thinking process, it is totally inadequate on its own.¹¹ De Bono explains that the theory behind critical thinking is that analysis, judgment, and argument are enough because it’s enough to “find the truth” and remove the “untruth.”¹²

The problem is that critical thinkers can’t do anything until someone suggests a constructive idea for them to critique. While critical thinking is needed, it doesn’t generate the creative ideas that are so necessary in today’s environment. Our success in science and technology stems from people reaching out and asking, “What if?” and not defending the old. The moral of the story is this—as long as it is believed that critical thinking is sufficient, it will act as an anchor on innovative ideas.

Recently I made a presentation where I was talking about how the construction industry needs to reexamine how it functions. After the presentation, a guy met me in the lobby and said to me, “Everyone thought you gave a great speech. It really raised some great ideas.” I laughed and told him not everyone. He asked what I meant, so I showed him one of the written evaluations where

someone wrote that I was not in touch with reality. What made the critic's comments worse was I sat at the critic's table the night before, and he spent the evening complaining about how bad conditions are in the construction industry. Despite his complaints, he still wasn't willing to look at new ideas.

If what you are doing is working the way you want it, there may be justification for not changing. However, it still might be a good idea to keep an open mind to the possibility that there might be a better way that could exceed your current expectations. When you have a problem or things are not working out the way you planned, remember the advice from Albert Einstein, "You can't solve a problem at the same level of mind that created it."¹³

To overcome this obstacle, one must challenge his or her thinking by asking about other possibilities. This process is discussed in further detail in Chapter 6.

Focusing on Beating the Competition

Jim Collins and Jerry Porras reported on a myth that often gets in the way of strategic thinking, namely that "the most successful

companies focus primarily on beating the competition."¹⁴ In the construction industry this is about contractors focusing on execution instead of differentiation. The question that needs to be asked is, "How can we add more value, especially different value, for our clients instead of focusing on how we can beat our competition?"

Understanding the Thinking Process

To understand the thinking process, you must start with yourself. In other words, how do you think? Figure 1 is a self-evaluation of eight critical aspects of your job. The process is simple: just pick either Option A or Option B (but not both) for each individual row. Don't over-think or attempt to analyze your response; simply record your first reaction. The reason for this will be explained later.

STOP READING NOW AND TAKE THE SELF-EVALUATION!

Test How You Think

Figure 1: Self-Evaluation of Your Approach to Your Job

#	Option A	Check A	Option B	Check B
1	Do you administer?		Or do you innovate?	
2	Do you copy?		Or do you originate?	
3	Do you maintain?		Or do you develop?	
4	Do you focus on systems and structures?		Or do you focus on the long-range perspective and people?	

Figure 1: Self-Evaluation of Your Approach to Your Job, *continued*

#	Option A	Check A	Option B	Check B
5	Do you worry about how and actual timing?		Or do you worry about what (includes completion) and why?	
6	Do you always worry about the bottom line?		Or do you look for the horizon?	
7	Do you maintain the status quo?		Or do you challenge the status quo?	
8	Do you do things right?		Or do you do the right things?	
	Total # of A checks		Total # of B checks	

Now that you have finished the self-evaluation, what does it mean? First, most people have to do all sixteen items to perform their jobs, so by refraining from over-thinking or analyzing your response, you likely chose from each row the option that is most dominant in your job. Of course, some answers depend on your specific job. For example, if you are in accounting, you probably selected 1A. Typically accountants are not encouraged to use innovative accounting practices, unless of course they work for companies such as Enron, but then they end up going to jail. On a serious note, accounting requires consistency so companies can measure performance from a baseline. That said, people who perform accounting functions typically select that type of profession because they are comfortable with the “A” approach.

Not to oversimplify the process, but in general column A represents managers and column B represents leaders. Typically it’s the manager’s job to maintain and a leader’s job to be strategic. Don’t misunderstand; it’s not right or wrong to be either an “A” or a “B”, because both are needed. Therefore, don’t become overly concerned about which category you fall into because as was stated, it often depends on your specific job. The important idea to understand is your relative outlook on things, especially when you are attempting to

perform strategic thinking. Those individuals who selected “B” responses will generally find strategic thinking more comfortable because they have a more holistic or strategic view of their roles and/or their companies’ roles.

In contrast, if your responses were in the A column, your normal mindset is typically to maintain in lieu of pushing for change. Since strategic thinking is about change and looking for new ways of looking at things, it’s important that you understand your bias to resist change. Once you understand the bias exists, you will be better able to deal with it. While change and new ideas might make you uncomfortable, if you accept that discomfort is acceptable, you may find it easier to have an open mind to new ideas. However, don’t think you are the square peg in the round hole—while the column B responders might find change easier, they often can stretch too far. In this situation, the “A” person can help bring ideas back into balance.

The important thing for the “A” people to keep in mind is that they are “A” people and while their specific job may require consistency, they shouldn’t dig in their heels to resist change. They need to do everything they can to maintain an open mind to the possibilities of new and better ways to do something.

The tools and processes discussed throughout the rest of this book, if learned and practiced, should enable most people to be more comfortable with strategic thinking.

All that said, questions #5 and #8 have special importance for the strategist. If you are actually performing the task, then you should probably pick 5A because it's your job to determine how to do the task. However, if you are supervising those performing the task, you should select 5B because it's your responsibility to explain to the person doing the task what is needed and why. It's up to the person performing the task to be responsible for determining how. This concept is important in all strategic thinking activities, but it's especially important in areas of continuous improvement. This isn't a reckless approach because it assumes that the person being assigned the task is properly trained and qualified. If the individual isn't qualified, why are you assigning the person to do the task? Sometimes you must assign an unqualified person to perform a task, but in that situation, you should act as an instructor and teach the person how to perform the task, but that's not the situation we are concerned with here.

The other critical question is #8. This question is different because there is only one correct answer; everyone should select 8B. Of course, you need to perform the task correctly. However, if you are not doing the right thing, you are wasting your time no matter how well you perform the task. This makes it essential that the first step is to identify the right thing to do. If you don't know how to do the task, you can always get additional assistance, but working on the wrong task doesn't solve the problem. This concept is critical to strategic thinking because the primary goal of strategic thinking is to identify the *right thing to do*.

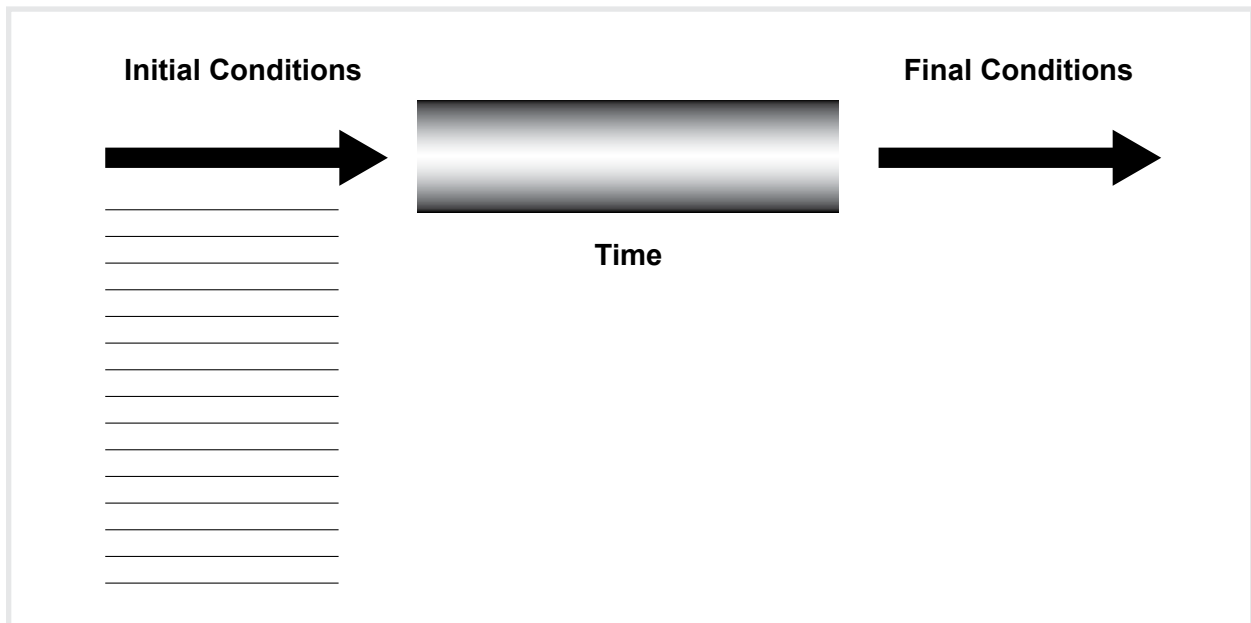
Perception

De Bono defined perception as "how we look at the world, what things we take into account, how we structure the world."¹⁵ He further explained, "It is the active nature of nerve networks that allows incoming information to organize itself into patterns. It is the information and the use of such patterns that give rise to perception. Were it not for the ability of the brain to allow incoming information to organize itself into patterns, then even such simple things as crossing the road would be virtually impossible."¹⁶

De Bono added, "Professor David Perkins at Harvard has shown that almost all the errors of thinking are errors of perception."¹⁷ This means that even if you use flawless logic, you will still end up with the wrong answer.

Leadership and strategic thinking are both associated with the ability to look ahead, which is why they are so interwoven. But both skills require more than the ability to simply look ahead. One needs to truly understand the current situation through the use of senses, knowledge, and experience—then allocate the resources, both capital and human, in the best possible way. This requires the understanding of the capabilities of the human and capital resources to ensure they can cope with the pending challenges.

Information measurement theory helps explain why this ability is critical. Figure 2 shows the layout of an event. An event is anything that takes place over time, which could be implementing a business strategy, constructing a project, or even solving a problem. The theory says that if all the initial conditions are known before an event takes place, then the perceptive individual would be able to predict the outcome since there is only one outcome.

Figure 2: An Event¹⁸

Of course, it's virtually impossible to gather all the initial conditions. First, it would be too costly and time consuming and much of the information would have little impact on the predictions, making it not worth gathering. However, an experienced construction professional should certainly be able to identify the half dozen or so critical initial conditions that would determine if a project would be successful or not. Key initial conditions might include sufficient budget, adequate schedule, clear directions on what is needed, the right personnel, etcetera.

Information measurement theory also makes it clear that the information is always there, though problems arise because imperceptive people can't see the information, or if they see it, they don't understand what it means. This might sound like common sense, but unfortunately the concept is violated too often.

What does this mean? The following key points summarize the concept of information measurement:

- The more information we have before the event, the easier it is to predict the final outcome.
- The less information we have before the event, the harder it is to predict the final outcome.
- However, the lack of information will never change the final outcome.
- Probability occurs when people don't understand. So when someone says he doesn't know what will happen or gives multiple options, it means he doesn't understand the initial conditions, and is therefore unable to predict the outcome.
- We need to think proactively, not reactively. This means we need to use strategic thinking to ensure that we understand the impact of existing conditions. When this is achieved, we are able to more accurately predict the outcome of the business strategy and projects, or the success of possible solutions to problems.

For example, when a contractor with a poor performance record is selected because his price is low, why is anyone surprised when that contractor doesn't perform well? When projects have unrealistic budgets or schedules, why is anyone surprised when problems occur? Similar problems occur with business strategies, but the reoccurring problems are easier to observe on projects because they are more frequent and, as a result, provide more examples to observe.

Figure 3 helps illustrate the perception process. The process starts when someone perceives the initial conditions of a situation, whether

that be a problem, planning a project, or attempting to develop a business plan. Once the individual perceives the initial conditions, that individual processes the information. After the information is processed, it is then applied and the necessary changes are made.

"The more '*perceptive*' individual perceives at a faster rate, changes at a faster rate, and makes more accurate predictions," declared Professor Dean Kashiwagi at the Performance Based Studies Research Group (PBSRG). What does that mean in day-to-day activities?

Figure 3: The Perception process, from perceiving initial conditions through applying change.¹⁹

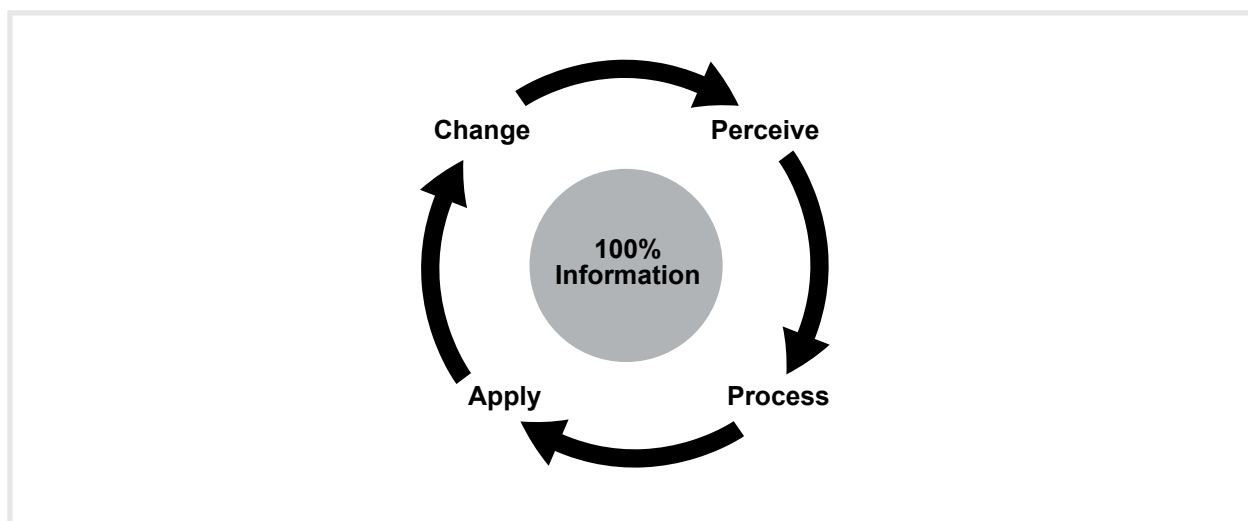
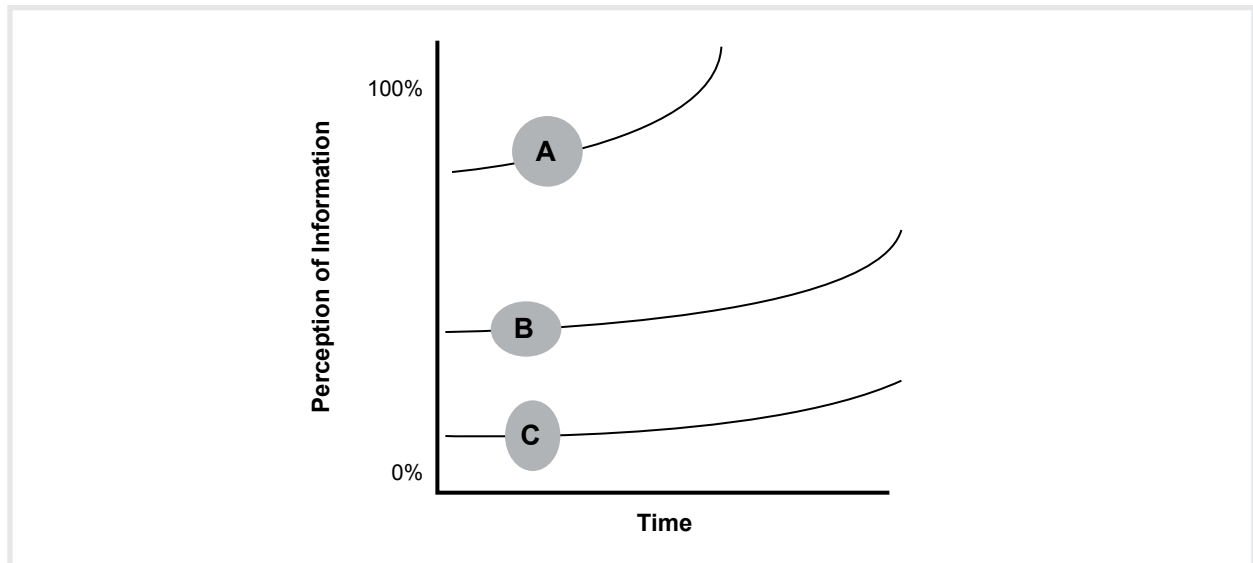


Figure 4 further explains the differing rates of perception of different types of people. The distribution of people over the chart is continuous; however, it becomes easier to examine if we assume the Type A individual and the Type C individual represent the two extremes. The Type A person perceives a greater amount of information in a shorter period of time; therefore, it could be said that the Type A person is more perceptive.

The reality is that we are all a mixture of Type A and Type C people. In areas where we have

a great deal of knowledge and experience, we might be a Type A person. However, in areas where our knowledge is limited and we have little experience, we are probably not very perceptive. The problem occurs when an individual who is Type A in one area attempts to influence or control areas where he or she is not a Type A. We see this occur in the construction industry all the time when owners, who might be a Type A person in their own business, attempt to manage the construction process where they are not a Type A. Or with general contractors, who might be

Figure 4: Rate of perception of different types of individuals.



a Type A with regard to overall management of a project, when they attempt to micromanage a subcontractor in areas where they are not a Type A. This situation also occurs when a senior manager within a company attempts to micromanage a skilled tradesperson. In this case, the tradesperson may be a Type A person with regard to the specific task at hand, yet management refuses to listen to him or her.

Avoid Making Subjective Decisions

Perception gives a person the ability to understand the existing conditions and know what to do. The ability to know what to do is based on a combination of the person's perceptive abilities, knowledge, and experience. When someone doesn't understand the existing conditions, that person isn't able to predict the outcome and, therefore, is forced to make a decision. This can cause problems.

Information measurement theory advises people to avoid making subjective decisions. The reason is simple, when an individual understands the existing conditions and can predict the outcome, the person knows what to do and doesn't have to make a decision.

The individual merely takes the right course of action. When someone is forced to make a decision, the process itself is telling the individual that he or she doesn't understand the existing conditions and, therefore, can't predict the outcome. This forces the person to guess. Even an educated guess is a guess and creates risk. Of course, the better the existing conditions are understood, the less the risk.

Unfortunately, many people believe it is their responsibility to make decisions, when nothing could further from the truth. This is a common problem in the construction industry. When clients or designers override the expert advice of contractors and vendors, we often end up with serious problems. Instead we should allow the expert to do what he or she thinks is best and hold that person accountable for the outcome—this approach will drastically improve results.

When someone is forced to make a decision, the process itself prompts the individual to get more information or find someone who understands the situation. As was stated earlier, problems occur when people don't understand the existing conditions—someone who can't

articulate the existing conditions and accurately predict the outcome should not be responsible for deciding what should be done. This is why the strategic thinking process starts by getting the right people involved to ensure we have the people who understand the situation and know what to do. Obviously, when planning a company strategy, building a unique structure, or solving a new problem, it will be impossible for anyone to totally understand the existing conditions. This is why strategic thinking focuses on getting as many people as possible involved in the process to ensure that all perspectives are considered. This will help minimize any misunderstanding of the existing conditions.

Since strategic thinking is really about innovation, it should also take a lesson from the innovation process. That is to experiment. When entering uncharted territory, no one knows all the answers. Therefore, it's essential to reduce the risk by trial and error. This allows for small mistakes that can be quickly adjusted based on new information.

The idea of minimizing subjective decisions is about reducing risk. When one follows the strategic thinking processes described in this report, subjective decision making, and by relation risk, will be minimized.

Divergent Thinking versus Convergent Thinking

Joy Paul Guilford, a noted psychologist in the field of human intelligence, defined *divergent thinking* as “an individual’s ability to generate multiple potential solutions to a problem.”²¹ Gerald Nadler and Shozo Hibino added, “Successful *divergent thinking* results in an abundance of alternative ideas, concepts and approaches. Thus, a divergent thinker should also use techniques which seek some details as a means of stimulating even more alternatives to handle the problems discovered.”

In contrast, Nadler and Hibino stated, “*Convergent thinking* focuses on choosing from among a variety of alternative solutions. A convergent thinker should use techniques which generate many alternatives to assure that the results obtained are based on a large number of ideas, providing a greater probability of a better, more creative solution.”²²

These two concepts are discussed in greater detail in Chapters 5 and 6. The key to this process is the divergent thinking because, as discussed, individuals are generally skilled at analyzing the options, but tend to fall short in creating the alternatives. Strategic thinking is about the ability to not only generate those ideas but to successfully implement them.

Lateral Thinking

In 1967 de Bono coined the term *lateral thinking* to “describe the sort of thinking that was concerned with changing perceptions and concepts.”²³ He added, “In ordinary terms we can describe it as the ability to look at things in different ways.”²⁴ Strategic thinking tries to do the same thing, namely look at things in a different way to develop a strategy that allows a contactor to differentiate itself from its competition.

Changing the way one does business might be considered creative, but the problem with calling a new idea creative is that those who don't agree with the idea probably don't consider it creative. In contrast, lateral thinking is merely looking at a problem or challenge from a different perspective. Complicating the problem is the fact that creative people are often thought of as nonconformists, and those in established power often feel threatened by this. Lateral thinking is more neutral and less threatening, allowing people to look at things in a different way, which is what the strategic thinking process all about.

De Bono talks about a concept called the “stepping stone method” where he describes how getting people to express ideas can allow the process to move along. It’s obviously easier to change other people’s perspectives in small steps than trying to force one large move on them. The challenge for some to people is to be able to accept that there are other solutions, but the benefits can be significant when this breakthrough finally occurs.

Three contractors were competing on a factory project, and as so often happens, all three of the bids exceeded the buyer’s budget. Two of the contractors used conventional thinking and went back to their offices to value engineer the current building design. The third contractor used lateral thinking. The contractor questioned not only the factory design but the very assumptions of the design. As a result, he contacted a lean manufacturing expert to go into the prospect’s current factory to analyze its operation. The lean consultant came back and said the factory could be 10 percent smaller and the layout could be changed to make the operator more efficient and the company more profitable. Whom do you think got the job?

By using lateral thinking, the third contractor changed its role in the construction project process and offered a solution that substantially differentiated itself from its competitors.

Integrative Thinking

As stated earlier, strategic thinking is about looking at things differently. This is exactly what integrative thinking does. Dean Roger Martin of the Joseph L. Rotman School of Management at the University of Toronto coined the term *integrative thinking*. He defined it as follows:

“The ability to face constructively the tension of opposing ideas and, instead of

choosing one at the expense of the other, generate a creative resolution of the tension in the form of a new idea that contains elements of the opposing ideas but is superior to each.”²⁵

While Martin stated there is no evidence that success isn’t possible without integrative thinking, his research did conclude “integrative thinking improves the odds of success.”

Martin explained that everyone was born with an *opposable mind* and, with patient practice, we can develop this ability to find solutions to problems that appear to not have solutions, which gives those thinkers a considerable advantage. While this skill may have always been valuable, he added, “The opposable mind may be more than an advantage in today’s world. In this information-saturated age, where each new bit of data complicates a picture that is already staggeringly complex, integrative thinking may be a necessity if we are to ever find our way past the multiple binds in which we find ourselves. Certainly the business world seems ripe for a new approach to problem solving.”²⁷

The construction industry offers a perfect example. Many industry consultants recommend that contractors should compete based on value, instead of price, and there are many contractors that do compete on value in a variety of forms. However, some contractors claim that it’s impossible to compete on value, arguing that in their market they are forced to compete on price because they are required to bid and only the low bidder is accepted.

Conventional thinking suggests that there are two choices—either find clients that are willing to consider a value proposition, or concede and compete on price alone. Integrative thinking asks how we can combine these two concepts and come up with a different option.

One of my clients happens to be a road builder. I was reviewing his financial data one day and noticed that his profit margins as a general contractor was higher than average. This was especially surprising since most road builders are forced to competitively bid to get their jobs and this usually results in lower-than-average profit margins. I asked the CEO how they managed to achieve those numbers. He laughed and answered, “We only take on projects that others don’t know how to do.” He further explained that when his competitors find something they don’t know how to do, they simply throw money at it and hope that it will be sufficient for them to struggle through the process. “Since we know how to do it, we place the right number on the work and increase our fee because history shows we can get it.”

Some might want to argue that this contractor is competing on price since it bid for the work and had to be the low bidder. However, I would argue that he competed on value. We often think added value for the client is provided by delivering more product or better service at a higher cost, but that isn’t the only way it can be achieved. In the above example, the added value was expertise and knowledge, which allowed them to lower the construction cost, which allowed the contractor to offer the lowest bid while still earning higher profit margins for the added value.

This is an example of applying the principles of integrative thinking to combine value and low bid. At first blush they appear to be incompatible, but through the use of integrative thinking, this contractor was able to combine the two into a profitable strategy. While it’s not the purpose of this report to develop individual strategies for contractors, the above example demonstrates that contractors can use integrative thinking to create their own unique strategy even if they are forced to compete based on low price. The contractor simply needs to learn how to use this important strategic thinking technique. Martin wrote, “My own classroom experience suggests—but does not prove—that people can be taught to use their opposable minds, and they grow more skilled and confident with practice.”²⁸ The problem is this skill just hasn’t been taught much.

Martin identified four differences that set the integrative thinker apart from the conventional thinker.

The first is the integrative thinker takes a broader view of what is important. In other words, contractors need to attend to not just the stated demands of the client but also to the unstated demands. While low price might be the client’s stated demand, contractors need to find out what’s important. In an NCS Radio interview, Robert McCool, vice president of Facilities Resource Group of Ascension Health, said that while a competitive price is critical, there are other things that are important, such as a strong culture built around trust and client service. When asked how contractors could best help, he responded, “Provide more help before construction.”²⁹

The second difference Martin discussed is that integrative thinkers don’t shy away from considering multidirectional and nonlinear causal relationships. In other words, the integrative thinker attempts to really understand the complex nature of the situation because when this isn’t done, there

are often many unintended consequences. This takes us back to perception; when someone really understands the situation, he is able to predict the outcome and is not surprised by unintended consequences.

Integrative thinkers don't sub-optimize the problem, which is something Edwards Deming has cautioned against since the 1950s. This means you can't break a problem down into little pieces and try to optimize each piece without taking into account its impact on the whole. Consider this example of a project that was facing cost problems. The general contractor was looking for ways to cut costs, and the contractor providing the steel studs offered a significant savings by increasing the gauge of the studs. Because the studs were heavier gauge they could be spaced farther apart. This would actually result in less steel and lower labor costs for this contractor. They were about to implement this change when the drywall contractor found out about it, and argued against it because the heavier studs would increase his cost significantly more than the stud contractor's savings. This example illustrates why it is so important that strategists take a holistic view of any problem!

The fourth and maybe the most important is the fact that integrative thinkers will always search for a creative solution, not just accept one of the conventional options. In essence, they seek to create their own *Blue Ocean* strategy, which is discussed later in this chapter.

Using Strategic Thinking

Most people understand that strategic thinking applies to business planning efforts, commonly referred to as strategic planning, but in reality the skill is critical in a variety of situations. Most uses of strategic thinking can be grouped into three distinct situations.

In addition to developing a company's strategic business plan, it can be applied to planning projects and solving problems. While all three of these situations require strategic thinking to consistently produce outstanding results, the application of strategic thinking is different in each case. Therefore, throughout this book we will examine how each topic impacts the three different strategic situations.

To implement strategic thinking requires a process that deals with people in a new way. The leader must

- create a culture that encourages wide participation,
- define the roles of the leaders at all levels of the company, and
- develop people's strategic thinking skills so they can make significant contributions.

As stated earlier, strategic thinking is about determining the *right thing to do*. So in essence, each of these three situations requires considering different criteria while determining the *right thing to do*. The remainder of this section explores the critical issues impacting strategic thinking in each of the three situations.

Strategic Thinking and Developing a Business Strategic Plan

Arguably the greatest strategist in history was General Sun Tzu. Therefore, there is much to learn from his book, *The Art of War*, which he wrote nearly twenty-five hundred years ago. Some people may question the practice of using a book about war as a guide to business strategic thinking, but this just illustrates that they haven't read the book! First, while we typically don't shoot at one another in the construction industry, what do you call a price

war? After all, price wars do have casualties! Today's hypercompetitive price war is causing many contractors to fight for their very survival.

More important is the underlying theme of the book. Sun Tzu wrote, "Those skilled in war subdue the enemy's army without fighting. Their aim must be to take all under heaven intact through strategic superiority."³⁰ In other words, we must out-think the competition instead of out-muscling them. Competing on price is the equivalent of fighting, which breeds disaster. Even the great generals, such as Napoleon and Hannibal, eventually lost. It doesn't matter if the loss is a result of attrition. If you fight too many battles, you will eventually lose.

"The word 'strategy' comes from the ancient Greek word *strategos*, meaning literally, 'the leader of the army.' Strategy in this sense was the art of generalship, of commanding the entire war effort, deciding formations to deploy, what terrain to fight on, and what maneuvers to use to gain an edge."³¹

Understanding the purpose of strategy is essential because the study of strategic thinking is not about just thinking, but a thinking process that creates superior results. To consistently create superior results, a company must address three strategic business questions that have a strong parallel to military strategy. Below are the three business questions followed by their related military strategic issue in parenthesis.

1. What are we selling? (deciding formations to deploy—this is the product)
2. Who are our clients? (what terrain to fight on—this is the marketplace)
3. What differentiates us from our competitors? (what maneuvers should we

use to gain an edge—this is how they are different)

These three questions seem straightforward enough, but research shows that this is where problems begin for most contractors. When asked what they are selling, they respond with a description of construction services, whether they are a sheet metal contractor, a mechanical contractor, or a general contractor. When asked who their clients are, they typically respond anyone who buys what they described in the first question. Then finally, when asked what differentiates them from their competitors, they respond that they do what they described in question number one better or cheaper than the competition. Unfortunately, just like in baseball, three strikes and you are out! In other words, you might be out of business.

Operational effectiveness is not a strategy. Michael E. Porter wrote, "What some people call hypercompetition is a self-inflicted wound, not the inevitable outcome of a changing paradigm of competition. ... The root of the problem is the failure to distinguish between operational effectiveness and strategy."³²

This situation is often confused by the success of some innovative companies in industries that are inefficient. Two of the most famous examples exist in the automotive industry. In 1908 when Henry Ford introduced mass production and other operational efficiencies into the automotive industry, the Ford Motor Company dominated that industry for decades. However, eventually General Motors copied the operational innovations and developed a superior strategy and passed the Ford Motor Company. Then in the 1970s when Toyota introduced lean manufacturing, it made great strides and became the most profitable company in the automobile industry. However, because Toyota basically had the same business strategy as General Motors

and Ford, the gap quickly shrank once those two companies began adopting many of the lean manufacturing concepts. In essence, the problem is that operational effectiveness, while necessary, is not sufficient because it can be copied.

So while many contractors have been able to achieve significant success through improved project execution, it is not a sustainable advantage. The Construction Industry Institute estimates that the waste in the construction process is 57 percent. While it's a good idea to improve execution, Porter argued it's not a strategy. However, every strategy needs an effective execution plan to ensure the strategy is successfully implemented. The importance of execution in coordinating the overall strategy is critical and is discussed in greater detail in Chapter 8.

This brings us back to the third question, "What differentiates you from your competition?"

This question is the key to strategy because strategy is the creation of a unique and defensible position. Sun Tzu wrote, "All men can see the tactics whereby I conquer, but what none can see is the strategy out of which great victory is evolved."³³ If two companies have similar strategies, it becomes harder and harder to distinguish them; therefore, the emphasis shifts to price as the only difference. In other words, a competitive strategy requires making hard choices that differentiate one from the competition. A contractor can't sell everything to everyone. The contractor must decide what it is selling and what people benefit the most from that product or service. Then the contractor must finish the process by defining its business in a unique way.

This means that contractors must get out of the construction business. I'm not suggesting they

stop building things, because that's what they do. However, the business they are in is how they add value for clients. For contractors to maximize this value, they must go beyond just installing the bricks and mortar. They need to specialize in providing unique solutions that happen to involve the type of construction work they do. In other words, compete by out-thinking the competition.

A perfect example of a contractor looking at things differently occurred when a large bank needed to revamp its computer center, and was working with several contractors to determine how best to renovate their existing building. While two of the contractors focused on minimizing the cost of the renovation, the third took a totally different approach. This contractor made a list of all the problems for the bank in renovating their existing building, explaining why that wasn't the best approach. The contractor then contacted a local real estate developer that had a vacant building that would be perfect for the bank's computer facility.

The contractor and the real estate developer collaborated to make a proposal to the bank that provided a better *solution* than renovating their existing building. They proposed renovating the developer's vacant building to the exact requirements the bank had for its computer center. This solution didn't cost the bank any additional construction costs, but provided a layout that was superior to renovating their existing building, and the bank eliminated all of the problems associated with undertaking a major renovation in an operating building.

The primary benefit of this approach for the contractor was that the contractor ensured that it was awarded the job rather than hoping it would be the low bidder on the renovation of the bank's existing property. Further, the

contractor reinforced its reputation as a company that could provide solutions for its clients outside the limits of construction work.

If you look at the three questions with this project in mind, you could say the contractor sells solutions to complex real estate problems. Its clients are those that have complex real estate problems. What differentiates the contractor from its competition is the ability to look at construction projects beyond the normal construction process, out-thinking the competition.

As stated earlier, a business strategy is about developing a strategy that both differentiates a business from the competition and provides a defensible competitive advantage. This means that a strategic plan is required. Some confusion occurs here because some people think that strategic thinking and strategic planning are the same thing. While they are related, they are two different activities. Strategic thinking is the process of coming up with strategies, while the strategic planning process is about creating a plan to execute the strategy. However, the difference isn't that clear because during the strategic thinking process, one must consider the capabilities of the organization and what actions it can successfully execute. Execution is discussed in greater detail in Chapter 8.

In the end, strategic thinking with regard to business planning is about identifying and adopting a strategy that makes a contractor different or unique with regard to its competition. W. Chan Kim and Renée Mauborgne coined a term as a metaphor for a strategy that differentiates a business from its competitors. They called it a Blue Ocean Strategy, which is explained in the next section.

Blue Ocean Strategy

Kim and Mauborgne explain that a blue ocean

represents the industries not in existence today and, therefore, untainted by competition. In blue oceans the companies create new demand instead of fighting over existing demand. It is an environment where there is ample opportunity for profitable, rapid growth. They contrast this to red oceans that represent today's existing industries and markets. In red oceans, the industry boundaries are clearly defined and accepted. Everyone knows the rules of the game. In this environment companies try to outmuscle their competitors—in other words, compete on price. The result is a bloody battle creating a red ocean.³⁴

There are two ways to create a blue ocean strategy. The first is to create an entirely new industry, as eBay did. However, "in most cases in the construction industry, a blue ocean is created within a red ocean when a company alters the boundaries of an industry."³⁵ While contractors can continue with the type of work they do, it allows them to redefine the boundaries.

Creating a blue ocean strategy doesn't have to be very complicated. Most people know that water and electricity don't mix very well. However, when an electrical contractor was struggling in the red ocean, performing typical electrical contracting work in south Georgia's farm country, the contractor decided to do something different. The company became the area's specialist in installing electrical pumps for farm irrigation systems. With all of the regulations and special requirements associated with this work, most electrical contractors didn't want to bother with this niche. This strategy established the contractor as the area's expert and allowed him to create a niche business with several trucks serving southern Georgia.

Kim and Mauborgne found, "The red ocean assumption that industry structural conditions are a given and firms are forced to compete

within them is based on an intellectual worldview that academics call the structuralism view or environmental determination.

According to this view, companies and managers are largely at the mercy of economic forces greater than themselves.”³⁶

They also found, “Blue ocean strategies, by contrast, are based on a worldview in which market boundaries and industries can be reconstructed by the actions and beliefs of industry players.”³⁷ They referred to this as the reconstructionist’s view. They concluded, “Looking forward, it seems clear to us that blue oceans will remain the engine of growth. Prospects in most established market spaces—red oceans—are shrinking steadily.”³⁸

However, blue ocean thinking doesn’t have to change a company’s entire business model. It can create a niche that provides a competitive advantage in certain situations. For example, David Evans of Starr Electric Company described to me on the phone how Starr Electric used strategic thinking to create a blue ocean.

Evans explained they created an offsite construction department where they build super skids, prefab electrical rooms and data centers and central energy plants. These items are both EL and UL listed and the structures meet all wind load requirements. This offsite construction allows Starr to produce the rooms and skids quicker since it’s built in a factory, which allows the owner to receive a quicker return on investment. This is an ideal system when a project needs a quick turnaround or the owner needs to generate funds quickly. Another benefit is that sometimes this process allows the owner to avoid substantial sales tax. On one of their projects, the owner paid \$80 in sales tax instead of the normal \$400,000. Evans concluded the strategic marketing and sales team of a construction company needs to

find ways outside of the norm to differentiate itself by being a problem solver and not just a contractor that follows plans and specifications.

Strategic Thinking and Planning a Project

With regard to strategic thinking for projects, it comes in two forms. The first is almost parallel to the company’s strategic plan. Contractors should ask themselves three questions before they attempt to obtain a project:

1. How does this project reinforce what our company sells?
2. Is the owner of this project really a client that we should be targeting?
3. How does this project reinforce how we differentiate ourselves from our competitors?

In essence, these three questions are designed to ensure that projects the contractor goes after are actually consistent with the company’s strategic plan. When the contractor has sufficient work, it shouldn’t deviate from this plan. Of course, during economic downturns, it is certainly understandable if the rules are bent. But the contractor should keep in mind the farther a project gets away from its business strategy, the more harm it can do to the company’s brand in the mind of the prospect or client. The more the company’s difference is eroded, the more the company will be forced to compete on price. It is also recognized that all projects don’t necessarily fit into clean definitions, so obviously some projects will be a better fit for the above questions than others. The important point to understand is that during the strategic thinking process, one must be cognizant of these issues and carefully weigh them.

For example, if you are looking at a new class of clients, the question that should first be asked is if it makes good business sense to expand the business into that class of

clients. In other words, can we maintain our differentiation from our competitors by serving this class of clients? If you can, then maybe you need to change the business strategy to make the project fit within it.

Once you decide to go after a project, you need to initiate a special strategic thinking process for that project. There are many questions that should be addressed, and some of these will be discussed in later sections of this book, but there are three that are especially important.

The first is, “What makes this project unique?” By definition, a project is something that hasn’t been done before. While there are, of course, many similarities from project to project, every project has its own unique issues. A common mistake is to focus on the similarities, but that’s not where the problems will come from. You know how to handle those issues because you handled them before. What will bite you are the surprises that come from things you haven’t seen before. Therefore, because the unknowns offer the greatest potential risk, the effective strategist starts his or her efforts by determining what’s unique to avoid any surprises and minimize risk.

Nadler and Hibino summed it up pretty well in their book *Breakthrough Thinking* when they wrote, “If you incorporate in your solution the distinct needs, interests, abilities, limitations, and power of all stakeholders, you will maximize the quality and effectiveness of your solution, increase the likelihood of implementation, and make the most effective use of time and resources.”³⁹

One caution to consider when dealing with the unique factors is to understand that the unique factors are part of the entire project. In other words, you must consider how these unique factors are related to the entire project. Failure to do this may result in unintended consequences.

The second question is, “What is the ultimate goal of this project?” This question can open many doors of opportunity. In reality, when a widget manufacturer calls up a contractor and says I want you to build me a factory, the client’s ultimate goal is not to build a factory. What the client wants to do is build widgets. This means it shouldn’t be the contractor’s goal to build the cheapest or best factory, but to build a factory that allows the client to build widgets the most effective way. Saving the manufacturer pennies on each widget could add to a greater savings than if the wrong factory were free.

The list of potential answers to the question, “What’s the ultimate goal of this project?” is almost endless. An example might be they want a 100,000-square-foot facility now, but hope to expand in the future. So how does this impact the current design?

The third question is, “How can we add value for the client?” This question is certainly related to the two previous questions, but it defines the issue. By offering greater value to the prospect, you separate your offer from that of your competitors. The greater the difference in value, the easier it is for you to increase your profit margins. This is what’s meant by out-thinking the competition instead of trying to out-muscle them. As mentioned earlier, this is exactly what Ron Rodgers did to achieve a 4 percent higher profit margin than his competitors.

Strategic thinking is the key to success because only by constantly attempting to look at projects differently with the idea of finding better solutions can contractors hope to be able to earn the profits they deserve. If you are offering the same solutions as everyone else, then you will be forced to compete on price. In contrast, those companies that are always innovating and redefining the boundaries are able to differentiate their services and compete on value.

Strategic Thinking and Problem Solving

Solving problems also requires strategic thinking. Just like analyzing a project, solving problems requires the asking of questions. Two critical questions are:

1. What makes this problem unique?
2. What are we trying to solve or what is the ultimate goal?

The reason these two questions are so important is because too often people jump on the first solution that appears. This approach doesn't take into account these two questions, and the result is often an unsatisfactory solution. Of course, some problems don't require strategic thinking. If a client calls and says his air conditioner isn't working, you go out and fix the air conditioner. But even in this environment, it might make sense to step back and make sure there aren't underlying issues, such as the current configuration is insufficient.

However, when problems are more complex, strategic thinking is necessary to ensure the right solution is adopted. Again the litmus test must be what solution offers the best value for all the stakeholders. One challenge with problems occurs when the contractor is responsible for the problem. In this situation, the contractor takes responsibility for fixing the problem even if the solution isn't beneficial to itself. Too often, though, contractors will offer the cheapest fix to save money but not really provide a satisfactory solution for the client. This is a mistake because it destroys the brand of the company and isn't in tune with the concept of strategic thinking, in essence, finding the best solution from a holistic view rather than a short-term profit solution.

Strategic Thinking Brings a New Direction

While strategic thinking is applied to strategic planning, project planning, and problem

solving in different ways, the common thread is that all require a holistic view. Further, they all need a process and tools to help those involved in the strategic thinking exercise to be able to look at the situation open-mindedly to ensure there aren't better solutions beyond the usual practices. The later chapters in this report will explore these processes and tools in greater detail.

In the end, strategic thinking is about remaining focused on the outcomes, understanding the circumstances, and involving the right people in the process. To accomplish these objectives in a consistent manner requires the use of a system or process. The next chapter explores the importance of systems in strategic thinking.

Key Points from Chapter 2

- A strategist is someone who thinks strategically.
- Strategic thinking is a skill that can be learned and improved through practice.
- Business strategy is about differentiating your business from your competitors.
- Contractors need to learn to out-think the competition instead of trying to out-muscle them.
- Contractors need to redefine their business by changing the boundaries of their market, creating their own "blue ocean".
- Contractors need to learn how to avoid the obstacles to strategic thinking, including the intelligence trap, total reliance on critical thinking, and focusing on only beating the competition.
- Effective strategic thinking is based on perceiving existing conditions, enabling one to predict the outcome of an event or situation.

- Perception is how we look at the world, what things we take into account, how we structure the world.
- People should minimize subjective decision making. When they are forced to make decisions, they should proceed slowly by experimentation.
- Strategists need to use both divergent and convergent thinking.
- Contractors need to use lateral thinking to be able to see new alternatives to existing challenges.
- Integrative thinking offers opportunities to take opposing views and create solutions that are superior to both views.
- Strategic thinking is applicable to creating a business strategy, planning a project, and solving problems.

Chapter 2 Endnotes

¹ AMA, Leading into the Future: A Global Guide to Leadership 2005–2015, American Management Association, 2006

² Bill Torbert, Action Inquiry

³ Michael Porter, What Is Strategy?, Harvard Business Review Magazine, Nov. 1996

⁴ Yogi Berra, The Yogi Book, Workman Publishing Company 1999, pg 102

⁵ Henry Mintzberg, The Rise and Fall of Strategic Planning, New York: The Free Press, 1994

⁶ John Kenneth Galbraith, The Affluent Society, Mentor Books, 1958

⁷ Tim Hurson, Think Better, McGraw-Hill, 2008, pg 31

⁸ Jim Collins, Good to Great, Harper Business, 2001

⁹ Edward de Bono, Thinking Course, Facts on File, Inc 1994, pg 4

¹⁰ Ibid., pg 5

¹¹ Ibid., pg 7

¹² Ibid., pg 7

¹³ Albert Einstein, Quotes Daddy

¹⁴ James C. Collins & Jerry I. Parras, Built to Last, Harper Business, 1994, pg 10

¹⁵ Edward de Bono, Thinking Course, Facts on File, Inc 1994, pg 8

¹⁶ Ibid., pg 26

¹⁷ Ibid., pg 8

¹⁸ Dean Kashiwagi, Information Measurement Theory, Kashiwagi Solution Model, 2012

¹⁹ Ibid.

²⁰ Gerald Nadler & Shozo Hibino, Breakthrough Thinking, Prima Publishing, 1998, pg 182

²¹ Ibid.

²² Ibid.

²³ Edward de Bono, Thinking Course, Facts on File, Inc 1994, pg 53

²⁴ Ibid., pg 59

²⁵ Roger L. Martin, The Opposable Mind, Harvard Business School Press, 2007, pg 15

²⁶ Ibid., pg 16

²⁷ Ibid., pg 8

²⁸ Ibid., pg 23

²⁹ Robert McCoolle, NCS Radio interview, Sept 21, 2011

³⁰ Gerald Michaelson with Steven Michaelson, Sun Tzu: Strategies for Marketing, McGraw-Hill, 2004

³¹ Robert Greene, The 33 Strategies of War, Penguin Books, 2006

³² Michael E. Porter, What Is Strategy, Harvard Business Review, 1996

³³ Gary Hamel and C. K. Prahalad, Strategic Intent, Harvard Business Press, 2010, pg 7

³⁴ W. Chan Kim & Renée Mauborgne, Blue Ocean Strategy, Harvard Business Review, October 2004

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid.

³⁸ Ibid.

³⁹ Gerald Nadler & Shozo Hibino, Breakthrough Thinking, Prima Publishing, 1998, pg 111

3 SYSTEMATIC APPROACH TO STRATEGIC THINKING

Most business books strongly recommend that every business should develop systems or processes for all of its activities. This practice should include strategic thinking because systems help provide the mental discipline necessary for strategic thinking to be successful.

There are several reasons systems can improve a company's strategic thinking performance. First, as was discussed earlier, since everyone doesn't have the same perceptive ability to deal with a situation, a system provides structure that enables less perceptive individuals to function in situations where they might struggle if left to their own initiatives. The idea of structure leads to a common misunderstanding about systems, namely that it makes an organization inflexible. This is especially true in the construction industry, where many argue that because of the unique nature of construction, workers need maximum flexibility to deal with the many and varied situations. It just makes things worse when you add the mistaken idea that belief systems can't be changed. This isn't true. When a company says it has a system for doing something, it is simply declaring, "This is the best way we know how to do this particular task today. However, if someone has a better idea tomorrow, we can change the system." It's important to not just blindly follow the system. *Doing the right thing*, not just following the system, is vital.

This process is related to both continuous improvement and strategic thinking. The strategist is always asking, "How can we improve this process?"

Some people resist using systems because they have had bad experiences working with them. A common mistake is to attempt to create a system that will cover every situation.

This results in very complex systems that are virtually impossible to implement, and even if they are put into action, as soon as another unique situation occurs, the system falls apart. In the end, the system is scrapped in frustration. The solution to this problem is not to try to create a single system that covers every situation, but to create systems for the common situations. When new situations occur, one should ask, “How do we need to modify the standard system to fit this unique situation?”

There are a number of benefits to using this type of system:

- Most situations simply follow the standard. A modified system is required only when unique conditions exist. If this modified system is successful, the company has now created a special system for this situation.
- This system minimizes the number of subjective decisions that are required because, as we discussed in Chapter 2, every time someone is forced to make a decision, it creates risk.
- This approach helps keep everyone focused. Unfortunately when a problem occurs or a project is being planned or a company’s business strategy is being reviewed, everyone involved comes to the situation with different objectives and filters. While these factors are good at helping to generate fresh ideas, it’s essential the potential solutions or suggestions stay within agreed-upon parameters or chaos can result. This concept will be explored in greater detail in Chapter 5.
- Systems provide a baseline from which to measure proposed changes or innovations. Without a baseline, it would be impossible to determine if the proposed change is an improvement.
- This approach forces the team to look at the situation in a holistic way and not be driven by only one or two factors.
- This system pushes the team to anticipate potential risks so they can be minimized. This is often achieved by developing a series of questions.

In the survey we asked contractors how often they rely on systems during their strategic efforts. When working on the company business strategy, 39 percent of respondents indicated they always or almost always used a system. When planning projects, the number of respondents who either always or almost always use a system rose to 54 percent. Finally, 44 percent of respondents always or almost always use a system to solve problems. The responding contractors reported many benefits from using a system approach. Here are a few of their comments:

- “It provided an outline of what was required.”
- “It improved consistency.”
- “We obtained results much more in line with our projections.”
- “We have been able to adapt to the changing markets and economy.”
- “People become familiar with the system and hence confident.”
- “Fewer questions after a decision has been made.”
- “Everything we do is a process. It helps us to understand the roles and responsibilities of the parties involved and the expected outcomes. Then we do a plus/minus on the process itself to make sure that it is providing the desired results.”

One contractor commented that it is “hard to focus on long-term in this business climate,” but then another responded, “survival is based on thinking long-term.” In reality, in a rapidly changing environment, the need to think long-term is at its greatest. If things were not changing, there would be no need to think long term. But long-term thinking provides direction from which to compare daily events for variation. Once you identify variation, you can make the necessary adjustments.

Questions

It was stated earlier that strategic thinking is about asking the right questions, not about knowing all the answers. Using systems is also about asking the right questions. While it’s usually impossible to eliminate all risk, we can minimize it by forcing people to ask the right questions.

One easy way to achieve this is by using a check list of questions for each situation. Since most errors are those of omission, not commission, the systems approach can help us reduce risk. This is no different than having a check list of potential problems or challenges on a particular type of project. In the heat of battle, it is easy to forget something, but the check list ensures that all factors are at least considered. Many of the potential problems might be irrelevant on the project

under discussion, but it’s better to make that determination than overlook a problem. Further, it is a greater help to someone who has never done a similar project because they might not have thought of a potential problem due to their lack of experience.

Looking at this process from the other direction also has significant benefits. When a contractor can demonstrate that it has a process that has a proven successful track record, it is much easier to convince a client that this approach is the way to proceed.

How one uses check lists when crafting a business strategy or solving a problem is different than how one uses them to plan a project, because typically contractors have greater expertise in planning projects, which they have done many times. Further, the types of questions will vary depending on the part of the strategic thinking process one is in. These important differences will be discussed in later chapters where appropriate.

The strategist must take a holistic view of his business strategy, his project selection, and problem solving. This can certainly be overwhelming at times, but consider how much more effective the analysis process would be if one used a matrix.

I was the senior vice president of a real estate development company. One of my responsibilities was putting together the preliminary budgets for its projects. We were sitting down with our prospective partners on a hotel project when I realized I forgot to include a budget for the phone system—no small mistake since its cost was about \$600,000. After that embarrassing situation, I started a policy of creating a check list of all costs on each type of project we were involved in. This list was based on previous projects and supplemented by any special conditions for the current project.

Matrix System

Developing a matrix system around critical questions can improve the process of strategic thinking about your business strategy, planning projects, and solving problems. Some companies create many possible solutions to a problem then wonder what to do next. They aren't sure what direction to go because they have not made the situation less complex, or worse, they have compounded the complexity. In the end, the company flounders through the process and ends up just applying a quick fix to the situation instead of truly solving the problem or seizing an opportunity. This is critical because as mentioned in Chapter 2, too often people attempt to minimize the complexity by eliminating alternatives instead of managing the problem. Simply stated, using a matrix can improve the odds that the best solution is actually implemented.

Obviously, many of the problems we face on a day-to-day basis do not require strategic thinking. If a water line breaks in a building, the obvious answer is to fix the pipe. This doesn't require a lot of thought. However, when doing business planning, project planning, or dealing with a complex problems, using a matrix to sort the alternative solutions can reduce the complexity.

Once the matrix has been created, you can analyze it using tools such as Choosing by Advantages (CBA). Jim Suhr created the Choosing by Advantages Decisionmaking System. Suhr said, "CBA is a structured decisionmaking process that starts when a decision must be made and ends when the decision is implemented and the results evaluated. ... CBA's basic rule of sound decisionmaking is: decisions must be based on the importance of advantages only."¹ Choosing by Advantages is discussed in greater detail in Chapter 7.

It's important to understand that contractors need to make their own matrices to fit their situations. There is no one-size-fits-all solution. A prime benefit of using a matrix is it allows you to prioritize recommendations, which makes the entire strategic thinking exercise more understandable to others. Failure to do this is a major reason so many strategic initiatives fail.

Strategic Thinking System

While there are probably as many strategic thinking systems as there are people, every system must include three critical processes: the people process, the strategy process, and the operational process.

The People Process

The people process is about getting the right people involved because the right people will bring the right information, experience, and wisdom to the strategic thinking process. Without the right people, the process cannot achieve optimum results. Even with that, strategic thinking requires hard work combined with the experience, knowledge, and wisdom of many people. The people process is discussed in greater detail in Chapter 4.

The Strategy Process

The strategy process is divided into three phases:

1. Define the problem
2. Develop possible solutions
3. Analysis

The first phase defines the problem, business, or project strategy. In reality, all three situations are problems, but the business and project

strategy are more complex. The defining phase is about identifying the existing conditions or starting point. For example, with regard to a problem, it can be about defining what's not working or what barrier is preventing a satisfactory result. In developing a business strategy, it would be about identifying the aspect or aspects of a business that are not performing as desired as well as the obstacles to achieving the desired result. This phase is discussed in depth in Chapter 5.

Developing possible solutions uses divergent thinking within the strategic thinking process to generate as many solutions as possible. In this phase, the idea is to exploit the creativity of as diverse a group of people as possible. This phase is analyzed in Chapter 6.

The analysis phase uses convergent thinking as part of the strategic thinking process to pare down the ideas proposed in the development phase to determine what proposed idea offers the best solution. This phase is examined in Chapter 7.

Operation Process

The operational process is about executing the strategy. While many people think of the execution phase as tactical, and therefore not strategic, they couldn't be more wrong. The execution phase is an integral part of the strategic thinking process. Until the strategy is successfully executed, the strategy is not a success no matter how great the strategy. Strategy execution is discussed in Chapter 8.

Key Points from Chapter 3

- Create systems to help your company implement its strategic thinking initiatives.
- Asking questions is a key part of any process. Therefore, your company needs to develop its critical questions that take into account the issues in your business.
- Rely on lists to avoid errors of omission.
- Use a matrix to better understand the complexity of strategic initiatives.
- A prime benefit of using a matrix is it allows you to prioritize recommendations, which makes the entire strategic thinking exercise more understandable to others. Failure to do this is a major reason so many strategic initiatives fail.
- Use the Choosing by Advantages Decision making System to analyze the matrix.
- The strategic thinking system has three processes: the people process, the strategic process, and the execution process.

Chapter 3 Endnotes

- ¹ Jim Suhr, Choosing by Advantages, Decision Innovations

4 GETTING THE RIGHT PEOPLE INVOLVED

The first phase of the strategic thinking system is the people phase.

It seems most businesspeople have heard the quote, “Get the right people on the bus, in the right seats.” While good advice, the complete quote by Jim Collins in *Good to Great* changes the perspective:

“If we get the right people on the bus, the right people in the right seats, and the wrong people off the bus, then we’ll figure out how to take it someplace great.”¹

I’m sure the oft-repeated portion makes sense to most people, but the entire quote has a significant impact on strategic thinking. The quote suggests it’s essential to get the right people before attempting to develop a strategy. Collins explained three simple truths that are related to the full quote:

1. “If you begin with ‘who,’ rather than ‘what,’ you can more easily adapt to a changing world.” He further explained that if someone gets on the bus because of the direction it’s headed and you are forced to change direction, then you might have a problem.²
2. “If you have the right people on the bus, the problem of how to motivate and manage people largely goes away.” He added that the right people are self-motivated to achieve great things.³
3. “If you have the wrong people, it doesn’t matter whether you discover the right direction; you still won’t have a great company. Great vision without great people is irrelevant.”⁴

In *Good to Great*, Collins was primarily referring to the senior management team and the creation of the company’s business strategy. Successful companies take his advice and focus on getting the right management people. They hire them, promote them, and continually develop them. But companies tend to focus on only management when the same practice should apply to all levels of the company’s personnel. While the application will vary depending on the level of the employee, the basic principles behind how employees are treated should remain consistent. For example, lower-level people, especially in a skilled industry such as construction, are typically hired for their specific skills. I’m not suggesting that contractors should discontinue considering trade skills when hiring craftspeople. What I am suggesting is that contractors need to take a more holistic view of all their employees because any one of their employees might qualify as the “the right person” when addressing a business strategy, planning a project, or solving a problem.

Regardless of the employees’ titles or classifications, they need to be involved in your strategic thinking efforts when it’s *appropriate*. This will not only improve the chances your strategic thinking effort will be a success, but it will also prevent those individuals from becoming resentful victims of imposed change. Unfortunately this isn’t always the case.

Too often contractors hire tradespeople from the neck down instead of from the neck up; in other words, they are hired for their physical contributions, not their mental capabilities because it’s believed they are unable to comprehend the overall situation.

Once while I was giving a seminar on leadership practices, a vice president of a large general contractor interrupted my presentation and asked, “Why can’t people just do what they are told?” Fortunately many people in the audience shook their heads in disbelief at the comment, but sadly the vice president’s view is too common. His belief is related to Theory X of management developed by Douglas McGregor, which states managers must coerce, threaten, and closely supervise subordinates to motivate them. Both logic and research indicates this is a formula that under-uses workers, builds resentment, and creates drudgery in the workplace. And we wonder why the construction industry has trouble attracting enough qualified workers and supervisors.

Instead, involving people in the strategic thinking process can help your company meet your clients’ challenges, improve your ability to remain flexible and responsive to industry changes, and increase the chances of holding on to your valuable, experienced, and knowledgeable employees.

In contrast, when management believes in its workforce, amazing things can occur. Guy Gast, president of the Iowa Division of Waldinger, offers an interesting story. He purchased tablets for his foremen to make their record keeping easier. Using the iPod, one foreman revised the entire process, making it easier and faster. Gast laughed as he told the story, saying he wasn’t sure what the foreman did; all he knows is the process works better.⁵

When I’m preparing to conduct a strategic planning session with a contractor, senior management usually asks me, “Who should attend?” My response is, “Everyone.” Obviously, if the company is very large, not everyone can attend a meeting. However, they should all be involved at some level, which will be discussed later.

The frontline strategist has an important role to play in the strategic thinking process, but too often they are overlooked. Since they are the people who are in direct contact with the company’s customers and markets, they are constantly exposed to what competitors are doing and how key elements of the company’s strategy are working. These are the people who can gather valuable information that’s critical to creating a successful strategy.

We have all heard CEOs say their most valuable asset is their people. It’s time the industry tap this resource because effective strategic thinking demands it.

Too many contractors violate this principle. The company’s strategic plan is developed by a handful of senior executives, projects are planned by the estimating department and turned over to a project manager if the bid is successful, and those in charge give directions when a problem occurs. I’ve just described the worst cases, but many contractors don’t involve enough of the “right people” in their strategic thinking efforts. That is a big mistake.

This process can be challenging. The CEO of a sheet metal contractor who believes in the above strategy realized that he too often doesn’t challenge his people enough. He frequently

simply offers a solution. It's important to work on this because it often seems easier to give directions than enter into a dialogue even if in the long run the dialogue approach produces superior results.

When asked whether they involve all appropriate employees in the process of gathering more information when needed in a strategic situation, a surprising 70.5 percent of contractors reported that they always or most of time involved all the appropriate people in the process. Below are a few of the significant benefits the contractors described in the survey:

- “Found more information that we had not taken into consideration which allowed us to make a better plan, and buy in for the plan was better.”
- “Solutions became clear and easier to achieve.”
- “Weighing all the options made for better decisions.”
- “Usually the added information allowed the process to develop to help solve the present issue.”
- “Got a fresh perspective, maybe one we didn't want to hear but the experts gave us an unbiased opinion.”
- “New information often helped develop unexpected solutions.”
- “You need to take the time to do this even though it will slow the process down and some people may become impatient.”
- “Involving the people that do the work when gathering information, allows for accurate understanding of the process.”

This list could go on, but you get the idea. However, one contractor raised a caution. He suggested, “While more information is better, you have to guard against paralysis by analysis.

You still need to execute.” The contractor has a valid concern; however, this book explains how to avoid that problem. By gaining material that focuses on the solution, you eliminate much of the useless information on the problem that only makes the situation more complex. Finally, in Chapter 7 I describe process to help contractors to efficiently work through the options and possible solutions.

Supporting the contractors' comments, research shows that in cases where a company wins an award for innovation, more than 50 percent of the time the idea was initiated by someone not in management. Further, it has been discovered that ideas generated by the rank and file typically have a greater impact than those generated by management.⁶ Many contractors need to adjust the way they think about who should participate in the strategic thinking process.

Unfortunately many companies don't give their people a chance to make a serious contribution. Paul C. Nutt, professor emeritus of the Fisher College of Business at Ohio State University, wrote in his book *Why Decisions Fail* that one of the main reasons there is such a poor record of implementation is the lack of people involvement. Nutt adds that some executives are reluctant to involve all the stakeholders because it might add uncertainty, but in reality, not involving them often results in recommendations that have not been thoroughly examined by the stakeholder, increasing the likelihood of failure for the initiative.⁷

Tom Peters and Robert Waterman, in *Search for Excellence*, summed things up nicely when they reported, “Excellent companies have a deeply ingrained philosophy that says, in effect, ‘respect the individual,’ ‘make people winners,’ ‘let them stand out,’ ‘treat people as adults.’”⁸

Nadler and Hibino report similar results from their research: “We found that the successful leaders and problem-solvers we studied took pains from the very beginning to involve in all phases of a project or effort to effect change all of the major stakeholders in its outcome.”⁹ In essence, it should be the leaders’ aim to encourage people at all levels to not only carry out the strategies, but react to situations, initiate solutions, and adapt to changing environments. The leader needs to create an atmosphere where front-line people see themselves as strategists. This will create a stronger and more resilient company.

Need a New Perspective

Essentially the conventional methods of getting people involved actually create obstacles because of a general lack of engagement of people and a respect for their opinions. Worse, the conventional approach often looks for people to blame for the problem, which causes people to become defensive. Another problem is bringing in outside consultants or so-called experts. There is nothing wrong with consultants per se, but you need them at the right time. If you bring them in too early, it says to your people you don’t know what to do. This causes resentment and resistance to any suggestions the consultants might offer. Two legitimate roles of consultants are to facilitate your team and to help in a specific area where the team has agreed it needs help. Bringing consultants in too early can cloud the picture because consultants tend to see things through their own perspective—namely, how their expertise can be used instead of what the team actually needs. This is a common complaint by CEOs..

Professor Andy Van de Ven, professor of management at the Carlson School of Management at the University of Minnesota, sums it up with his statement, “People resist change when the need is not well understood, it is imposed from above, perceived as threatening, seems to have risks that are greater than the potential benefits, or interferes with other established priorities.”¹⁰

Therefore it’s important to honestly engage all the stakeholders to create an atmosphere that fosters maximum collaboration. “To do that, you must first throw away any preconceptions about who is qualified to offer what solutions and really listen to what each person has to say. If you do, you’ll see the fallacy in the seldom-challenged premise that people don’t like change.” The issue is that people don’t hate change; they hate “your change.”

Involving Everyone Benefits the Company

As reported earlier, contractors that have involved their people from all levels of the organization have improved their processes, the likelihood the right initiative will be implemented successfully, and the company’s people. If nothing else, the employees’ involvement in the process will allow them to learn about other people’s perspectives within the organization, therefore making them more adaptable in future situations.

Several years ago, I was brought in to help resolve some critical issues on a large project. The problem was the project was falling behind schedule, costs were increasing, and there was increased tension between the various entities on the owner's team. This team consisted of a committee of board members to oversee the project on behalf the owner, the owner's project staff, several architectural and engineering firms, and a program management entity that was a joint venture of several companies. When I arrived, I interviewed all the players. Everyone was upset because their costs were out of control and they all felt like no one was cooperating with anyone else. The result was each entity became internally focused—they worried about only themselves instead of the project and spent a great amount of time writing critical letters about other team members in an effort to cover their backsides.

I made each team member identify all of its issues. Then I forced the team members to sit down and discuss these issues. Once they started to understand each other's problems from the other people's perspectives they were able to move forward. They worked together using strategic thinking practices to create processes that worked for all parties. Once the processes were in place, communications between the parties improved. When new problems occurred, they were able to talk about them and create a process that worked for all the involved parties. This project and others demonstrate that getting people to truly discuss the challenges and their impacts, not merely complain about each other, helps everyone create a more accurate perception of the situation. This allows them to create a process to resolve problems effectively and quickly.

It's important to understand that engaging all your people is no longer just a good idea, but it's an absolute necessity in today's rapidly changing world. It's not just about being nice to your employees; it is critical to improving the company's performance and developing people. For contractors to meet the challenges of the industry's hypercompetitive marketplace, contractors need to create innovative solutions and be able to implement them quickly. Quick implementation will occur only if those individuals who must carry out the initiative were actively part of the process to develop it. This means they need be active participants in the strategic thinking process.

To unleash the company's full potential, it must set free the potential of its entire workforce by releasing its diverse talents and experience. It's been written that every group is smarter than

the smartest person in the group, but we could also argue that every group is more innovative than the most innovative person in the group. Since we have no way of knowing who will come up with the idea or insight, we are forced to involve everyone.

The idea of bringing people together to solve problems is critical to the success of any venture. As the successes from these efforts increase, champions for the process will be created, which will encourage even greater collaboration to find the right solution. Finally, the increased involvement and responsibility leads to increased retention.

This is becoming more and more important to a company's success as experience, knowledge, and wisdom become essential in establishing the ability to build and maintain a competitive advantage.

In fact, often the benefits to the people involved are greater than the benefits obtained from solving the problem.

Involving Everyone Benefits the Employees

As stated earlier, people resist change when it is misunderstood, imposed, perceived as threatening, riskier than its potential benefits, or interfering with other priorities. Therefore, the key to involving the employees in the strategic thinking process is to overcome their resistance to change.

Numerous studies report that the workers indicate the two most important motivators are feeling appreciated and being in on things. What greater compliment can you offer workers than to ask for their opinions and let them implement their ideas? They can't be any more in on things than implementing their own ideas. Of course, we need to start people out slowly and let them grow, but that will be discussed in greater detail later in the chapter.

As employees achieve success with their ideas, they will gain confidence and will begin to stretch and offer even more innovative ideas. This is an important concept because people can achieve only what they think they can. Therefore, it is management's responsibility to not only develop their employees' strategic thinking capabilities, but to encourage them as well. Most people enjoy accepting responsibility, and this process allows them to develop their capabilities and advance their careers.

How to Identify the Right People

In the survey, one contractor cautioned, "You need to be careful where the information comes from." This is certainly true, but since it's impossible to know who might provide the

great idea and because it's difficult to include everyone in every strategic thinking discussion, a process is required to help identify the "right people." This process must start with the creation of a list of people who should be involved in the strategic thinking process on the issue. Each situation may end up having different people, so it's important to have a process to identify the "right people" for the situation.

Gerald Nadler and William Chandon in their book *Smart Questions* indicated the process should start by asking three questions:

1. "What is unique about the people in this problem?"
2. "What purposeful information do people have?"
3. "How can we think systematically about the roles that people play in creating the solution?"¹²

Let's examine each of these questions in greater detail.

Everyone is unique and, therefore, brings a unique perspective to the process. Alan Rowe, in his book *Creative Intelligence: Our Hidden Potential*, argued that everyone has some creativity. The problem is you can't tell who has ideas that would benefit your situation.¹³

Since the strategic thinking process is about getting as many ideas as possible, it's important to tap in to the uniqueness and creativity of your people. Your challenge is to create an environment that encourages people to contribute, but that will be discussed in greater detail later in this chapter.

To appreciate the valuable information that various team members can provide requires a new perspective. Nadler and Chandon reported that "information is incomplete, inaccurate,

and imprecise; that it is a human construct; and that it does not offer the benefits obtained from knowledge and wisdom.”¹⁴ Worse, information in the form of data is about looking backward. There is no data on the future. Since strategic thinking is about looking ahead, the strategist must focus on knowledge and wisdom, which are key ingredients of perception.

Information measurement theory, as discussed in Chapter 2, explains that the perceptive individual requires less information. While everyone interprets the situation and potential solutions differently, the more perceptive the individual, the better able he or she is to understand the existing conditions and predict the outcome. Therefore, to the strategist, knowledge and wisdom are more important than data. While some data or information is needed, the perceptive individual can identify what information is needed. For example, the competent mechanic knows exactly what questions to ask and tests to run to diagnose the problem.

In other words, the perceptive strategist knows what critical pieces of information are required to understand the situation. In contrast, the less perceptive person seeks more information, but the more information there is, the more complicated the situation becomes. Since no one knows everything about construction, when we have a problem or situation, we need to include people with the right knowledge and wisdom concerning the situation. This can be achieved only by putting together a diverse group of people to ensure all appropriate perspectives are covered.

Knowledge is a complex process that allows an individual to understand how all the pieces fit together and interact with each other. Since everyone has gaps in their areas of expertise, it's critical to ensure the right people are included

to fill those gaps. For example, a CEO of a mechanical contractor might be great at planning projects, but the current project has some intricate welding that is required on some high-pressure pipe. Since the CEO has never welded pipe, he probably would struggle to identify any potential problems, but the experienced welder could identify potential problems almost immediately. It's not that either person is more knowledgeable than the other; it's that they have different knowledge. To obtain the best results, we need to combine their knowledge.

Since knowledge and wisdom exist only in the mind, we need to bring as many minds as possible together to maximize insight and ideas. However, to take that wisdom and turn it into a creative solution requires team building. By getting your team to share information, viewpoints, ideas, and solutions, they are better able to understand each other's perspectives. Instead of team members hoarding information to protect their turf, they work together to find the best solution. This is especially true when people are at odds. The more each side has a chance to understand the information and how everyone else interprets the data, the easier it is to find common ground. This is exactly what occurred on the large project discussed on page 38. Once the team members discussed and *understood* the issues from the other person's perspective, they were able to find common ground and work together.

It's important to understand that the trend of engaging the front-line people has implications throughout all of the company's systems, which means employee selection is increasing in importance.

What Information Do You Need?

When analyzing who should be included, the goal should be to obtain only necessary

information from as many points of view and interpretations as are practical. Obviously the right information is critical to creating solutions for complex problems, but without the wisdom that comes from knowledge and understanding of the situation that is obtained from diverse perspectives, the chances of an effective solution are minimal.

To help limit the amount of information you need, the focus should be on collecting information that is solution-oriented, not history related. Constantly ask the question, “How will this piece of information help us to create a solution?” If the information isn’t helping to create a solution, then ignore it. The interaction between the team members is more important than the accuracy of the information because the team’s combined wisdom will lead to the right solution. Don’t get bogged down collecting data that doesn’t contribute to a solution.

To save time and money, fight to limit the amount information collected. Instead, rely on the expertise and wisdom of the people. The expert knows what to do and, therefore, avoids making subjective decisions, as discussed in Chapter 2.

Think Systematically

Chapter 3 discussed the importance of using systems, and this applies to the process of selecting the people to be involved in your strategic thinking initiatives. Getting the right people on board means exploring and understanding the roles that various people will play in the exercise, how they will contribute, and the timeline for their participation. In essence, you should treat the planning of the strategic thinking exercise just like any other problem.

The system allows you to understand the connections between the various stakeholders,

the problem, and the eventual solution. The actual process will depend on the type of strategic thinking situation you are considering. If you are dealing with a problem, you need to identify those people who are involved in or impacted by the problem. Too often I observe contractors that simply attempt to fix a problem with minimum effort to save time and money. The problem is if the solution doesn’t fix the problem in a manner satisfactory to the other stakeholders, you might actually create a bigger problem. This is especially true if the client is unhappy. In addition, people not directly involved with the problem might still be able to provide expertise that is needed to create the right solution. Therefore, you need to ask who can help find a solution. Unfortunately, too often managers don’t want to ask for help because they don’t want to admit they either have a problem or don’t know the solution. This approach often leads to bigger problems.

The reluctance to address a problem isn’t limited to just the managers. One CEO eventually discovered that a lift on a project would lift only one person at a time, which caused problems. But no one had reported the problem until he specifically asked a field person how the lift was working. When the CEO heard what was going on, he knew something wasn’t right, so they examined the lift and found that the pump needed to be replaced. After the pump was replaced, the lift worked fine. This example reinforces the message that it’s important for companies to create a culture where people report problems. This CEO expressed frustration that this wasn’t an isolated case, despite the fact that he regularly attempted to convince his people he wanted to know what was going and what problems they were experiencing. He told them he was there to help them, not to criticize. To achieve the desired results, it takes a commitment to a system that encourages people and supports their efforts throughout the company.

The strategic thinking process involved in planning a construction project requires an entirely different approach. Companies often consider involving only their own people in the process—but other stakeholders such as other contractors, vendors, and even the client can usually make significant contributions. In the survey, one contractor stated, “Additional information received from our peer group members is the most valuable information we receive.”

As challenging as it can be to determine who are the “right people” to solve a problem or plan a project, the scope in either of these two situations is relatively easy to define, which makes identifying the people who should be involved relatively easy. In contrast, the strategic thinking process involved in creating a business strategy is much more complex. While a system can be helpful in the first two cases discussed, it’s absolutely essential that a system be developed with regard to selecting those involved in the strategic thinking related to the company’s business plan. There are several reasons. First, a business strategy is much more complex. Second, a business strategy is a journey, not a destination, and will constantly have to be reviewed. Third, a business strategy must constantly adapt to the changing environment, which means different people may need to be brought in to the strategic thinking process at different times.

If the company is small, it is a good idea to involve everyone in the company’s strategic thinking program because everyone will be involved in carrying out the plan. In essence, you ask them to help plan the strategy, which requires their support and commitment. If there is a large number of stakeholders, it’s impractical for everyone to participate in a single meeting, but everyone’s input needs be considered. This can be accomplished by

selecting representatives from groups of people. The representative can obtain feedback from those in the group he or she represents and bring that information to the actual strategic planning sessions. The representative can report back to the group to keep them apprised of developments.

Once a large company’s committee comes up with a proposed strategy, the representatives must relay that information to everyone else. It’s important to stress the plan is preliminary and tentative and ask for suggestions. They should be encouraged to express any concerns or doubts about the plan. This gives you a chance to address them. It also allows them to express their views and feel part of the process. Of course, if they raise any actual problems, you have an opportunity to modify the strategy. These sessions will improve as people begin to understand the company is serious about their comments.

While the actual strategic planning session will probably be restricted to only company personnel or to an outside facilitator, the preliminary strategic thinking efforts should include discussions with other contractors your company works with, vendors, and even clients. The idea is to determine where you add the most value for your clients so you can focus on creating your own blue ocean strategy, not just another “me too” strategy.

As discussed in Chapter 2, the strategic thinking process necessary to create a business strategy must address three questions:

1. What are you selling?
2. Who are you selling it to?
3. How do you differentiate your business from your competitors?

To properly answer those questions and ensure maximum understanding of the business's existing conditions, your strategic thinking process should attempt to obtain perspectives from a diverse group of participants.

Developing Strategic Thinking Skills

At times there is some push-back to the suggestion that everyone should be involved in the strategic planning of a company. Typically senior management feels that some of their junior people don't have a lot to contribute. But if people are never invited to participate in the company's strategic thinking exercises, how do you expect them to learn? This approach often results in people being promoted to senior management levels without having developed the necessary strategic thinking skills.

This is one of the main reasons for involving as many people as possible in every strategic thinking situation. It allows them to develop the skill. Strategic thinking is a skill like any other; practicing improves one's abilities. Of course, not everyone has the same abilities with regard to strategic thinking, but if you have a chance to observe people in that role, you can determine who are the best strategists in your organization. This is important because some jobs simply require greater strategic thinking capabilities on a day-to-day basis to perform the job. For example, the operations manager certainly needs to understand the big picture. When people develop this capability, they are able to quickly grasp the situation and instinctively know what to do. Common sense dictates that no company can afford to go through a full-blown strategic thinking exercise for routine issues. The strategic thinking exercises need to be saved for unique situations.

When new problems appear, it gives a company an opportunity to develop their people's strategic thinking skills. Of course,

some people will be uncomfortable in this role, but letting them get involved with issues that they are involved in on a daily basis should certainly make them more comfortable.

A perfect example of strategic thinking on a project is creating the schedule. Too often senior management, the project manager, superintendent, or a combination of those people creates the project schedule. However, when you push the process down to the foremen on the project, some amazing things happen. It's not that the senior people don't know how long a task should take; what they usually can't identify are the restraints that prevent the task from being completed on time. In fact, studies show that more than 50 percent of tasks assigned in any given week are not finished on time.¹⁵ Since the foremen are in the trenches, they can usually identify the restraints that hinder their efforts to meet the schedule. Once the restraints are identified, they can be addressed and eliminated. What is meant by restraints are impacts outside the foreman's control, such as another crew not finishing work on time. Restraints are not about things the foreman controls.

When this practice is implemented on projects, most of the foremen are reluctant to say much at the beginning. No one has ever asked their opinion before, so they are uncomfortable expressing their views. Once the foremen realize they are in a safe environment where they can express their opinions they begin to open up. When people feel their opinions are desired and respected, they typically respond positively. Of course, sometimes we are forced to tell a senior manager to be quiet to keep him from jumping in and telling the foreman what to do. In reality, the foreman doesn't need to be told how to manage his team; he knows how to do that. What the foreman needs to learn is how to communicate his requirements to other stakeholders so he can meet his commitments.

The process described above is no different for any strategic thinking process. People need to participate to learn how to do the job. As Ed Anderson, CEO of Lean Implementation Services of Florida, said, “You can’t learn to ride a bike without getting on the bike.” Strategic thinking is no different. Therefore, the best way to develop people’s strategic thinking skill is to let them get started in their day-to-day activities. It will then be easier to have them participate in planning projects and finally help with the company’s strategic business plan. You don’t have to wait until they master each level before exposing them to the next level, but it certainly does help them to participate in less complex situations in the beginning.

Don’t limit people’s participation in strategic thinking sessions because they haven’t participated before. Remember no one knows who will offer the insight needed. The point is the more practice your people can obtain, the better their strategic thinking skills will become and the more valuable they will become to your organization.

The Key Positions and Their Roles

Without oversimplifying the process, there are three distinct groups of people:

1. leadership or senior management
2. middle managers or, in construction, project managers and superintendents
3. front-line people or mechanics, including foremen

For strategic thinking to work, there needs to be collaboration among all three groups and a common understanding of the company’s strategies. While the front-line people may not technically deal with the company’s strategy on a daily basis, that strategy does impact the concepts they develop to solve problems or manage projects. For example, if the company’s

strategy is to be client focused, then when problems occur in the field, it is essential that the solution consider the client.

For the company’s main strategy to be effective, all other strategies must be in alignment. While the three groups have common ground, they also have specific functions to perform. It’s important that everyone understand these new roles, and it’s the leader’s responsibility to ensure this occurs. These functions are described below.

Leadership

While strategic thinking has always been thought of as the role of the CEO, he certainly can’t do alone. To do so would be to ignore the impact the others can have on the actual strategies. The leadership has roles that no one else can perform because they bring a certain level of understanding of the big picture that others might not have. While it’s critical that the leadership get the right people, their function must be more than finding the right people and getting out of the way.

The strategic leader has to provide guidance in three specific areas: focus, balance, and coordination. The leader must clarify the organization’s strategy and ensure there is a common vision. The balancing act revolves around the need to help people overcome the challenges related to strategic focus but also remain open to change when necessary. Finally the leader must ensure that the diverse functions or teams and their resulting strategic initiatives work in harmony and service the shared goals of the entire organization.

Clearly these skills can’t be taught in a classroom or by reading a book. They must be learned through experience in dealing with these responsibilities at lower levels as the individual moves through his or her career.

Manager (Project Manager and Superintendent or Department Head, such as Chief Estimator)

As if today's project managers and superintendents don't have enough to deal with, they are also the key link in the strategic thinking process of the company. It's tough to empower people unless they completely understand the company's strategic objectives; therefore, it's the manager's responsibility to ensure that everyone on the project is read in on the strategies.

While the roles will vary from company to company, there are three that all managers need to embrace to ensure the integration of the company's strategic direction. Stephen J. Wall and Shannon Rye Wall identified three roles in their book *The New Strategist*: ambassadors, facilitators, and jugglers.¹⁶ The ambassador's job is to interpret and clarify the company's overall strategic direction and ensure everyone on the project or in the department understands how that applies to the situation. They must deliver vital information and decisions to the leadership, including being the advocate for ideas generated on the project. The facilitator's role requires the evaluation of opportunities and strategic options on projects to determine which should be pursued. In this endeavor, they need to involve people at all levels in the process. Finally the effective manager must find ways to juggle the diverse demands of both leadership and management issues as both are critical to success. A key to this success is to ensure that all the necessary systems are in place so the front-line people better understand their roles.

Effectiveness in this role takes experience, which requires practice. The good news is the learning that takes place in implementing strategic thinking as a manager is the best possible training for future company leadership positions.

Front-Line People

The roles for the leadership and the manager seem obvious to many people, but the role of the front-line strategist is a bigger stretch for many companies. However, it is essential to ensure strategic thinking throughout your organization. To help companies evaluate where they are with their front-line people, they should ask the following questions:

- Do our front-line people see themselves as an integral part of the company strategic thinking process?
- Do our front-line people advise us on how the company's strategies are being received by our customers?
- Do our front-line people seek out information on new opportunities and markets?
- Do our front-line people raise a red flag when our strategies aren't working?

If you aren't getting affirmative answers to all four questions, then you have some work to do. It starts by ensuring that your front-line people understand their role in the strategic thinking process. Like the leadership and the managers, they have three key roles to play:

1. Voice of the customer
2. Fact finder
3. Collaborator

The voice of the customer is probably the most misunderstood. This role doesn't mean the front-line worker is siding with the client. The front-line individual makes sure the company understands the client's needs and positions on issues.

As the fact finder, the front-line person is always attempting to seek out information on competitors and the market to identify

opportunities or places the company's strategy may need to be adjusted.

The final role of collaborator is about working with other units—other subcontractors, the general contractor, vendors, designers, or the client—to ensure the company's strategies are achieved.

Finally, one of the most challenging changes for the front-line people is the ability to understand the need to propose ideas even if they aren't accepted. They must learn that no idea is a bad idea and all ideas are welcome. In a culture where the front-line people's views were often disregarded, it can be tough for the front-line people to understand and accept that it is their job to be proactive and that their opinions and views are welcome. They will need the company's support to succeed in this area.

How to Motivate People

It's really not that hard, but it does take a different approach than what most companies do. We have all experienced disinterested, if not outright hostile people, when trying to make changes. The simple explanation is that the people feel like victims because the change seems imposed on them. It threatens them or just interferes with their own priorities.

The problem is that too often the situation is attacked from the wrong direction. When there is a problem, the search is for what happened, but that gets translated into who screwed up. No wonder they don't want to participate. Instead focus on the where you want to go, which is the essence of strategic thinking. Ask the stakeholders what everyone can do to make the situation better. This question is much less threatening than, "What went wrong?"

One of the best ways to get people comfortable with the notion of contributing ideas is to

implement a continuous improvement plan. The Japanese call it *kaizen*. Many companies have tried kaizen with mixed results, but again, the problem is the approach. Too often the company says, "We need to improve productivity, so what ideas do you have?" Here the focus is on the company—how the company can improve its profitability. It also implies, "You guys could do better." This isn't a very encouraging environment for the worker. Complicating matters further is the practice of criticizing any suggestion that a worker does make. With this type of approach, do you really expect to get any ideas?

Norman Bodek and Bunji Tozawa in their book *How to Do Kaizen: A New Path to Innovation* offer a different approach. They suggest the focus for continuous improvement should be on benefits to the worker. One should approach the workers and say something like, "We want to improve your working conditions. Therefore, do you have any suggestion on how to make your job easier or eliminate things that drive you crazy?" Workers always have things that annoy them, so they are more willing to make those suggestions.¹⁷ Don't worry if in the beginning the process goes slowly because the workers are skeptical. Once you demonstrate you are serious and are supporting their efforts 100 percent, you will see their participation increase.

By definition kaizen suggestions are small changes that workers can implement by themselves or with the help of their immediate teams. Therefore, the cost implications are tiny. So the idea is to let people try their ideas. Don't critique them because that only discourages people from making suggestions. The only exception would be if it created a safety issue. For example, in Russia a worker suggested removing the safety restraint because it was annoying, and six months later, he cut off his

hand as a result of the missing restraint.¹⁸ Make sure the people know the only condition is that it has to improve the worker's efficiency while remaining safe. That conclusion is based on the actual trial results, not the manager's opinion. Obviously if you improve the worker's efficiency, the company will benefit, but the idea behind the change is to make the worker's job more enjoyable, which is what the worker cares about.

What is interesting about this process is that as the workers see their ideas accepted and implemented, they become more enthusiastic about offering new suggestions. The company benefits and the workers benefit. The bonus is that it starts to create the collaborative environment that is so important to strategic thinking when attacking problems, projects, or even the company's strategic plan.

The message is clear: invest in the development of your people in the use of strategic thinking to solve problems, plan projects, and create the company's strategic business plan. Unfortunately, very few companies provide training in group decision making. Don't make that mistake. Start immediately to get all your people involved in a continuous improvement effort to start teaching them the process of offering ideas and suggestions. You want to send the message that you value their knowledge and experience and respect their opinions. Then involve your people in the company's strategic thinking process where appropriate, but don't be afraid to err on the side of inclusion. Typically if individuals don't think they have anything to contribute, they will drop out of the process. What you want to avoid is making people resentful because their opinions weren't asked.

Asking Questions

The key to the process is asking questions, because questions encourage people to

participate. To make that truly work, the questions need to look forward. In other words, "What should we do?" "What should we change?" Avoid questions such as, "What went wrong?"

Below are a few sample questions meant to help you to begin the process of identifying which people should be included in the strategic thinking effort, but you need to create questions that fit your unique situation.

- Who is affected by this situation?
- Which of our people have unique skills or knowledge about this situation?
- Who are the stakeholders in the solution we are seeking?
- Who needs to be involved so we can implement any solution we develop?
- Who is considered the company's go-to person for this kind of problem?
- Who are the many people who offer different perspectives on issues?
- What specialists groups, such as technology, should be part of the discussion even though they might not be directly involved in the application of the solution?
- Who are the people who might resist changes in this area?
- What pertinent information do we need to understand the current situation?
- What individual or individuals have the best understanding of the pertinent information?
- What individuals or groups outside of our organization might have expertise on this problem?
- Who might have a perspective on this situation that is more important than any data?

- What roles do we need to ensure a well-rounded perspective of this situation?
- Who might be the biggest champions for the changes that will be needed in this situation?

Remember, the above questions should get you started, but you need to develop your own questions that fit your specific situation.

Summary

To meet today's challenges, the industry and individual companies need strategic thinkers throughout their companies that are adept at understanding the connection between their daily activities and the business strategy. Those people must have the desire and ability to get their ideas heard and implemented. The day of hiring construction workers from the neck down is over. The industry needs their experience, knowledge, and wisdom.

Key Points from Chapter 4

- It's essential to get the right management people on the bus, in the right seats, before attempting to create a company's business strategy.
- However, all stakeholders on an issue should participate in creating the solution because no one knows where the right answer will come from, and statistically they don't come from management.
- There are many benefits to the company's engaging everyone in strategic thinking exercises.
- Including employees in the company's strategic thinking exercises results in significant benefits to them.
- To identify the "right people" to participate in any strategic thinking exercise requires a system, which helps identify those people

with unique skills or knowledge that can contribute to the solution.

- Companies need to invest in developing their people's strategic thinking skills. This is not a luxury but a necessity in today's hypercompetitive marketplace.
- Motivating people to participate in the company's strategic planning efforts should start with introducing everyone to a continuous improvement plan that focuses on making the employees' life better.
- The leader strategist's three primary roles are focus, balance, and coordination.
- The manager strategist's three primary roles are ambassador, facilitator, and juggler.
- The front-line strategist's three primary roles are voice of the customer, fact finder, and collaborator.
- The strategic thinking process requires asking questions to help break down resistance and make the process less threatening.

Chapter 4 Endnotes

¹ Jim Collins, *Good to Great*, Harper Business, 2001, pg 41

² Ibid., pg 42

³ Ibid.

⁴ -Ibid.

⁵ Guy Gast, personal interview, September 2012

⁶ Alan G. Robinson & Sam Stern, *Corporate Creativity*, Berrett-Koehler Publishers, Inc., 1997

⁷ Gerald Nadler & William Chandon, *Smart Questions*, Jossey-Bass, 2004, pg 45 & 46

⁸ Tom Peters & Robert Waterman, *In Search of Excellence*, Harper Row, 1982, pg 277

⁹ Gerald Nadler & Shozo Hibino, *Breakthrough Thinking*, Prima Publishing, 1998, pg 267

¹⁰ Gerald Nadler & William Chandon, *Smart Questions*, Jossey-Bass, 2004, pg 46

¹¹ Gerald Nadler & Shozo Hibino, *Breakthrough Thinking*, Prima Publishing, 1998, pg 261

¹² Gerald Nadler & William Chandon, *Smart Questions*, Jossey-Bass, 2004

¹³ Ibid., pg 50

¹⁴ Ibid., pg 55

¹⁵ Herman Glenn Ballard, *The Last Planner System of Production Control*, thesis for PhD at Univ. of Birmingham, 2000

¹⁶ Stephen J. Wall & Shannon Rye Wall, *The New Strategist: Creating Leaders at All Levels*, The Free Press, 1995, pg 100

¹⁷ Norman Bodek & Bunji Tozawa, *How to Do Kaizen: A New Path to Innovation*, PCS Inc, 2009

¹⁸ Alan G. Robinson & Sam Stern, *Corporate Creativity*, Berrett-Koehler Publishers, 1998

5 DEFINING THE PROBLEM

The first phase of the operational process of the strategic thinking system is defining the problem. This is true whether the company is attempting to create a business strategy, plan a project, or come up with a solution. Defining the problem is critical to understanding the existing conditions because unless one understands where one is starting, it's virtually impossible to create a strategy to achieve the desired result.

The number one reason initiatives fail is lack of a clear definition or goal. If you don't define what you want to achieve, your chance of achieving it is remote. Why does this occur? There are several structural reasons. The first is perspective. People tend to define problems from their own perspectives and are surprised when the other stakeholders are not satisfied with the solution.

The second reason is the shortcomings that arise from conventional thinking, which emphasizes finding a quick solution. It's not that finding a quick solution is bad per se, but conventional thinking has taught us to believe there is a single solution, so as soon as we find a solution, we believe we are done. Keep in mind if the answer were that simple, the problem would have already been fixed. A quick fix might solve the problem in the short term, but the problem often reappears or the desired long-term results are not achieved. For example, when a one detailed strategic plan does not produce the desired profits.

Conventional thinking asks, "How do we fix the problem?" The strategist, in contrast, focuses on throwing away the box of constraints and asks questions such as, "What if?" or "What can we do?" These types of questions combined with divergent thinking will open up the world of opportunities and

produce long-term solutions that meet the needs of all the stakeholders. This difference in perspective is the essence of strategic thinking.

Spiral duct offers a perfect example of conventional thinking running amuck. When spiral duct was introduced, it had a bad reputation with many contractors. Since there were a lot of assembly-type problems, the conclusion was that the quality of the spiral duct wasn't very good. One approach contractors used to solve the problem was to put their best people on the spiral duct to minimize the problem. Another approach was to avoid using spiral duct. This type of conventional thinking only made the problem worse because once contractors thought they had a solution, they stopped considering other possibilities. In fact, this approach prevented many contractors from properly defining the problem.

The problem was actually a result of the attempt to reduce costs. Purchasing agents would buy the duct from one manufacturer and the connections from another. While the different manufacturers' ducts had the same nominal size, they weren't exactly compatible. One manufacturer's connectors didn't fit another manufacturer's duct. This would be the same thing as trying to install a Chevy part on a Ford. Once the true problem was identified, contractors realized they had to purchase the duct and the connectors as a package, and the problem was eliminated. Lesson learned: if you don't identify the actual problem, it is very difficult to solve it.

The third reason initiatives fail is the process of defining a problem, a project, or a company's direction—which is certainly more complex than many people want to admit. Complexity and difficulty are not the same thing, but to manage complexity, we need to rely on a system or process because without one, people tend to fall into one or both of the above traps.

Many contractors have acknowledged that they have completed a project where they thought they did a great job yet the owner was unhappy. How does this occur?

Typically construction projects are defined by plans and specifications; in essence, they explain to the contractor what it's supposed to do. The problem is the owners have explained what they want the contractor do, not the results they want the contractor to deliver. For example, the plans explain the amount of insulation, the building design, the size of the air handlers, the size of the duct work, and the size of the chiller. When the client moves into his office and complains that it is too hot, he really has no one to blame but himself, but unfortunately for the contractors, he blames them. The contractor's defense is to demonstrate that he followed the plans and specifications. The problem for the contractor is that while he wins the battle, he loses the war because he still has an unhappy client—or possibly a former client. In contrast, if the owner tells the contractors he wants his office to be 72 degrees when it's 100 degrees outside, the contractor is responsible for the results.

The above example is straightforward, but how often are there performance problems at the end of the project because the results were not clearly identified or defined? Therefore, contractors need to think of projects in terms of results the client wants, not work the contractors need to perform. The contractor needs to ask the client, "What are you trying to achieve?" instead of, "What do you want us to do?"

The contractor needs to understand that what clients want done doesn't always create the desired results. Since the contractor has the experience, knowledge, and wisdom to know what needs to be done to obtain the desired results, the contractor needs to take responsibility for ensuring the project's

desired results are clearly defined. This is a major selling point of the integrated project delivery methods approach to construction, but contractors even in the design-bid-build environment would be well advised to make a greater effort to understand the desired results. The client may resist your suggestions, but at least you acted in a professional manner. Further, when the problem surfaces at a later date, you can remind the owner that you did tell him how to avoid the problem at the *beginning* of the project. Contractors who have taken this approach have often found the client to be more receptive to their suggestions in the future.

This concept applies to any size contractor. Wise building owners realize that the period when contractors can help them the most is before construction. Taking the time to educate the client and understand the client's needs can pay dividends.

When my residence's air-conditioning system went out, I contacted three air-conditioning contractors, including the contractor that installed the original unit. Sadly, two contractors focused on price to get the job, but the third contractor sat down and addressed all my issues, including some I hadn't thought about. As a result, I became very comfortable with this contractor. At the end of his presentation, he basically said, "Now that I totally understand what you want, my price is X dollars, and if I missed anything, I will take care of it at no cost to you." I selected this contractor, whose price was competitive but not low.

The reality is that 17 percent of consumers only want the best and are totally value driven. Another 27 percent are totally price driven. The key is the 56 percent in the middle who will buy based on price or value.¹ This middle group buys on price when they don't understand the difference in value being offered. To understand value from the client's perspective, it is essential for the contractor to identify and define the client's true purpose. Then it's the contractor's responsibility to ensure the client understands the value being offered.

Creating powerful purposes, instead of just describing what you do, requires strategic thinking. When solving a problem, planning a project, or creating a company business strategy; the more powerful the purpose, the greater the potential value you can deliver.

The Need for a System to Defining the Goal

As stated earlier, to deal with the complexity of defining a problem, a project's strategy, or a company's business strategy, one must put a system or process in place to ensure everyone understand and agrees with the goals or definition. Let's examine each of the three common situations.

The above story about spiral duct is a perfect example of not properly defining the problem. In the previous chapter, the emphasis was on getting the right people involved. In the case of spiral duct, if the contractors would have involved the manufacturers, the problem would have been resolved very quickly. While there was a lot of data showing the problems with spiral duct, what was needed was the experience, knowledge, and wisdom the manufacturers could have brought to the table since they were the experts on spiral duct.

A project is more complex simply because it has more factors than an individual problem, but the process is the same. It must start by getting all the stakeholders involved to ensure there is common understanding of the problem and the goals. Unfortunately, too often the construction industry simply defines the project based on the plans and specifications, which as we discussed earlier, doesn't always produce the client's desired outcomes.

A simple example of a contractor doing a better job of defining a project involves a residential driveway. The prospect declared he wanted to pave his driveway then went out and got three bids. The first two contractors listened to the simple directions and each provided a price. The third contractor asked a few questions. He asked if the owner wanted to crown the driveway to prevent water lying on the driveway after the rain stopped. He added this would allow the owner's children to get outside as soon as the rain stopped. The owner thought that would be a good idea. The contractor then pointed out how some of the owner's neighbors had dead grass right next to the driveway where it met the road. He asked the owner if he would like him to flair the driveway where it met the road so people wouldn't drive on the grass. The owner liked that idea too. In essence, this contractor redefined the project from simply paving the driveway to exactly how it was to be paved. The contractor used his experience, knowledge, and wisdom to create the project in terms that delighted the owner.

Obviously, as projects become more complex, the number of areas that need to be carefully defined increases. This explains why all the trades on a project should participate in the defining process because each will bring experience, knowledge, and wisdom to the process that the other participants might not have. After all, each trade contractor or vendor is the expert on its own particular area. This all

comes down to how to add value consistently with the company's overall business strategy.

There is no silver bullet here. Each trade and project presents different opportunities and challenges. But the key is for the contractor to use its experience, knowledge, and wisdom to ask questions to learn how it can add value for the client by either better addressing the client's desires or introducing new value propositions that the client hadn't previously considered. This concept is critical whether you are a prime contractor or a subcontractor. Working on both large projects and small projects should be viewed as opportunities to give the client the results he wants. In fact, many small projects offer contractors greater opportunities for strategic thinking because the contractor must establish the performance criteria since there are no formal plans or specifications.

Many suggestions will be visual or easy to understand, such as the two recommendations on the driveway. However, others are more sophisticated and require proof. Too many contractors make promises they can't deliver so customers have become very skeptical, and therefore discount the value promised. Professor Dean Kashiwagi recommends dominant proof to overcome this skepticism. Dominant proof is evidence that produces the same conclusion regardless of who examines it. Therefore, if you promise a 10 percent energy saving if a client follows your advice, you need to have physical evidence and past clients that support that claim. If you are offering to meet a very aggressive schedule, you need to have a track record of always meeting your promised delivery dates. This doesn't mean you deliver on your promises most of the time; it means you deliver on your promises *100 percent* of the time. The reason is simply if you are not 100 percent reliable, the prospect may be afraid you will not deliver on his project, and that's the only project he cares about.

Finally, the creation of a strategic plan for a business is the most complex. The simple reason is that many people are involved. A business strategy must take into account the marketplace, which means the contractor is dealing with not just a single client but many clients. It is not enough for contractors to differentiate their businesses from that of their competitors; it's absolutely critical that they differentiate themselves in ways their clients and prospects value. Therefore, they can't create the difference in a vacuum.

A plumbing supply house found a way to differentiate itself from its competitors after talking to contractors. Contractors had a huge complaint: orders were delivered late and were often missing critical parts, resulting in costly delays. This vendor raised its price about 7 percent above its competition and offered the following guarantee: "The order will be delivered on time and 100 percent complete, or we will give a 25 percent discount." In essence, the guarantor put his money behind the guarantee, therefore giving it credibility. Most of the local contractors buy from this vendor because they figure they are saving money, even though they pay a higher material price. However, if the vendor had implemented this policy in a location where there wasn't a delivery problem, the higher prices would have probably cost him a lot of business.

The rest of this chapter explores how contractors can bring together the collective experience, knowledge, and wisdom of the various stakeholders to better define the goal.

Conventional Thinking Creates Problems

Conventional thinking creates new problems. When a problem occurs, conventional thinkers launch a huge effort to collect information or data about the problem to determine what

went wrong and who caused the problem. In an *NCS Radio* interview with Mike Sullivan, VP of Operational Excellence at the Weitz Company, he reported that one of the biggest benefits of using lean construction was the workers became very open about problems and contributed to the solutions because they knew they wouldn't be blamed. Lean emphasizes the use of systems; therefore, if the worker follows the system and a problem occurs, it is the system that failed, not the worker.²

Focusing on a system changes the dialogue because it directs the discussion toward what needs to change instead of what went wrong. There are two negative impacts when the emphasis is on what went wrong. First, people become defensive; and second, they tend to become experts on the problem instead of becoming experts on the solution. They focus on gathering a lot of information—much of it useless—which can lead to paralysis by analysis. This is not to say the information isn't useful, but as discussed earlier, experience, knowledge, and wisdom are more important when going forward. While the strategists are always trying to expand their knowledge, it's important they seek the right information.

A Powerful Purpose Is Critical

Contractors need to redefine their businesses in terms of the way they add value for their clients. If contractors want to escape the hypercompetitive marketplace they typically find themselves in, they need to think about their businesses in a different way. Albert Einstein said it best: "We can't solve problems by using the same thinking we used when we created them."³ They need to create a blue ocean based on a unique purpose.

Strategic thinking is about creating that unique purpose, and it starts with divergent thinking!

Divergent thinking allows one to expand the purpose and increase the opportunities. In reality, business has two options for competition: try to do a little bit better than what everyone else is doing, or do something that's so different it makes the competition irrelevant.

The problem with the former is that as the competition increases, the differences between contractors become so small, they're virtually impossible for the client to distinguish. This results in the selection of a contractor based on price because it is the only perceived difference.

That leaves the latter option. Strategic thinking is about identifying what the contractor can do differently and executing it. I say it's a journey because you will be forced to continually improve and expand on that difference to stay ahead of the competition. When you offer something different that provides additional value, you are more likely to be compensated based on the value you deliver.

The Importance of a Higher Purpose

A classic example of strategic thinking focusing on a higher purpose was NASA's moon program. When the Russians put their Sputnik in orbit, they established themselves as the world leader in space exploration. President Kennedy wanted America to be the leader in space. To accomplish this goal, he didn't seek to simply surpass the Russians. Instead, in the terms of Jim Collins and Jerry Porras, he created a "Big Hairy Audacious Goal."⁴ JFK announced publicly that the United States would go the moon and return by the end of the decade. The fact that there were many obstacles to achieving his goal didn't deter him from his bold initiative—the American space program rose to the challenge and landed a man on the moon on July 20, 1969. This accomplishment established America's superiority in space exploration.

There are probably many lessons to be learned from the moon program, but two have significant impact on business. The first is that companies should not just try to beat their competition, but they need to change the game completely. In fact, studies show that companies that benchmark against their competition actually lose market share.

Bold purposes can energize your business, just like the space program energized an entire country. The excitement created by the program saw a rise in the number of students entering science and engineering programs. Today we have low enrollment in science and engineering despite the government's encouragement because there is no exciting reason or *purpose* to do that. If business wants to get the best out of its people, then it needs to challenge them with an exciting, bold purpose.

The second lesson is that you don't necessarily have to know how to achieve the goal in the beginning. NASA had to overcome many obstacles, which often included inventing new technology. This gets back to an earlier discussion: if we get the right people on the bus, they will find a way. The idea is to collaborate with all stakeholders to define a purpose that people not only can buy in to but are excited about because this will stimulate the necessary creativity to meet the challenges. Of course, it's not necessary to have a bold purpose the equivalent of a moon landing for every problem or situation. However, when a problem creates a headache for your people, a solution that's the equivalent of an aspirin may be just the goal they want.

Strategists understand the importance of placing problems into a larger context, but that takes a different approach to solving problems. This philosophy applies equally to planning projects or solving a problem. It certainly isn't just about creating a business strategy.

An example of creating a higher purpose on a project occurred when a manufacturer wanted to build a new factory. The manufacturer had plans and specifications prepared, then went out to bid with three contractors. When all three bids came in over budget, two of the contractors attempted to value engineer a sufficient savings to get the job. The third took a step back and asked, “What’s the real purpose here?” Obviously the primary purpose of the manufacturer wasn’t to build a factory; it was to manufacture its product.

Understanding the situation, the third contractor used strategic thinking principles and found someone with additional experience, knowledge, and wisdom. He hired a lean manufacturing expert to go into the prospect’s existing factory. The consultant came back with a report that said the factory didn’t need to be 100,000 square feet. It needed to be only 90,000 square feet, and he could lay out the factory so it would be more efficient and allow the manufacturer to reduce its operating costs and increase profit. This contractor understood the higher purpose of building a factory was increasing the manufacturer’s productivity. With this solution, he got the job.

When someone needs a new air-conditioning system, of course there is concern about price. One way to move to a higher purpose would be to shift the discussion from just the installation price to the lifetime cost. Both solutions are in essence about price, but the second provides a higher purpose by creating a lower lifetime cost. Of course, as stated before, if you are going to take this approach, you need dominant proof to make your offer believable.

Imagine getting a call to fix a piece of equipment that keeps breaking. Most people might ask, “How do we fix this piece of equipment?” Maybe a better question would be, “How can we eliminate this piece of equipment?”

Problem Statement versus Purpose Statement

Strategic thinking starts with a fundamental shift in thinking. It recognizes the difference between a problem statement and purpose statement. The strategist recognizes that the problem statement is merely the starting point. In the NASA example, the problem statement was that the Russians had established themselves as the leaders in space exploration. The purpose statement was that America would put a man on the moon and return him safely before the end of the decade.

One advantage of reframing the problem statement is that one is no longer forced to accept the constraints associated with the initial problem. By questioning the problem’s basic assumptions, it creates a certain amount of flexibility that allows new perspective to be developed. It allows problems to be redefined into desired outcomes. It’s about moving forward instead of looking backward. This expands the discussion and opens the door to innovation and opportunity.

The Facts

Facts are a double-edged sword. Most people understand that missing critical facts can be a disaster. In an effort to prevent that from happening, they seek too much information. In reality, too many facts, especially irrelevant facts, can cause just as many problems. To address this situation, the strategic thinking process starts with the right people: those with the necessary experience, knowledge, and wisdom to accurately weed out the extraneous facts based on the existing conditions. The complexity of the problem directly correlates to the diversity of the people needed to solve it. This increases the likelihood that all relevant information will be identified, and is critical because it’s essential that those involved in the

strategic thinking process are able to define the existing conditions.

A related problem is the confusion that occurs when opinions are stated as facts. In the beginning of the strategic thinking process, it's essential to focus on the facts. As Dragnet's Sergeant Friday used to say, "Just the facts, ma'am." He didn't want people's opinions of the events; he wanted the actual facts. The problem is too often people start with an opinion and attempt to identify facts that support that opinion, while ignoring those facts that tend to refute it. This approach leads to poor understanding of the existing conditions and poor predictions of the eventual outcome. In this phase, we simply want to identify the facts while leaving the interpretations for later. For most people this is challenging because it takes a great deal of discipline to separate in our own minds the *true* facts from opinions that we *believe* are facts or that are just likely. The only consistent way to ensure the right facts are gathered is through the use of a process.

Distinguishing facts from beliefs might sound simple, but conventional wisdom often makes us believe something is true even if it isn't. If people hear something enough times, they tend to think it's a fact even if it is not. The way to get around this problem is to verify *every* assumption, or at least every critical or important assumption, even if everyone in the group believes it's a fact.

Since all facts will be verified, there should be no need for debate on the accuracy during the listing phase. Also, we don't want to get bogged down arguing about the relative importance of any particular fact. Simply record it and move on. After all the facts have been collected, someone can verify them. To make this process easier, the information should be put forth in a neutral and objective manner. This doesn't mean there is no discussion, because people

can ask questions to get points clarified or explained. However, the process must be about identifying the pure facts, not trying to use the listing process to build a case for a particular strategy.

If there is no supporting proof for a statement, then it is moved to the opinion category. It doesn't matter how strongly people feel about something. If they can't substantiate it with proof, then it's still opinion. Keep in mind statements by third-party authorities are also opinions if the statements aren't supported by proof. When we rely on so-called expert opinions, we often get into trouble.

Take sports for example. The experts might predict a winner in a game. They even put forth facts and statistics to support their claim, but their predictions are still opinions. Of course, based on experience, most people wouldn't predict that a team that ended the season 1-9 would produce the only defeat for a team that finished 9-1. Yet that's exactly what Bear Bryant's 1954 Texas A&M team did to Georgia. This example demonstrates the fallibility of opinions regardless of how well-founded they may appear.

This is not to say opinions are not valuable, but there is a big difference between developing opinions from the facts and using facts to support an opinion. The latter approach is often heavily influenced by emotion and biases. Even after reviewing several examples of how a certain course of action has already worked, some will still argue that it is impossible, basing their argument on situations where the suggestion didn't work. A better approach would be to ask, "What is different between the situations where it worked and those where it didn't work?"

Then finally there is the problem of missing facts that can impact the prediction. For example, what people didn't know about

the Texas A&M game was that Bear Bryant identified a tell by the Georgia quarterback that indicated whether the next play was going to be a run or a pass play. None of the game's predictors knew that fact, but it was critical to the outcome of the game. This example demonstrates why input is needed from all participants to improve predictions.

Asking questions is the critical part of the defining process because it helps ensure that people drill down into the problem to determine its root cause. Imagine a foreman not finishing a project on time. When questioned, he states he didn't get the necessary material from the vendor on time. The next question might be, "Why did the vendor deliver the material late?" There are many possible reasons for the vendor to deliver late. Perhaps the materials were ordered too late. Perhaps the vendor had a poor delivery reputation but was chosen because it was the low bidder. The point is that unless you determine the root cause of the problem, it's difficult to change things to obtain good results.

A technique that can help get to the source of the problem is the use of the five whys. In this process you ask why something happened up to five times. When you get an answer, you ask why that happened. If you follow this approach up to five times, usually it will result in identifying the root cause of the problem. In the example above, if the vendor was selected based on price despite a reputation for being late, it would have taken only two whys.

Another important question to ask is what makes this situation unique or different. The familiar issues you can probably manage fairly effectively because you have seen them before. In contrast, the unique aspects or at least the ones new to you will propose the greatest challenges. These are the issues that the strategist focuses on. The strategist also realizes

that if he doesn't understand these unique situations, he needs help. In other words, the strategist doesn't make decisions on issues he doesn't understand.

In the search for the right facts, it's essential to include the front-line people because they are the ones in contact with the client, who often have the most relevant and timely information. The strategist understands that it's critical for the people at all levels to be in touch with what's happening in the market, what's happening with the competition, and what trends are occurring. This requires effective communication among front-line people, the managers, and the leaders.

Summary

Understanding the existing conditions is not just about identifying what's wrong. It must consider what the true objective is for fixing the problem because that can lead to a higher purpose and added value. For example, taking an inventory of your camping equipment would provide a lot of facts. However, unless you know whether you are headed to a hot or cold climate, it would be impossible to determine if you have the right equipment or if some equipment should be left behind—similar to how we may need to ignore irrelevant information.

Understanding the existing conditions requires asking questions. It's important to get past the symptoms and discover what's behind the problem. Saying the foreman didn't do his job because he didn't finish on time could be inaccurate, as previously discussed. Understanding the use of a building can create opportunities to create a higher purpose, as was illustrated in the factory example. A company that is not making a profit in a certain area of work needs to understand why. It could be that there is just too much competition,

which is driving prices down to unsustainable levels, or it could be because the contractor's operational costs are too high, which is making it noncompetitive. Each of these answers would dictate a different problem and solution.

The only way these questions can be answered is by asking more questions. To avoid getting swamped in irrelevant data and information, it's essential to have the right people participate in asking and answering the questions. The experts know what questions to ask and understand what the various responses mean. The idea is to find a higher purpose because it creates opportunities to add value and increase the contractor's profitability. To do this, contractors need to use their experience, knowledge, and wisdom to create better solutions.

Once the stakeholders understand the existing conditions and the desired outcome, whether they are solving a problem, developing a project strategy, or working out a business strategy, they are prepared to move on to identifying possible strategies to achieve the desired outcome. This is explored in the next chapter.

Key Points from Chapter 5

- The first phase of the operational process of the strategic thinking system is defining the problem.
- The number one reason initiatives fail is lack of clear definition or goal.
- The structural reasons it's difficult to create a clear definition are perception, conventional thinking, and complexity.
- Projects or goals need to be defined by outcomes, not the process of doing the work; in other words, focus on results.
- One needs to use a system to consistently define the goals accurately.
- One must avoid conventional thinking because it focuses on what to do, not what is to be achieved.
- One should create powerful, higher purposes to differentiate one's services.
- The process must start by gathering the relevant facts by bringing in the appropriate stakeholders.

Chapter 5 Endnotes

¹ Thomas J. Winninger, *Price Wars*, St. Thomas Press, 1994

² Mike Sullivan, *Getting Results through Lean Construction*, NCS Radio interview, August 15, 2010

³ Albert Einstein, Thinkexists.com

⁴ Jim Collins and Jerry Porras, *Built to Last: Successful Habits of Visionary Companies*, Harper Business, 1994

6 DEVELOPING POSSIBLE SOLUTIONS

Once the existing conditions and the purpose for solving the problem have been identified, the second phase of the operational process of the strategic thinking system, developing possible solutions, can begin.

Develop as Many Possible Solutions as Possible

Strategic thinking is about creating options; therefore, this phase is about coming up with a list of possibilities. Divergent thinking is the key to creating numerous ideas. It's important not to critique the ideas during this brainstorming phase because that tends to stifle creativity. The ideas will be critiqued later during the convergent thinking phase of the process, which is described in Chapter 7.

As stated earlier, since every situation is unique, it's important to obtain as many diverse perspectives as possible. Diversity of ideas helps to stimulate breakthrough thinking. This means as many stakeholders as feasible should participate in the discussion. They should all describe their perceived ideal approach to achieving the purpose. This process is designed to stretch the participants' thinking by challenging them to come up with the best possible solution without regard to obstacles or constraints. Many of the suggestions from this process may not be possible because they don't work or they exceed the resources or capabilities of the stakeholders, but they can still add value. Even so-called bad ideas often trigger other ideas that will work and would not have been considered if weren't for the bad idea.

I was on a project that was faced with a few serious challenges. As the owner's representative, I made a suggestion. One of the subcontractors responded, "That will not work, but if we modify it this way, it will." That's what the process is all about: finding possible solutions. Therefore, you don't want to do anything to prevent the flow of ideas.

Some stakeholders might resist participation, but the earlier you involve everyone, the less likely that will be. You want to make them comfortable with the strategic thinking process. The more familiar and relaxed they are with the process, the more they will participate. Don't do anything to discourage that participation.

Another way to increase participation is to make the process fun. "Among the many techniques that prove to increase the flow of creative ideas, one of the most effective—and enjoyable—is humor. And many other creativity-enhancing techniques, such as brainstorming, work best when approached in playful and humorous ways. Yet humor is often overlooked as a technique," reported consultant and speaker Randall Munson.¹

I was working with a contractor to improve its customer service. We were attempting to make a list of ideas and getting nowhere fast. I turned the table on the group and said we should try something different. "Let's make a list of all the ways we can annoy your clients." That was more fun, and people started coming up with all kinds of ideas as they laughed at each others' suggestions. Once we had a long list of ways to annoy customers, all we had to do was ask how we could avoid doing each of those items, thereby achieving our goal.

The message is to relax and enjoy the process. Just because the outcome is important doesn't mean the process has to be torturous.

Creating a business strategy, planning a project, or solving a problem all require strategic thinking. However, the process varies in different situations. The company strategy should be reflected in all other strategies. You need to think about the overarching purpose of delivering unique value to your clients. If you do that, you will create a true blue ocean strategy. Projects you select should match the company strategy. Each project should allow you to deliver on your company strategy.

Once you have the project, you need to understand the client's purpose for constructing the building by asking, "How can we increase the value we are delivering to you?" The answers may take you beyond the normal construction process. During an *NCS Radio* interview with Bob McCoolle of Ascension Health, I asked him, "How can contractors better help clients?" He responded, "Help them before construction starts."² You might hire an expert in lean operation in your client's field, have that person lay out the operation, then build the facility around that layout. Typically someone designs a nice building; then the user is forced to arrange its functions the best way it can. Worse, many layouts are by tradition, not by operational efficiency. Start the value you offer your clients early in the process. Do not make just the construction efficient; make the facility efficient.

Solving problems is often less dramatic. Of course, there are major problems that will require extensive thought. Often these challenges must consider the company's or a project's strategy.

Less complex problems might not need a larger purpose in the same sense as a project

or company strategy, but what they will often need is a fresh perspective to get away from the constraints that are causing the problem. In this sense, the removal of the constraints is the higher purpose because it does achieve the same goal—namely, to unleash creativity.

To consistently create great solutions, there are a few principles that should be embraced.

Create Win-Win Situations

It is important to adopt an attitude of win-win if you are going to develop a higher purpose. I hope this concept isn't an issue for your organization, but unfortunately too often the construction industry has a confrontational atmosphere. It seems to be us *against them!* This is contrary to strategic thinking.

Any solution other than a win-win is short-sighted because a win-lose strategy is unsustainable. Before long, the loser will turn the strategy into lose-lose. Every solution or strategy should seek improvements for all the stakeholders because if there were no dissatisfaction, there would be no perceived problem or need to change.

The successful strategist understands that solutions need balance. Balance doesn't mean that everyone shares in the benefits equally, but it does mean that all stakeholders need to be considered and treated fairly. This is a very pragmatic conclusion because if one group of stakeholders doesn't feel they are being treated fairly, they will sabotage the process. We see the results of this condition all the time as initiatives fail because no one is committed to the outcome. The challenge is that what's better or fair is subject to interpretation by the various stakeholders, which reinforces the argument that all stakeholders need to be part of the process of creating the purpose from the beginning.

To increase the chances of success of any initiative, three areas must be considered:

1. Greater effectiveness
2. Improved conditions for the workers and community
3. Individual improvement

Greater effectiveness is certainly the goal of the client and the various contractor companies. Greater effectiveness will generally improve profitability. The problem is that most businesses and organizations make the mistake of making profitability the purpose, instead of one of the pillars that support the true purpose. No matter how critical or necessary it is for a company to increase its profitability, that shouldn't be the message to the workers and community. Unfortunately too many contractors, when faced with cost problems or scheduling problems, simply tell the workers they need to work faster or harder. The worker thinks, "What's in it for me?" If the answer isn't satisfactory, he will not be motivated to work faster or harder. Let's be fair. Why, when a problem occurs, is it always the worker's responsibility to pull harder? It's not a matter of whether it's actually fair or not; it is about perception of fairness.

The community has similar issues, and these issues are often times absurd from a contractor's perspective, but are reasonable from the community's perspective. Saying no to everything doesn't get you very far. It can result in pickets or even lawsuits that hinder the project. Letting the community participate in the process is more effective. For one thing, it is often much easier to explain why one of their requests can't be accommodated in a collaborative environment, especially when you offer alternatives.

When the Pennsylvania Convention Center was built in Philadelphia in the 1990s, it

butted up against Chinatown. The community was upset because they didn't want a blank wall two city blocks long facing their community. They perceived it as hostile to their environment. Many of their suggestions were totally impractical from the convention center's perspective. What was agreed upon was having retail outlets at ground level along the entire length of the building. The convention center doubted that the retail would be successful, but Chinatown was convinced their community would expand their retail community into the convention center, making the entire street more pedestrian friendly to the Chinatown community. As expected, the proposed retail space wasn't very attractive to retail business owners, but vendors who dealt with the convention center on a daily basis liked those storefront locations. These locations provided the vendors with street access and a convenient location to the convention center.

The problem of designing a building that accommodated Chinatown was converted to a larger purpose of creating a pedestrian-friendly environment along with good community relations. While the final solution ended up being totally different than anyone projected, it met the higher purpose. The storefront offices used by the vendors provided pedestrian traffic and softened the convention center facade. Because Chinatown community leaders participated in the process from the beginning, they were pleased with the final result. If the convention center had dictated to Chinatown the final result, I'm sure there would have been a lot of dissension.

The third issue is individual betterment. Every change should be positive, or you shouldn't bother doing it. But the purpose of any initiative should include the growth of those participating in the process. This is another reason everyone, where practical, should be included. Strategic thinking is a skill, and

unless people are allowed to practice it, they will not improve their abilities.

It is virtually impossible to please everyone in any situation, but the process of inclusion and consideration of everyone's perspective and concerns are critical to the success of any initiative. As stated earlier, strategic thinking is a journey of never-ending efforts to improve the value proposition for all stakeholders.

Emphasis on Outcomes

To create powerful purposes, the emphasis must be on outcomes or results. The measurement of results usually is based on the value delivered. Every situation requiring strategic thinking will be different, which means it will require special treatment. This reinforces the message that more people should be included as often possible in strategic thinking activities to improve their skills. Practicing the process on simpler problems allows them to develop their strategic thinking capabilities, so when they are needed on more complex problems, they are ready to make meaningful contributions.

Obstacles

One obstacle to solving problems is the technology trap. Jim Collins reported in *Good to Great* that technology has never been the solution to a problem. He explained that you must first develop a solution. Once you have a solution, or in our case a purpose, you can identify technology that can help implement it.³ For example, if your estimates are off because you are having trouble controlling your costs, buying new estimating software will not solve the problem. If you don't know your costs, no software can estimate a project's cost.

Another obstacle is suboptimization. Edwards Deming has been arguing since the 1950s

that suboptimization doesn't usually solve the problem. For example, a mechanical contractor's shop costs appear to be too high, so the contractor makes changes in the shop to make it more efficient. The problem is the changes, while reducing shop costs, actually increase the costs on the project by more than the savings in the shop. It's necessary to examine the process or system as a whole to understand how the various aspects interact with each other. When solving problems, avoid breaking them down into little pieces because you might actually create bigger problems. The good news is the process of creating larger purposes tends to help avoid this problem.

The System

Creating a powerful or higher purpose along with a win-win environment by avoiding the traps of conventional thinking sounds great. But one still has to figure out how to do that. The answer is through a systematic approach that starts by defining the problem or the existing conditions, and then moves on to proposing as many possible solutions as possible. This approach is consistent with the concept discussed earlier that a true strategist is perceptive enough to be able to combine his or her experience, knowledge, and wisdom with the specific facts of the situation to not only understand the initial conditions but to predict the outcome. Since strategic thinking is focused on outcomes, it's essential to ensure all aspects of a complex situation are properly interpreted to generate accurate predictions. This makes it vital to move forward as a team so all critical areas of knowledge and experience are represented. This is important because different people tend to bring higher levels of expertise to different areas of the problem or challenge.

The key is generating a sufficient number of ideas. Statistically, the best ideas usually fall in the range between the fifteenth and twentieth

ideas. The first few ideas usually just cover the obvious answers, and if they really worked, they would have been implemented before. The next few ideas begin to expand the thinking process, and by the time you get to number fifteen, you are starting to stretch far enough to come up with some new ideas.

Questions

Questions are the key to simulating creativity. Below are a few potential questions to get you started, but you need to develop your own questions to fit your unique situations.

- What are some of the ideal solutions for our unique situation?
- What special sources of information could we tap to create greater value for the client?
- What stakeholders might have a valuable perspective of this problem or challenge?
- Are there any alternative ways of looking at this situation?
- How can we measure success in solving this problem or challenge?
- Do we need to solve this problem, or is there a totally different approach that will allow us to avoid this problem?
- Is there a way to achieve our desired purpose in a way that seems impossible today?
- How can we link our processes to our subcontractors' and vendors' to increase the value to our clients?
- How can we achieve our higher purpose by creating services our clients need even if they have not expressed an interest in them?

Summary

The phase of developing possible solutions is not about identifying the best solution or

critiquing the proposed solutions; it is about using divergent thinking to obtain as many possible solutions as you can. The focus should be on higher purposes instead of just the construction process. This requires involving as many people in the strategic thinking process as practical because what's needed are many diverse perspectives to ensure many potential solutions or strategies. This is a creative phase, not an analysis phase.

Once the list of possible solutions or strategies has been created, the time to analyze the options to determine which one offers the best solution has arrived. That subject is covered in Chapter 7.

Key Points from Chapter 6

- It's important to create win-win situations because win-lose situations are not sustainable.
- Once you understand the initial conditions, the next step is to identify as many possible solutions as you can.
- It's important to build the list without critiquing the ideas at this time because that will stifle creativity.
- Questions are the keys to developing ideas, but since each situation is unique, you need to develop your own list of questions.

Chapter 6 Endnotes

¹ Randal Munson, *Break-out Creativity: Bringing Creativity to the Workplace*, Select Press, 1998

² Bob McCoolle, "What Contractors Need to Do for Clients in Today's Market," *NCS Radio*, 9/21/11

³ Jim Collins, *Good to Great*, Harper Business, 2001

7 IDENTIFYING THE RIGHT SOLUTION

Once the list of possible solutions has been created, it is time to identify which strategy has the greatest potential. For many, this can be daunting, but with the right process, it can at least be simplified.

Since the suggested strategies were not debated or analyzed, the list usually contains quite a variety—some bad, some good, and some incomplete. Therefore, the first step is to break the proposed strategies into three groups. The first group consists of those that appear to at least have sufficient scope to address the issue at hand. At this point there is still no attempt to debate the merits of the strategies. The second group consists of strategies that don't quite address the whole problem or situation. These are still valuable because they might be able to be combined with other strategies to create a concept that would address the whole problem. The final group consists of strategies that address only small segments of the problem. These strategies also provide value because they may help in executing another, more complete strategy.

After separating the ideas into the three groups, one should review the last two groups to see if any of those strategies could be combined to create a possible solution that could be placed in the first group. Once this process has been completed, the last two groups can be set aside so the participants can focus on the main list of strategies that appear to have a sufficient scope to solve the problem.

Note, I have said the strategies in the first group *appear* to have sufficient scope because at this point, there has been inadequate analysis to determine if the proposed strategies will work. Therefore, one would be better served to err on the side of inclusion until the more

detailed analysis is performed on each proposed strategy. After all, that is the purpose of the analysis process.

What Requirements Are Essential?

The first step in the in-depth analysis process is to determine what possible strategies at least deliver the essential requirements, because strategies that don't meet those criteria are unacceptable. For example, if there is a definite budget that can't be surpassed, then any proposed strategy that exceeds that budget is eliminated from further consideration. All the stakeholders must agree on the essential criteria. In essence, they need to determine the minimum deliverable to make the strategy successful.

All stakeholders must participate when determining the essential criteria. If any are left out, there can be problems with the outcome. This process applies to all three important areas for strategic thinking: problem solving, project planning, and company business planning.

In dealing with a problem, the simple answer is to fix it, but what does that mean? Even if the problem is totally internal to a company, there are still several stakeholders, even if those are only the company and the employees. Too often when companies are faced with a problem, management concerns itself with only the company. Even if management considers the workers during their closed-door discussions, the workers remain skeptical. It would be better if the company used the strategic thinking process described throughout this book to at least create a solution that attains consensus from all stakeholders. When companies have tried this, they often find surprising results. In one case, when faced with a possible layoff, the employees suggested they all work fewer hours so no one would have to be laid off.

Of course, there are times when all “essential” demands from the various stakeholders can’t be met. However, it is much easier to resolve this situation when everyone is allowed to participate in the process because they understand the situation and its realities better. One contractor responded in the survey, “It allowed everyone the opportunity to say what was on their minds and address the issues. Ultimately a decision needs to be made but if you give everyone a chance to talk, it helps get them to support the plan.” Another contractor wrote, “We understood better what the problems were and had better input on the solution.”

When a problem that involves the client occurs, it’s absolutely essential that the client be part of the discussion. The good news is oftentimes the client will demand less than you would have been willing to offer. But when you try to ram solutions down their throats, they usually become very defensive and demanding. It’s best if you allow them to have what they want as long as it isn’t something you cannot do. The point here is if people are a part of the discussion, they tend to be more flexible.

At a Design Build Institute conference, a speaker told a story that supports the above position. A building owner told the contractor there were only two critical demands: there would be no change orders and the project would be finished on time. The speaker went on to explain that they met neither of those demands. However, when problems beyond the contractor’s control occurred, they involved the client immediately. The contractor explained what needed to be done and what it would do to minimize the impact. One of the problems resulted from unknown underground obstructions. Despite the demands and the contractor’s failure to meet them, the contractor received a letter from the client saying it was the best project they’d ever

had. Keeping the client involved in the process made all the difference. The client understood more clearly and believed the contractor did everything possible to minimize the impact of issues that were beyond anyone’s control.

When planning a project and defining its desired outcomes, the contractor has a great opportunity. A perfect example of this potential has been demonstrated by the Department of Energy’s National Renewable Energy Laboratory project in Golden, Colorado. The DOE went out for bids, and as so often occurs, all bidders came in over budget. However, the DOE’s Jeff Baker wasn’t going to be denied. He explained in a NCS Radio interview that instead of issuing plans and specifications, they developed a list of twenty-seven criteria and listed them in order of priority. The first two priorities consisted of the budget and the requirement that the building be the most energy efficient in North America.¹

Baker explained to the bidders they were to work down the prioritized list, starting at the top. The contractor that delivered a bid that addressed the most items would be awarded the project. If more than one contractor bid all twenty-seven items, then the contractor with the lowest overall bid price would be selected. The final caveat demanded that the bidders must guarantee they could deliver on their bids as promised, no change orders or time delays.

At least one contractor bid all twenty-seven items and brought the project in below budget. The result was a zero-energy-consumption building, meaning it creates as much energy as it consumes. In another *NCS Radio* interview, Phillip Macey of Haselden Construction reported it was a great project for the contractor-design team.² This project demonstrated that when strategic thinking is employed in the proper fashion, it is possible to deliver better value to all stakeholders.

In the above case, the owner achieved all its requirements within its budget and the contractor made a reasonable profit—the ideal win-win scenario.

Creating a company business strategy is certainly more complicated, the process must start with creating the criteria. Again it must go beyond just a list of wants for the company, because if the workers are not rewarded fairly for achieving the company's goal, the effort may fall short.

Companies must keep in mind that a business strategy is like a three-legged stool. One leg represents the company; another leg, the clients; and the final leg, the employees and/or subcontractors. If a company doesn't take care of its employees, they will not be loyal and will often leave. If a company doesn't treat its subcontractors fairly, it will not attract the best subs and those who do work on the project will concentrate on protecting themselves, not on maximizing the project results. The reality is that many of the practices within the construction industry contribute to the problems of finding and retaining qualified workers. As Peter Drucker wrote, "The first sign of decline of an industry is loss of appeal to qualified, able and ambitious people."³ If you don't take care of the client, you will not have a lot of clients, which makes it difficult to prosper. Finally, if the company doesn't make sufficient profits, it will struggle at best. This explains why the construction industry has the second highest turnover of any industry. In other words, ignore any of the legs, and the stool will topple. This explains why the strategic thinking process must include all critical stakeholders.

Of course, when all the stakeholders are involved, there will be conflicting demands or goals. For example, the workers always want higher wages, but then, don't you? However, when the strategic thinking process is done as

a group activity and there is an honest effort to create a balanced strategy, it is easier to reach consensus. While many buyers tend to focus on construction costs, contractors who can shift the focus to value have a greater opportunity to use their knowledge, experience, and wisdom to produce superior projects while improving their profitability, as was demonstrated by the above DOE project.

Let People Express Their Feelings

When you begin the process of analyzing the proposed strategies, a key ingredient is to allow stakeholders to express themselves. De Bono wrote, "If emotions and feelings are not permitted as inputs in the thinking process, they will lurk in the background and affect all the thinking in a hidden way."⁴ These emotions are often based on hunch or intuition, which is often a complex judgment based on experience. However, because some people may have trouble expressing their ideas in words, it's important that we don't ignore their hunches. This is not to suggest that hunches should be accepted blindly, but they shouldn't be rejected out of hand either. They simply need to be vetted properly to ensure the facts support them. A hunch is like a hypothesis based on intuition, but it needs to be proven; in essence, turn the hypothesis into a theory.

Emotions can result in strong disagreement or strong agreement. Of course, there are those who are neutral, but since they don't have strong feelings either way, they often don't express themselves. De Bono suggested that each of these groups be allowed to express themselves, but he suggested you keep the two discussions separate.⁵ He said if you allow both views to be expressed at the same time, it becomes more of a debate than an exploration of ideas. The two opposing groups are constantly crafting their responses instead of listening to better understand the other side's

perspective. When people can express only agreement or support, they are more likely to listen.

The purpose of this exercise has many benefits, but one of the keys is for everyone to understand the other stakeholders' perspectives. This is vital because without this input, everyone tends to look at situations from only his or her own perspective. When other perspectives are heard, people often realize other demands are reasonable, even though they never looked at the problem that way. When this transformation occurs, it is easier to reach consensus.

However, to make this process work, one important change in mentality is required. We need to get the participants to be thinking that the process is a learning experience, not an effort to prove the other side wrong. As has been discussed several times in this book, the emphasis must always be on how to improve the situation instead of trying to prove someone else wrong. The latter only forces people to dig in and resist change.

Obviously, letting people express themselves without limits can be a challenge and might create a few problems, but the benefits outweigh the downsides. Several contractors expressed some concerns in a recent survey:

One contractor stated, "Need to guard against 'cancers' and 'whiners' exerting too much influence." This is certainly true, but properly managed, this can be controlled. Further, if you have people who are a serious problem in this area, maybe you don't have the right people on the bus. Another contractor warned that some people "take it personally if you don't do what they want." This is also a potential problem, but it can be minimized if people understand that the selected strategies will consider everyone's concerns and suggestions, but the outcome will be based on the best solution for

all stakeholders. Again, if people have a hard time accepting that, then they might not be the right people for your bus. Good team players do what's best for the team, not necessarily what's best for themselves. Another common concern was the amount of time it can add to the process. Of course, the process needs to be managed and avoid allowing people to just ramble on. When people are only repeating previously made points, it's time to move on.

In contrast to potential problems, many contractors offered significant benefits from actively engaging the stakeholders in the process. Here are a few of their comments:

- "People feel empowered. Occasionally people are censured by peers for being unreasonable. It's really powerful when we can do this with other firms, other disciplines on the job."
- "Much more open discussion and understanding when presented with the brutal facts."
- "By giving everyone an opportunity to provide feedback, we realize a greater buy-in to the solution selected."
- "We understand what everyone thinks and where they stand. Sometimes it illustrates where help is needed."
- "They can give you insight on how the parts are made, what can and can't be done."
- "The company benefits in two ways: it ensures that all solutions are discussed openly, and it results in added respect among members working as a team."
- "Identify the real issues and prioritize accordingly."

The list could continue, but this provides a good sample of the benefits contractors identified.

Paring Down the List

Up to this point in the process, the focus has been on divergent thinking, attempting to obtain as many ideas and perspectives as possible. Now it's time for convergent thinking to start the process of narrowing down the options to the best strategy. The first step in is to identify the essential elements that any solution must provide to be acceptable.

A big mistake at this stage is adding too many items to the list of things that must be included. In reality, the higher the number of essential criteria, the more difficult it is to find an acceptable solution. Therefore, the essential criteria should be kept to a minimum. This does not mean that critical criteria should be ignored, but in most cases, it's a matter of tradeoffs. One obvious item in construction is the various codes, but this is fundamental and most suggestions will take those codes into account. In contrast, if a project must be completed by a certain date, that needs to be on the list.

Lack of flexibility is one of the biggest problems with the design-bid-build approach because everything on the plans carries the same weight. This often results in projects coming in over budget. In contrast, the earlier DOE example came in below budget when the owner provided the contractor maximum

flexibility by identifying only priorities, not hard-and-fast criteria. This example demonstrates why flexibility is important in finding the ultimate strategy or solution.

Once the essential items have been identified, then all proposed strategies that don't deliver those are eliminated. The remaining strategies meet the minimum criteria but now need to be further analyzed to identify the preferred strategy.

At this point you should prepare a brief statement describing how each of the remaining proposed strategies will work under both ideal and regular conditions. There is no specific form this description should take, but it needs to provide all the stakeholders at least a basic understanding of the strategy. This is a good way to force the proposer of the strategy to work through it in greater detail. As important issues are addressed during this process, it will become apparent whether the strategy needs to be modified. During this process, others can ask questions to clarify their understanding or raise concerns. You should hold off on debating the relative merits of one strategy versus another, but merely define the advantages and disadvantages of each strategy. This process should also identify any potential risks and allow the proposer to address them or factor them into the final evaluation.

An example of how flexibility works can be illustrated by my travel requirements. When I need to give a presentation in a particular city, it would seem a critical criterion would be to fly to the nearest airport. Obviously that requirement has a high priority. However, because of inconvenient flight schedules, delays, or even cancellations, I have been forced to fly to another city and drive the remaining distance. This alternative route allowed me to arrive at the location for my presentation at the required time. This approach was acceptable because it met the only real critical criterion, arriving at the required time for the presentation. All the other criteria were factors that simply had to be prioritized.

This process may force people to go back and review their strategies to provide the necessary details or to confirm certain claimed facts. It's important that during this phase everyone understands the purpose is not about proving a strategy doesn't work. It's about understanding the pluses and minuses. Keep in mind that virtually every strategy will have positives and negatives associated with it—these will be the basis of the final analysis.

In reality, no matter how extensive the analysis, no one knows absolutely what will happen. The only way to know for sure if a strategy will work is to implement it and measure the results. If there are any deviations from the projected path, then everyone can go back and analyze that aspect of the strategy to determine what changes need to be made. This is exactly what happens when a schedule is made for a project. The schedule is the time strategy for constructing the building, but as we all know, the schedule almost always has to be modified during the construction process. However, this aspect of the strategic thinking process is discussed further in Chapter 8.

A Structured Solution

A major obstacle for many people attempting to find the ideal solution is their reliance on unsound practices. Decades of research sponsored by the U.S. Forest Service and performed by Utah State University revealed that sound methods of decision making are not based on the importance of factors, criteria, goals, roles, objectives, categories, attributes, or advantages and disadvantages—the most commonly used. Sound decisions are based on the importance of advantages.⁶

To make the principle easier to remember, the Institute for Decision Innovations, Inc. selected the name “Choosing by Advantages.” They indicated another possible name could have

been “Facts-Based Decisionmaking,” which is consistent with Information Measurement Theory discussed earlier. They further explained Choosing by Advantages is not a decision-making method, but it is a decision-making *system*. So again we return to the importance of using a system. In essence, the strategic thinking system uses Choosing by Advantages as a subsystem to evaluate the possible solutions. To avoid confusion, it's important to understand the difference between *attribute* and *advantage* as defined by the Institute for Decision Innovations.

- “An attribute is a characteristic, quality, or consequence of *ONE* alternative.”
- “An advantage is a difference between the attributes of *TWO* alternatives.”

To illustrate these two definitions, let's examine two different air conditioners. One unit has an energy efficiency ratio (EER) of 10 and the other as an EER of 12. In this example, the attribute is the EER. The advantage is two. With this information, the operational savings between the two units can be determined. The example also further demonstrates the principle of Choosing by Advantages. The air conditioning unit that has an EER of 12 has an advantage of two, but we don't list this fact as a disadvantage for the other unit. It should be obvious that the advantage for one unit is also the disadvantage for the other unit. Listing both the advantages and disadvantages would only complicate the process and add nothing, but unfortunately there are still many educators teaching this mistaken approach.

Further, many educators still attempt to assign values to factors, criteria, objectives, goals, etc. However, research indicates that these methods are not sound. It's impossible to assign values of numerical rating of these types of classifications. The only way it can be done accurately is to assign the value to advantages.

Assigning values to advantages allows the team to avoid making a decision; the process will make the choice obvious because it's based on facts.

The last step in the analysis phase is to determine which strategy provides the best value or highest performance. This is done by rating the various advantages of each of the strategies under review. This process runs the gamut from a simple problem all the way up to a complex company strategy. Below are two examples. One is for a simple problem, and the other is for a more complex problem or strategy. For simple problems, the first example is usually adequate. For the more complex problem or strategy, the second example provides the framework for identifying the best option. As you become accustomed to performing this analysis, you can modify the more complex process to fit your specific needs and the complexity of the problem.

There is no need to make this process any more complex than necessary, but it's important to be detailed enough to ensure the right option is selected. If the process is performed correctly,

consensus will be built along the way, so in the end, nearly everyone should agree. In essence, the process identifies the best choice. Of course, there are times the evaluations will have two or more strategies with almost the same rating. At that point you can should go back and consider the priorities and the relative weight you placed on them. You can also add additional attributes and see if these create any more advantages for one or more of the strategies. If this further analysis doesn't eliminate the tie, it really doesn't matter which tied option you select since they each offer the same value. However, it's rare for ties to occur, especially if you have several attributes.

The Simple Case

When you have a situation where you only have two options with a couple of advantages, the easiest thing to do is simply list each option with its advantages. The best option will usually be evident. Figure 5 below illustrates this approach.

Figure 5: A Simple Problem Matrix

<u>Advantage of A/C #1</u>	<u>Advantage of A/C #2</u>
1) EER 2 points higher (12 vs 10) 2) Warranty 2 yrs longer (5 vs 3) 3) In stock	1) Lower price by \$200

For most people A/C #1 appears to be the best overall choice. Of course, if someone has limited funds and can't afford that unit at this time, you might not even get to this step because the budget would be in the initial criteria. However, this sample analysis assumes both A/C units are within the customer's budget, leaving the price advantage of A/C #2 to be weighted. That one advantage might end up being a bigger deal to the customer than the three advantages in A/C #1's column.

The Complex Case

Our complex case consists of an owner attempting to determine the best-valued contractor from a group of three based on several attributes. Here is how the process works. Each attribute is assigned a priority. It is possible to have two items with the same priority if they have the same importance, but typically the priorities are ranked. The ranking is important because the attribute with the highest priority has a maximum of 100 points it can award. Lower priorities have fewer points they can award.

The contractor with the advantage on a particular attribute will receive the maximum number of points allocated to that attribute. The other contractors receive a reduced score based on their relative comparison to the highest-rated contractor on that particular attribute. This process is followed for each attribute. After all points have been allocated, the scores are added up, and the contractor with the most points is the best-valued contractor based on the established priorities.

In this case, the owner has stated the only two essential criteria are meeting the budget and finishing the project by the scheduled completion date. Since all three contractors have stated they can meet both requirements, all of them remain under consideration.

The owner has identified eight attributes to use to determine each contractor's perceived value. Below is a description of the eight attributes in order of their priority. The description provides the analysis and how the contractors relate with regard to each attribute. By recording this information separately, it allows the actual matrix to be simplified for clarity.

The eight attributes in order of priority are as follows:

1. Original contract price
2. (tie) Amount of change orders from historical records
2. (tie) Lifetime cost of the building (estimating energy and maintenance costs)
4. Reliability in meeting the promised schedule date from historical records
5. Quality based on past performance
6. Risk analysis
7. Project leadership
8. Past performance

1) Original Contract Price

The original contract price is rather straightforward. It represents the bid price. Contractor C was the lowest bidder. It was 1 percent below Contractor B and 2 percent below Contractor A.

2) Amount of Change Orders

The amount of change orders was determined by contacting each contractor's previous clients. Both Contractors A and B had a record of no contractor-generated change orders. In contrast, Contractor C averaged about 3 percent in change orders.

2) *Lifetime Costs*

Each contractor was required to estimate the amount of energy consumption and maintenance costs on its proposed building. The baseline for comparison was the average costs of a similar building as determined by the Building Owners and Managers Association (BOMA). Contractor A estimated that its costs would be 15 percent below BOMA's average cost. Contractor A also presented documentation that demonstrated the accuracy of the calculations based on the performance of buildings it had built. Contractor B also estimated its building's costs would be 15 percent below BOMA's average costs, but it provided no documentation to demonstrate the reliability of the estimate. Contractor C estimated its costs would be 5 percent below BOMA's average and provided no proof of the reliability of the estimate.

4) *Reliability of Meeting the Promised Schedule*

Both Contractors A and B have past records of always meeting their scheduled delivery dates. Contractor C has a track record of meeting the date about 90 percent of the time.

5) *Quality Based on Past Performance*

This analysis was based on talking to past clients of all three contractors. The past clients were asked to evaluate the contractors based on overall quality of the building, punchlist items, and response in addressing any problems that arose. Contractor A received an average rating of 9.5 out of 10. Contractor B received an average rating of 9.0. And contractor C received an average rating of 8.0.

6) *Risk Analysis*

Each contractor was asked to provide a risk assessment of the project. In essence, they

were asked to identify any potential risks to the schedule, budget, or quality. In addition, they were asked to explain how they would minimize those risks. The contractors were rated on a scale of 1 to 10. Contractor A was given a 10 because of an outstanding assessment and action plan. Contractor B did a good job on the assessment plan, but it was not as good as Contractor A's, so it received a score of 7.5. Contractor C's assessment was just adequate and, therefore, received a score of 5.

7) *Project Leadership*

After conducting interviews of the individuals who would comprise the leadership team on the project, the owner evaluated the leaders based on their understanding of the project, including potential risks as defined in priority #6. They also evaluated them on the principles of strategic thinking. In other words, are they team players attempting to get the best experience, knowledge, and wisdom applied to a problem or situation, or are they command-and-control type leaders?

After the interviews, they rated each company based on their leaders. Contractor A received a score of 10. Contractor B received a score of 7.5, and Contractor C received a score of 5.0.

8) *Past Performance*

Past performance is again based on the evaluations from each contractor's prior clients. Contractor A received an average score of 9.5. Contractor B received an average score of 9.0. And Contractor C received an average score of 8.5.

Now that the analysis has been completed, it's time to fill in the matrix. As stated before, the contractor that has the best of any attribute has an advantage and obtains the maximum score for that particular attribute. The other contractors receive a lower score based on their

relative rating compared to that of the best rating. After all the scores have been recorded, the points are added with the highest total indicating the best-valued contractor. The matrix below in Figure 6 shows the tabulations.

Figure 6: A Complex Problem Matrix

Priority	Max Points	Attribute	Contractors					
			A	A's Score	B	B's Score	C	C's Score
1	100	Bid Price	2% high	80	1% high	90	best	100
2	90	Change Orders	None	90	None	90	3%	60
2	90	Lifetime Cost	15% w/ docs	90	15% w/no docs	75	5% w/no docs	30
4	85	Schedule	100%	85	100%	85	90%	40
5	70	Quality	9.5	70	9.0	50	8.0	30
6	60	Risk	10	60	7.5	50	5	30
7	50	Leaders	10	50	7.5	40	5	20
8	30	Past Perf.	9.5	30	9	20	8.5	10
Contractors				555		500		320

The matrix indicates that Contractor A provides the best value despite having the highest bid price. This doesn't always occur, but often it does because a higher-priced contractor that is at least competitive often excels in the other attributes that more than make up for the price difference. However, the matrix approach allows people to better understand the relationships among the various attributes. Of course, a lot depends on the advantage one contractor has on any individual attribute. For example, if Contractor A's price were a lot higher than the other contractors', it would have received a lower score than indicated

above. This would have reduced its score. If then Contractor B had documentation on lifetime costs and had a better risk assessment, it might have ended up with the highest score.

The point is to let the process determine the best value. While the scores may appear to be somewhat arbitrary, if the relative value of any attribute and the distribution of points on any attribute are done in a manner the participants agree on, the values are usually accurate. Further, since each individual number was reached by consensus, the final total is usually agreeable to all stakeholders.

One exception to this process is if you are dealing with a client, you really need to allow the client to establish the priorities and determine the scores because they are the ones who will have to live with the selected choice.

Summary

The strategic thinking analysis is a system that provides strategists with a process to determine the best strategy, whether that involves solving a problem, developing a project strategy, or coming up with a company business strategy. Every situation is different, but the process is easy to adapt to most situations. For example, the complex case example shows how an owner can select a contractor, but this same process could be used by general contractors to select subcontractors based on value instead of price. It can be applied to virtually any strategic thinking analysis. The key is to identify the attributes that are important. Once that is done, the process then compares the various strategies to determine which has the advantage for each attribute, finally leading to the strategy that provides the best solution.

Now that the strategic thinking process has identified the right strategy, it's time to execute the strategy, which is covered in the next chapter.

Key Points from Chapter 7

- Before the real analysis process begins, the proposed strategies should be divided into three categories: possible, incomplete, and strategies that focus on only one aspect of the problem.
- One must identify what requirements are essential (the minimum requirements).
- The number of essential requirements should be kept low because the higher the number, the less flexibility exists in finding the ideal solution.

- Let people express their emotions because bottled-up emotions can ruin the system.
- The first step in the analysis process is to eliminate all the strategies that can't meet the minimum requirements as defined by essential requirements.
- Develop a description of each remaining strategy to explain the advantages and disadvantages.
- Based on these descriptions, you can identify the attributes and advantages of each of the strategies.
- An attribute is defined as a characteristic, quality, or consequence of one alternative.
- An advantage is a difference between the attributes of two alternatives.
- By assigning values to the priorities and advantages, the best option typically becomes obvious. Instead of making a decision, the analytical process identifies the best option.

Chapter 7 Endnotes

¹ Jeff Baker, "Sustainability: Making It Work and Making It Cost Effective," NCS Radio, 1/11/12

² Phillip Macey, "The Key to Affordable Sustainability," NCS Radio, 12/21/11

³ Peter Drucker, "The Young and the Restless," The Drucker Institute blog, 1/28/11

⁴ Edward de Bono, *Six Thinking Hats*, MICA Management Resources, 1985, pg 56

⁵ Ibid.

⁶ Institute for Decision Innovations, *About CBA*, Institute for Decision Innovations

8 EXECUTING THE STRATEGY

Some people argue strategies most often fail because they aren't executed well. That's really a half truth. Many strategies fail because they are terrible strategies. However, no matter how good a strategy is, if it isn't executed at all, it will certainly fail. In contrast, a so-so strategy executed well has a better chance of success than a great strategy that isn't executed well. Further, since many contractors have similar strategies, the ability to execute becomes the only difference between the contractors.

The barrier to effective execution is the lack of focus by the leader. Larry Bossidy and Ram Charan wrote in *Execution: the Discipline of Getting Things Done*, "People think of execution as the tactical side of business, something leaders delegate while they focus on the perceived 'bigger' issues. This idea is totally wrong."¹ The leader must be deeply engaged in the execution process; he can't delegate leadership on this issue.

The challenge for leaders is that to implement the company strategy, they must have support throughout the organization. This means for the leader to be an effective strategist, he or she must be able to get a commitment from key people at all levels of the organization. However, Peter M. Senge reported, "Real commitment is rare in today's organizations. It is our experience that 90 percent of the time what passes for commitment is compliance."² Compliance is about doing exactly what one is asked to do. It causes a few problems: it's unlikely to lead to innovation or collaborative solutions or identify evolving trends, and it most likely will require significant supervision.

In contrast, those fully committed give a maximum effort to ensure success of the strategy, whether it's the company business

strategy, a project strategy, or just solving a problem. Committed individuals go beyond what they are asked to do; they discover better ways to accomplish the work. In essence, they make the objectives theirs and often raise the bar to achieve even higher goals.

Previously, this book recommended that contractors should try to develop unique strategies because that offers greater opportunities. However, it is recognized that many contractors are forced into a design-bid-build competition on particular projects for any number of reasons. In these situations execution becomes critical. As discussed earlier, strategists rely on continuous improvement processes to improve the company's execution and maximize operational performance. a design-bid-build environment, continuous improvement is essential.

Just like developing the strategy requires the involvement of people at all levels of the organization, execution requires that same level of involvement. Bossidy and Charan explained, "Execution is not just tactics—it is a discipline and a system. It has to be built into a company's strategy, its goals, and its culture."³ Execution requires certain behaviors and techniques to achieve the desired results, just like every construction project.

Gaining Commitment

The dependence of success on commitment should not come as a surprise. This book emphasizes the importance of commitment at all stages of the strategic thinking process. The problem is that conventional wisdom offers techniques to obtain commitment that are flawed. This helps explain Senge's findings on low commitment.

Dean Kashiwagi and Jacob Kashiwagi reported in *Information Measurement Theory* that, "Although many experts believe that

influencing, motivating, and changing other people was a leader's primary role, many also believed that a leader could not influence or change other people but was responsible for aligning them in the correct position and creating the correct environment in the organization.⁴ They added, "Many of the most successful leaders were those that believed leadership is selecting the right resources and aligning them correctly."⁵ The advantage of this approach occurs when the strategic thinking company focuses on execution, and is therefore better able to change and adapt faster to changes because it's closer to the situation.

The Kashiwagis provided a sample of leaders' comments that focused on alignment instead of influence. The quotes are from the Kashiwagi book, but the references are to their original source, which they identified.

- "Deming: adjust structure to fit the constraints of the people"⁶
- "Collins: select the right people and put into the right positions"⁷
- "Walsh: formulate team philosophy, draft people to fit into the philosophy, then change the philosophy to match the constraints of the people you drafted"⁸
- "Buckingham and Coffman: use the strengths of people"⁹
- "As Bruce Lee stated in regards to teaching, 'I am not teaching you anything. I just help you to explore yourself.'"¹⁰
- "Machiavelli: birds of a feather flock together"¹¹
- "Drucker: leadership does not deal with being charismatic. Leadership is about setting the environment and the course of an organization"¹²

This means that despite the beliefs common to many leaders and educators, namely that

the leader should obtain commitment through influence and reason, the effective strategist understands this is a flawed approach. Instead the strategist obtains the right people as described earlier in this book and aligns them with the strategy they helped develop. You already know from what you've read in this book that you need managers and front-line people in the development stages. Their input is even more important in the execution phase because now you are on their turf, where they really do have the expertise.

This is where leadership takes some skill. Because while it was stated earlier, "that the leader must be deeply engaged in the execution process—he can't delegate leadership on this issue," this does not mean that it's the role of the leader to tell the front-line person how to perform the necessary tasks. If one has the "right people," then they know how to do their jobs and the leader shouldn't try to tell them how to do it.

The leader's role is to make sure the "what" is clearly defined. In other words, define what the final outcome is supposed to be. In addition, it's the leader's responsibility to ensure the right people with the necessary skills are on the job so they can align with the tasks that need to be performed. Finally, the leader along with those performing the work must agree how to measure progress and ultimately the goal, whether that's solving a problem, delivering a project, or achieving a company's strategic objectives.

However, the leader must back off enough to give those performing the work the flexibility to adapt to the conditions in the trenches. While it's the leader's job to provide the "what," it's the front-line people's job to provide the "how." Effective strategists have these discussions long before the execution is scheduled to begin so the project will have the necessary resources, skills, and commitments

to the strategy before the leadership makes its final decision regarding any particular strategy. When the right people are involved in developing the strategy from the beginning, the right strategy merely evolves from the process. In other words, it becomes obvious to everyone.

Even with commitment at all levels, to consistently have effective execution, a system is required.

Execution System

An effective execution system has many important factors for success, but a few of the key principles include the following:

- Effective communication
- Risk assessment plan
- Measurement
- Continuous improvement
- Results oriented

Let's examine each of these in greater detail.

Effective Communication

Effective communication requires two-way communication that rigorously discusses the “what” and “why” of the execution. The leader is responsible for these because they require a comprehensive understanding of the business and environment as well as the capabilities of the people. With that responsibility, the leader needs to ensure the “what” has been clearly defined for both the managers and the front-line people because this is necessary to allow them to align their actions with the strategy. Rather than dictating what needs to be done, the effective leader should question the front-line people to ensure they understand the issue and to facilitate discussion. Bossidy and Charan wrote, “The leader who executes often

does not have to tell people what to do, she asks questions so they can figure out what they need to do.”¹³ The advantage of this approach is the front-line people feel like they are part of the process and are more committed to the outcome.

By asking questions, the leader creates a dialogue that allows everyone to understand the realities of the situation. It requires great communication skills to conduct a candid and realistic discussion. Asking necessary, probing questions requires knowledge of the business and the industry. This is a tough task, but practice will improve this essential skill. In addition, the process expands the workers' capabilities because they get to see how their expertise and specific skills fit into the larger picture.

While questions force two-way communication, unless the leaders listen to what the workers are saying, little is gained. The front-line people are experts on their areas, so the leader should listen to their insights. Obviously, less weight should be given to workers' comments when they stray from their areas of expertise, but that doesn't mean those comments should be ignored. This is especially true when they are reporting problems. There is nothing more destructive than comments such as, “I don't care what you think; just do it or we will get someone else.”

Keep in mind the workers are knowledgeable about the details of doing their work, when they become excited about what they are doing because they feel they are part of the team, they are passionate and strive for great results. The leader's job is to tap this potential by creating the right environment.

Risk Assessment Plan

“Risk is caused by people's inability to see into the future. Risk is caused before the project starts. Risk is minimized by getting experts

to accurately define the requirements and initial conditions. Risk is minimized by minimizing subjective decision making. Identify the experts, align them in their jobs, transfer risk to the experts and then let them identify, mitigate and minimize the risk.”¹⁴ This is the opening paragraph of a chapter titled “New Risk Management Model” in *Information Management Theory*, by Pasis Mselle, lecturer at the University of Botswana, and Dean Kashiwagi, professor at Arizona State University.

Risk is the result of unexpected occurrences; therefore, to minimize risk, the leader must minimize the unexpected. The best way to achieve that goal is to involve the right people, the so-called experts, because they have the experience, knowledge, and wisdom to understand the existing conditions and can better predict the outcome.

I’m sure we have all been presented with a set of plans and specifications to do something that we couldn’t do because it was impossible. My classic example is when an architect wanted us to put a four-foot-diameter pipe through a three-foot hole. His attitude was that we should just do it, despite our protests that it was impossible.

If the strategist has done his or her job throughout the process, many of these issues should have been resolved. But when we get down to actually doing the work, we need the front-line’s special expertise. As discussed previously, we need to listen, so we don’t have situations like the four-foot pipe. We did resolve that problem, by the way; we simply made the hole bigger and didn’t tell the architect. However, bad news isn’t necessarily bad. Learning about a problem provides an opportunity to adjust the strategy to work around the problem before it becomes worse. While my pipe story is kind of funny, we have all read about projects where someone advised not to do something because it wouldn’t work, and later in the project, someone was hurt or killed because no one listened to the warning.

If you are not listening to your experts, you are making subjective decisions, and as previously discussed, doing that places you at risk. In the previous phase of the strategic thinking process, the major risks to the project should have been identified and removed, or a strategy without those risks selected. However, if for some reason something was missed, it would be better to find out before execution starts, so it can be addressed. The result might be selecting a different strategy. Even at this late date, that is better than not being able to properly execute the previously selected strategy. In most cases, if the strategic thinking process has been followed, the risks identified at this time in

the process will not be risks that will derail the project, but they might delay it, add costs, or impact quality.

Typically long-lead items are not project stoppers because they can usually be ordered early enough in the project not to cause a problem. Long-lead items are risks that should be identified early to minimize their impact. However, if a project is on a very rapid schedule, various strategies might need to be eliminated. For example, after some disaster, such as a fire, it may be critical to get the building reopened as soon as possible.

While normally most people prefer to use all new equipment, in the case of the fire, the resulting delay may be unacceptable. However, the Professional Electrical Apparatus Recyclers League (PEARL) offers totally rebuilt electrical equipment that meets all codes and requirements. Often its members can provide the necessary equipment much sooner than new equipment manufacturers. When time is of the essence, a strategy using PEARL-certified equipment may be an option. Strategic thinking is a process that looks at *all* possibilities, not just the conventional ones.

Therefore, what type of risk management system does the strategic executioner want? It starts by minimizing the number of subjective decisions. This is done by allowing the execution experts, the front-line workers, to define the difference between the strategy's expectations or goals and reality. If you have the right people in place, you can let them be accountable for the outcome and let them develop the necessary strategy to minimize the risks they have identified. During the discussion about what must be achieved, it's essential the front-line people understand and accept accountability for the desired outcome. When the front-line people accept accountability for the desired outcome, they must be given control and responsibility for managing the risks.

If you are a general contractor, we are probably talking about your subcontractors being the experts. Why wouldn't you let a subcontractor be responsible for handling an issue? The subcontractors should be the best qualified. If they weren't, they wouldn't have been selected. If you are a subcontractor, we are probably talking about your individual mechanics. If you have assigned the right people, it shouldn't be a problem.

Some get panicky when this approach is described. Why? If you have asked the right

questions, you know they understand what needs to be done, they explained how they are going to do it, and it makes sense. What are you going to add to situation? The difference is that this approach gains commitment that isn't gained through a command-and-control approach. The interesting fact is you really haven't given up control of the results. What you have given up is control of how the mechanics achieve those. Remember it's not the leader's responsibility to determine the "how." The leader's responsibility is to determine the "what."

There are those situations where it seems no one knows what to do because no one has ever performed the task at hand. Obviously in this situation, someone will need to make a decision. But maybe the decision should be not to move forward. A previous chapter mentions a road builder that makes better than average profits because he bids work that others don't know how to do. So if the problem is a major factor in the project, then maybe you shouldn't be doing it. If it's only a small aspect of the project where you lack the experience, knowledge, and wisdom to know what to do, maybe you should consider subcontracting or hiring someone who has the right experience, knowledge, and wisdom.

An important key to this process of assigning responsibility and accountability is that there needs to be a reward system. This doesn't mean we have to give a bonus, but that might be a good idea in some situations. For example, if the expert is a subcontractor, they need to understand that they are being given control, responsibility, and accountability for the problem. The solution is theirs, and they need to make it happen or they will be held accountable for any damages. In addition, if they don't deliver as promised they will be looked at unfavorably for future work.

Bonuses for workers might not be possible either, but the workers still need to understand they are accountable for the results. This can impact whether they get promotions or even get considered for future projects. If you select the right workers, once they are committed, they will do more than they have promised. It's a matter of pride. Again the construction industry needs to tap this powerful resource instead of thinking about workers from the neck down.

If you are still nervous about shifting the responsibility, don't worry because you are not about to turn your back on the process and walk away hoping everything works out. Instead, the front-line people will make a list of risks that they will report the status of on a weekly basis. In addition, you will work with them to establish measurements to track the progress of the strategic initiative. The construction industry has always done this. For example, we use schedules to monitor if the work is being done on time. We have cost reports to monitor if the work is being done on budget. We have quality inspections to ensure the work is being performed correctly. The difference here is that instead of dictating to the worker the necessary measurement parameters, the leader sits down with the front-line workers and they jointly establish the measurement criteria to meet the objectives.

Of course, there are times when no one knows what to do because it's something totally new. In this situation instead of making a subjective decision and plowing ahead, the prudent thing to do is experiment to determine what the right course of action is. In this way, the results of the experiments will determine what to do.

Measurement

The measurement process creates the essential follow-up for the leader. Instead of hovering

over the worker, the leader can monitor the key measurements and determine how well the strategic initiative is progressing. It's important for the leader to be involved in the measurement process, because according to the common advice, "You get what you measure." Can you imagine running a project without a schedule to measure progress? It sounds crazy but in Florida in the early 2000s, it was typical for homebuilders to not have a schedule. This resulted in the typical homebuilder taking up to fourteen months to build a midsized home. Most of the time was spent waiting for the next trade to show up because no one knew when they were supposed to be there. Can you imagine running a project without a cost report? If you did, chaos would reign. However, the measurement process is more than just a tool for the leader to determine if the workers are doing their jobs.

As stated above, in the execution phase of the strategic thinking process, these items are established between the leader and the person or persons responsible and accountable for doing the work. If everything is going along fine, it certainly lets the leader sleep at night. But the real benefit of measuring the performance is that when discrepancies show up between where things are supposed to be and where they are, everyone has a chance to determine the problem and make the necessary adjustments. In essence, the strategy is adapted to meet the actual conditions, which are often changing during the process. When you are doing something new, whether it is a new project, solving a problem, or trying a new business venture, no plan is going to be perfect. It will need to be adapted due to many events that are beyond anyone's control. Keep in mind the only person you can control is yourself, so since there are potentially many people involved, you will encounter problems over which you have no control. However, with a measurement system, the problem

can be quickly identified and the appropriate adjustments made to ensure the master strategy is successful. This is true whether you are dealing with the main strategy, elements of the strategy that are determined to be possible risks, or even efforts at continuous improvement.

Continuous Improvement

This topic is inserted to remind everyone of the importance of continuous improvement in any execution system. It's the leader's responsibility to constantly encourage everyone to make suggestions for continuous improvement. It's everyone else's responsibility to constantly be looking for ways to improve the execution process. The continuous improvement process is explained in detail in Chapter 2.

Results Oriented

The strategic thinking system is results oriented. For this to occur, the execution phase must focus on obtaining the best possible results for the whole, instead of the individual, by shifting the focus from competition to collaboration. Execution relies on systems to make it easier to create consistent high performance. However, the process must remain flexible enough to allow those actually performing the work to adjust to conditions in the trenches to minimize risk. While the front-line people need to be held accountable for the results, they also must be given the flexibility to develop the "how" they need to meet the agreed-upon outcomes. Leaders need to understand that they actually have greater control when they focus on results. The strategic thinking system allows the experts to define the "how" they need to minimize the chances of negative surprises. When leaders focus on "how," they are usually forced to make subjective decisions that place them at risk. They would be better served by allowing the

experts to determine what needs to be done because they have the experience, knowledge, and wisdom.

The leader uses his or her experience, knowledge, and wisdom with input from a diverse team participating in the strategic thinking process to determine "what" needs to be done, while the front-line person, in discussion with others involved in the strategic thinking process, uses his or her experience, knowledge, and wisdom to determine the "how."

If It's Not Working

By the very nature of strategic initiatives, regardless of if they are a corporate strategy, a project strategy, or just solving a problem, they often take the participants into uncharted territory. This makes it unreasonable not to expect problems to arise, but problems are merely part of the process. The difference is the strategist anticipates problems and is prepared to respond. It's easy for most people to accept the idea that problems will occur when trying something new, but it shouldn't be a surprise when problems occur on any strategic initiative. Why? Because conditions are constantly changing, so even the best plans will have to be adapted to the new conditions.

While problems should be expected, they shouldn't be major problems if the proper due diligence was performed. However, when a major problem does occur, the strategic leader remains calm because people react to the tone of the leader. Further, the leader doesn't start by jumping on the front-line; instead he or she looks at responsibilities first. Leaders start by asking three critical questions:

1. Are the right people in charge of getting it done?
2. Are the desired goals clear?

3. Is the accountability clear?

This makes sense because no organization will execute correctly unless the right people know what they are supposed to do and have accepted responsibility for getting it done.

After that review, the experienced strategic leader then focuses on the cause for the discrepancy. The first step is to gather all the people responsible for the strategic initiative's outcome and start the review process by asking questions instead of attempting to find someone to blame because scolding is usually counterproductive. The leader's role is to manage a probing dialogue designed to uncover weaknesses in the current strategy by asking the people who are experiencing the problem to explain why it exists and what they are currently doing to fix it.

It's important the exploration is done in a constructive manner. When committed people are forced to explain the problem in front of their peers, they will be uncomfortable. This isn't because they fear the leader, but they tend to feel they let the team down even though the cause of the problem was beyond their control. Committed people want to do things right, so they do everything they can to achieve the desired results, and they take it personally when they can't deliver regardless of the reason. As a result, when a problem arises, they are anxious to help find a solution. Earlier we reported that Sullivan of the Weitz Company said that when employees follow a system, they are open about what occurred and attack the problem head-on because they realize they will not be blamed. Yet they hold themselves accountable for fixing the problem.

Once it has been determined that there is a problem, the leader then engages everyone present in a dialogue to obtain their perspectives on the problem. In essence, the strategic thinking process for a problem is

initiated. The amount of necessary detail involved will depend on the situation and the complexity of the problem. The point to remember is strategic thinking is designed to solve problems, including those that surface within the strategic thinking process.

Summary

While the leader of the organization certainly can't do all the execution work, it is his or her responsibility to lead the process and not just preside over the operation. In other words, the leader is responsible for ensuring the appropriate systems are in place and the appropriate people understand the system and can execute it. It doesn't matter whether it's a small or large company; without mastering the execution process, every company will struggle. To achieve these goals, the leader must have a strong commitment to execution.

The next chapter offers a brief review of the leader's responsibility in implementing the entire strategic thinking process.

Key Points from Chapter 8

- Execution is critical to any strategy because unless the strategy is executed, you have nothing.
- An important key to successful execution is commitment by people throughout the organization, but especially with executing the strategy.
- Commitment embraces the idea that the individual is responsible for carrying out the strategy and accountable for the results.
- Leadership is not about influencing, motivating, and changing people; it's about the responsibility for aligning the right people in the correct position and creating the correct environment.

- It's the leader's responsibility to define the "what," while it's the front-line people's responsibility to define the "how."
- The execution system has several important factors, including effective communication, risk assessment plan, measurement, continuous improvement, and its being results oriented.
- Effective communication requires two-way communication.
- Risk is caused by people's inability to see into the future. Risk is caused before the project starts. Risk is minimized by getting experts to accurately define the requirements and initial conditions.
- The strategist ensures that the critical measurements are jointly developed and agreed upon by the leadership and those executing the work.
- The strategic thinking system is results oriented. For this to occur, the execution process must focus on obtaining the best possible results for the whole, not the individual, by shifting the focus from competition to collaboration.
- When things go wrong, the leader looks at his responsibilities first but never jumps on the front-line people. Instead he asks questions to obtain solutions instead of trying to cast blame.
- If a strategy is not working because there is problem, identify the problem and use the strategic thinking process to resolve it.

³ Bossidy & Charan, pg 6

⁴ Dean Kashiwagi & Jacob Kashiwagi, *Information Management Theory*, Kashiwagi Solution Model, 2012, pg 8-5

⁵ Ibid.

⁶ W. Edwards Deming, *Out of the Crisis*, Massachusetts Institute of Technology, 1982

⁷ Jim Collins, *Good to Great*, HarperCollins Publishing, 2001

⁸ Bill Walsh, *Finding the Winning Edge*, Sports Publishing, 1998

⁹ Marcus Buckingham and Curt Coffman, *First, Break All the Rules: What the World's Greatest Managers Do Differently*, Simon & Schuster, 1999

¹⁰ Bruce Lee, *Chinese Gung Fu: The Philosophical Art of Self Defense*, Black Belt Communications, 1987

¹¹ Niccoló Machiavelli, *The Prince*, Humanities Press International, 1996

¹² Peter F. Drucker, *The Essential Drucker*, HarperCollins Publishers, 2001

¹³ Bossidy & Charan, pg 28

¹⁴ Dean Kashiwagi & Pasis Mselle, *Information Management Theory*, Kashiwagi Solution Model, 2012, pg 12-1

Chapter 8 Endnotes

¹ Larry Bossidy & Ram Charan, *Execution: The Discipline of Getting Things Done*, Crown Business, 2002, pg 6

² Peter M. Senge, *The Fifth Discipline*, Currency Double, 1990

9 IT'S ABOUT LEADERSHIP

The need for leadership to create a strategic thinking organization has never been more critical. The increasingly fast pace of change has made it essential for construction companies to recognize evolving strategies to capitalize on them. One contractor summed up its importance by responding it was all about “survival.” Another contractor further elaborated, writing the importance of strategic thinking was about, “Our ability to survive and grow over our 65 years of being in an ever changing industry.”

Wall and Wall wrote, “While the leader of an organization may bear final responsibility for selecting the overall strategic direction of the enterprise, the leader can hardly be expected to formulate (and can certainly not implement) strategies single handed.”¹ This reinforces the need to develop leaders at all levels of the company to solve problems and uncover improvement opportunities.

However, even as companies push strategic thinking down into the organization, the company leadership has the responsibility to (1) ensure that the necessary systems are in place to facilitate strategic thinking at all levels, (2) create a culture of openness and to not only tolerate but embrace new ideas from anywhere and anyone in the organization, (3) encourage people to participate, and (4) make a constant effort to develop everyone’s strategic thinking capabilities. It’s important to understand that the front-line people in the beginning may be missing some critical analytical skills; therefore, the leadership has to be patient while coaching and helping to develop those skills.

Of course, it may seem scary to start allowing front-line people to make choices about the company’s future. They may make some mistakes, but then again, history shows that

a lot of senior managers have made mistakes because they didn’t have all the necessary experience, knowledge, and wisdom required in a specific situation when the front-line people did have it. The trick is to develop the people and let them grow. Overall, experience shows front-line people often surprise management with their insights, especially when they focus on their areas of expertise and responsibility. But involving not only the front-line people but also the managers is critical to the success of the strategic thinking process because the leadership will need their support. As one contractor wrote, “Setting the bar high allows companies and people the opportunity to meet their full potential. You need to develop a road map of where you are going.” It’s the leader’s responsibility to provide the map, but the people on the ground need to navigate the journey.

In the end, the leadership is responsible for the success or failure of a company’s strategic thinking initiative. The initiative must start at the top; however, the aim for the leader is to grow it from the bottom up to tap the huge potential of the company’s workforce. Providing a map is like creating a vision. James O’Toole and Warren Bennis wrote, “What has not been fully appreciated about the ‘vision thing’ is that the purpose of a clearly communicated vision is to give meaning and alignment to the organization and, thus, to enhance the ability of *all* employees to make decisions and create change. The new leader does not make all decisions herself; rather, she removes the obstacles that prevent her followers from making effective decisions *themselves*.”²

Providing the map includes several responsibilities, including ensuring that people are properly developed, have the necessary resources, and understand the strategy. Those performing the work must be given enough flexibility to perform what’s required.

The military works the same way, which is not surprising since the term strategy comes from the military.

When I served, the commanding division general would issue the master plan. He would explain the plan to his brigade commanders and how their brigades fit into the overall plan. The brigade commander would do the same to the battalion commanders, who then did the same to the company commanders. Finally, the company commander would brief the platoon leaders. Once it was explained to me how my platoon fit into the total picture and what my platoon's responsibilities were, it was then my responsibility, along with my squad leaders, to scout our area to determine how we could carry out the platoon's duties. No one directly told us how to position the platoon in a particular situation, but through our training and experience, my squad leaders and I knew what to do. What's important here is that we were given the flexibility needed to adapt to the actual terrain and circumstances.

This approach of involving everyone in the process makes for a more efficient and stronger organization for both the military and business. The benefit of this approach is illustrated by an old military narrative that consists of two questions:

1. How do you stop the Russian army?"
The answer was, "Kill the leader."
2. How do you stop the American army?"
The answer was, "Kill them all!"

Fortunately, contractors aren't fighting wars, but top-down control management in business is just as ineffective. In contrast, when everyone understands the strategy or goal, if one person is not available, the process continues to function at a high level because someone else can quickly step in.

Leadership has a difficult task because it must balance several factors including the following:

- Clarifying the company's strategic focus while minimizing the downside of that focus
- Being decisive while encouraging others to make sound decisions
- Helping the organization to change while maintaining a sense of consistency—a challenge that requires practice.

If you are a business executive, you would most likely prefer to run an organization that can think on its feet. To do that requires strategic thinking that can be achieved only by putting in place a culture and processes that embrace a strategic thinking system and by promoting those people who not only can think but get things done. While it takes work to develop a strategic thinking organization, it's worth the effort. During the survey, we asked participants, "What are some of your successes resulting from strategic thinking?" Here are some of the responses:

- "Better allocation of resources. Focused support and training for areas we wanted to see improvement. Growth and process improvement in multiple departments."
- "Energy is directed to where the results will be noticed and it is the most effective."
- "Avoiding market sectors that have low margin and high risk. Looking at how jobs are managed and implementing operating principles using lean thinking to improve global performance."

- “Progressing from entrepreneurial to professionally managed.”
- “Having a well-thought-out business plan and objectives for the team to execute each year to provide the best level of success.”
- “Our office has a greater clarity and buy-in toward our long-term and short-term goals.”

And if the above didn’t provide sufficient reasons, I’m sure the final one will:

- “Better revenue, profitability, and customer interaction.”

Final Thoughts

Here are a few final thoughts for the strategic leader before sending you on your way.

- Strategic thinking is based on collaboration, and collaboration works only when the leader supports and demonstrates its use.
- It’s important for the strategic leader to not only focus on what the organization needs to emphasize, but also determine what it should not do.
- The strategic leader must be in charge of managing three critical processes: getting the right people and putting them in the right places, establishing the strategic directions, and ensuring peak execution performance.
- The strategic leader understands the difference between leading and presiding.
- Throughout the book, the emphasis has been on seeking out new initiatives and ideas, but the strategic leader understands that his or her role must be to protect the company from the constant barrage of ideas by making sure that all initiatives that are embraced align with the company’s overall strategy. This is why the company’s overall

strategy is so critical; without it, the leader is rudderless.

- The challenge for the strategic leader is to ensure there is a clear focus while leaving room for people at *all* levels to be flexible, creative, and responsive.
- The strategic leader is always listening to the customer, including tomorrow’s customers, to gain a realistic assessment of the future market and its opportunities.
- The strategic leader needs to understand when to generalize from past experience and when to insert a new strategy.
- Both strategic leaders and strategic managers need to get away from their desks so they can see for themselves what’s needed.

However, maybe the most important strategic leader’s function is the creation of a new attitude. Too many people are complacent about thinking because they don’t believe it’s something that can be improved. That’s not true. It’s a skill like any other and can be developed. It’s the leader’s responsibility to encourage and support that process. Also, many people don’t think strategic thinking is their responsibility, but as this book points out, nothing could be farther from the truth. Most leaders recognize they are responsible for the company’s bottom line, and one of the largest potential contributions to that success is strategic thinking; therefore, the encouragement and development of strategic thinking must be a major initiative of any leader, especially the strategic leader.

In *Good to Great*, Jim Collins tells a parable about the window and the mirror. A bad leader looks in the mirror when things go well, but when things go badly, he looks out the window for someone to blame. The great leader does the opposite, looking to others when things

go well and himself when they don't. The true strategic leader is a great leader.

This book has been an adventure, but now the real journey begins. I hope you are prepared and excited about starting along your path toward building a strategic thinking organization. May you enjoy your quest!

Chapter 9 Endnotes

¹ Stephen J. Wall & Shannon Rye Wall, *The New Strategists: Creating Leaders at All Levels*, The Free Press, 1995, pg 5

² James O'Toole & Warren Bennis, "Our Federalist Future: The Leadership Imperative," *California Management Review*, Summer 1992, pg 87