

COURSE GUIDE

ENT 411 STRATEGIC THINKING, PROBLEM SOLVING AND NEGOTIATION

Course Team Dr. Jubril Abdusalam (Course Writer)
Department of Business Administration
Faculty of Management Sciences
Adamawa State University, Mubi

Prof. Prince Izedonmi (Course Editor)
Department of Accounting
Faculty of Management Sciences
University of Benin

Dr. Lawal Kamraldeen A.A (H.O.D)
Department of Entrepreneurial Studies
Faculty of Management Sciences
National Open University of Nigeria

Dr. Timothy Ishola (Dean)
Faculty of Management Sciences
National Open University of Nigeria



NATIONAL OPEN UNIVERSITY OF NIGERIA

National Open University of Nigeria

Headquarters

University Village

Plot 91 Cadastral Zone

Nnamdi Azikiwe Expressway

Jabi, Abuja.

Lagos Office

14/16 Ahmadu Bello Way

Victoria Island, Lagos

e-mail: centralinfo@noun.edu.ng

URL: www.noun.edu.ng

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Introduction

Strategic Thinking, Problem Solving and Negotiation Skills is a one semester course for students offering B.Sc Entrepreneurship Studies at the 400 level. This is a 2 unit course consisting of five (5) modules with units in each module. It's a core course at this level. This course guide informs and allows students to know briefly what the course is about, what course material you will be using and how these materials would be used. It also highlights issues of relevant points for you to go through these units in the modules, and explains the activities and Tutor-marked Assignment. There are supposed to be tutorials attached to this course and taking advantage of this will bring you into contact with your tutorial facilitator which will enhance your understanding of the course.

What You Will Learn in this Course

This course is designed to develop the right mindset in students to challenge the status quo and develop the right attitude to build innovation organizations. You will learn Strategic thinking which includes finding and developing a strategic foresight capacity for an organization, by exploring all possible organizational futures, and challenging conventional thinking to foster decision making today. You will rethink to let you think out of box for your organisation. Topics you will cover among others; an overview of the traditional thinking process (horizontal), Strategy, types of strategy, tools and its strengths and weaknesses; lateral thinking perspective; analysis of different views about thinking; the interface among thinking, problem Solving and Negotiation skills.

Course Aims

This Strategic Thinking, Problem Solving and Negotiation Skills course is for students who will be involved in developing or implementing strategy for organisations. It will explore what you can do to ensure that your most useful thoughts are translated into practical plans and effective behaviours to make you re-think and take decisions at critical level.

Thinking creatively around innovation, to stages of planning and finally communicating the vision to others, the steps of effective strategic planning to achieve grounded and measurable results is very important. Students leave this course with practical, concrete and usable plans which will be useful and implemented with confidence.

The aim of this course as pointed out earlier is to expose the students to the concept of strategic thinking. This will be achieved by aiming to:

- * Introduce you to the basic concepts and elements of strategic thinking
- * Issues in lateral thinking techniques, vertical and horizontal linkages with win relationships in the organization
- * Give an insight in Strategic leadership and strategic planning system in the organization among others
- * Understand and solve strategic problems using necessary steps
- * Understand negotiation skills and the interface among strategic thinking and problem solving techniques.
- * Understand the need to rethink and strategically think out of box- Unconventional ways of succeeding in business using critical thinking strategies.

Course Objectives

To achieve the aims set out above the overall course objectives should be attended to. In Addition, each unit also has specific relevance to the study. The unit objectives are always included at the beginning of a module. You are advised to refer to them as you study each unit both at the beginning and end of the unit to ensure that you check your progress and that you have done what is required of you by the unit.

Working through This Course

To complete this course you are required to read, the study units and recommended textbooks and explore more current materials on the Internet for best results. In this course, each unit consists of exercises or activities to test your understanding from time to time. At a point in your

course, you are required to submit assignments for assessment purposes. At the end of the course, is a final examination.

Below you will find listed all the components of the course, what you have to do and how you should allocate time to each unit in order to complete the course successfully on time.

Course Materials

Major components of the course are:

1. Course Guide
2. Study Units
3. Further readings
4. Activities and Tutor-marked Assignments.

Study Module

There are five modules (5) with units in this course material as follows:

Module1-Introduction

Unit 1.1 Definition of Strategic Thinking

Unit 1.2 Elements of Strategic Thinking

Unit 1.3 Importance of Strategic Thinking to Business

Unit 1.4 Ways to Improve Strategic Thinking Skills

Unit 1.5 Role of Strategic Thinking in Business Planning

Unit 1.5.1 Strategic Thinking Process

Unit 1.5.2 Strategic Thinker: Test yourself.

Unit1.6 Strategic Planning and Organising Skills

Unit1.6.1 Organising Skills

Unit1.6.2 Effective Organising Skills: The following Seven Steps are explained.

Unit1.6.3 Strategic Thinking and Planning

Unit1.6.4 Project Management for Leaders

Unit1.6.5 Managing Risk

Unit1.7 Simplified Strategic Planning

Unit1.7.1 Simplified Strategic Planning Process Structure

Unit1.7.2 Sound Strategy + Effective Implementation = Solid Success

Unit1.8 Principles of Strategic Leadership

Unit1.9 Common Challenges to Strategic Planning

Unit1.9.1 Pitfalls in Strategic Planning

Unit1.10 Strategic **Innovative Thinking into Company**

Unit1.10.1 Strategy Setting

Unit1.10.2 Structure of Innovative Thinking

Module 2

Unit 2.0 Introduction

Unit2.1 Definition of Strategy

Unit2.2.1 Corporate Strategy

Unit2.2.2 Business Unit Strategy

Unit2.2.3 Team Strategy

Unit2.3 Intensive Strategies

Unit2.3.1Market Penetration

Unit2.3.2Market Development

Unit2.3.3 Product Development

Unit2.3.4 Diversification Strategies

Unit2.4 Strategic Situation Analysis

Unit2.5 PEST Model Analysis

Unit2.6 SWOT ANALYSIS AND PROFILES

Unit2.6.1 How to Identify Strengths and Weaknesses in a Business Plan

Unit2.6.2 Best way to complete the analysis

Unit2.6.3 what is the point of completing a SWOT analysis?

Unit 2.6.4 What to Do-Know Your Strengths

Unit 2.6.5 Recognize Your Weaknesses

Unit2.6.6 Spot the Opportunities

Unit 2.6.7 Watch Out for Threats

Unit2.6.8 Use Your Analysis

Unit2.6.9 Examples of Weaknesses in SWOT Analysis

Unit2.7 Suggested Textbooks for Further Reading

Unit2.8 Assignment File

Unit2.9 Tutor Marked Assignments

Module 3

Unit3.0 Introduction to Lateral Thinking

Unit 3.1 what is Lateral Thinking?

Unit3.2 Lateral Thinking Techniques

Unit 3.3 Vertical, Horizontal or Lateral... Which Way to Market?

Unit3.3.1 Application of the Lateral Marketing Process

Unit3.3.2. Importance of lateral and vertical marketing

Unit3.4. Importance of Vertical and Horizontal Linkages to Foster Win-Win Relationships

in Business

Unit3.5. Understand the Elements and Thinking Modes that Create Fruitful Ideation Sessions

Unit3.5.1 Mental or Thinking Modes

Unit3.5.2 Vertical Thinking – Linear Thinking

Unit3.5.3 Binary Thinking

Unit3.5.4 Lateral Thinking – Horizontal Thinking

Unit3.5.5 Provocations in Lateral Thinking

Unit3.5.6 Disruptive Thinking

Unit3.6 .7 Three modes of thinking in Ideation Sessions

Unit3.7 How to Develop Critical Thinking

Unit3.7.1 Learn How to Use the Best Ideation Methods and Idea Selection: SCAMPER

Unit3.7.2 Idea Selection – Apply Edward De Bono's Six Thinking Hats

Unit3.7.3 Converging

Unit3.7.4 Four Categories Method

Unit3.7.5 Idea Affinity Diagrams

Unit3.7.6 Idea Selection Criteria

Unit3.8 **Guide to Idea Management Processes**

Unit3.9 Interface of Vertical versus Lateral Thinking

Unit3.10 How lateral thinking can help us find better ideas

Unit3.11 References/Suggestions for Further Reading

Unit3.12 Tutor Marked Assignments

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Unit4.2 Tools for Understanding Problems

Unit 4.2.1 Five Whys Getting to the Root of a Problem Quickly

Unit4.2.2 Cause and Effect Analysis in Solving Problem

Unit 4.2.3 Brainstorming Can Generate Many Radical, Creative Ideas to Solve Problems

Unit4.3 How to Make Better Decisions

Unit4.3.1 The Importance of Creative Problem Solving in Business and Life

Unit4.3.2 Critical Thinking in the Decision Making Process to Solve Problems

Unit4.3.3 Methods and Techniques for Problem Solving and Decision Making

Unit4.3.4 Steps in Problem Solving Method

Unit4.3.5 PEST – Analysis Political Economic Social Technological

Unit4.3.6 SWOT Analysis – Strengths Weakness Opportunity Threats

Unit4.3.7 FMEA Analysis

Unit4.4. Seven Steps Problem Solving Techniques: what's the problem?

Unit4.5 Five Ways to Enhance Your Problem Solving Skills

Unit4.6 The Simplest Ways to Improve Your Problem Solving Skills

Unit4.6 The skills of problem solving

Unit4.6.1 Why people fail to solve problems effectively

Unit4.6.2 The Road to a Solution – Using models to represent a problem

Unit4.6.3 How to Become a Better Problem Solver

Unit4.6.4 Guidelines to Problem Solving and Decision Making

Unit4.7 Various Tools and Methods for Problem Solving and Decision Making

Unit4.8 Solving Problems using a group - advantages and disadvantages

Unit4.9 Creative Problem Solving Leads to Organisational Innovation

Unit4.10 Assignment File

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Unit4.12. References/Suggestion for Further Reading

MODULE 5

Unit 5. 0 Introduction to Negotiation

Unit 5.1 Definition of Negotiation

Unit5.2 Elements of Negotiation

Unit5.3 Importance of Negotiation in Corporate Organisation

Unit5.4 Techniques of Negotiation

Unit5.5 CONDITIONS FOR NEGOTIATION

Unit5.6 Why Parties Choose to Negotiate

Unit5.6.1 Why Parties Refuse to Negotiate

Unit5.7 *Dynamics of Negotiation*

Unit5.8 Building negotiation capability in an organisation

Unit5.8.1 Negotiation as a core competency

Unit5.9 Negotiation Skills for Managers

Unit5.10 Role of Communication in Negotiation

Unit5.10.2 Role of Emotions in Negotiation

Unit5.10.3 Tips for Professionals for a Successful Negotiation

Unit5.11 References/Suggestion for Further Reading

Unit5.12 Assignment File

Unit5.13 Tutor-Marked Assignment

Textbooks and References

There are no compulsory textbooks for this course. However as you go through the course, you will observe that some textbooks are suggested and majority of works came from online materials which are very relevant to this course. This shows that it is crucial to a number of units.

Assignment File

The major assignment required of you is a Tutor-Marked Assignment (TMA) which you are expected to complete at the end of each module and mail it to your tutor.

Assessment

Your assessment for this course is made up of two components Tutor-marked Assignment: 40%
Final Examination: 60%

Total score: 100%

The practice exercises (or activity) are not part of your final assessments, but it is important to complete all of them. If you do the practice exercises, it will facilitate your understanding of the subject matter or topics and your TMA. **Tutor-Marked Assignments (TMAs)**; each unit of this course has a TMA attached to it. You can only do this assignment after covering the materials and exercise in each unit.

Normally the TMA are kept in a separate file. Your Tutor will mark and comment on it. Pay attention to such feedback from your Tutor and use it to improve your other assignments.

You can write the assignments by using materials from your study units and from textbooks or other sources. You should demonstrate evidence of wide reading especially from texts and other sources, something to show that you have read widely.

The assignments are in most cases essay questions. Examples from your own experience, this material or environment that is useful when you answer such questions. This allows you to apply theory to real life situations.

Conclusion

Strategic Thinking, Problem Solving and Negotiation Skills is a new and an interesting course that allows you to think strategically out of box. To let you decide how and when to take a decision that is vital at a critical moment of your business life without following due moderations sometimes. It provides you an ample opportunity to know what it takes in an individual's life to execute tasks using critical thinking and negotiation processes.

It can simply be seen to as a finding and developing strategic foresight capacity for an organization, by exploring all possible organizational futures, and challenging conventional thinking to foster decision making today.

MODULE 1

Module Objectives

At the end of these units, you should be able to:

- Define and understand strategic thinking
- Understand strategic thinking elements and its importance to business
- Understand strategic planning and organising skills
- Understand strategic thinking process and strategic innovative thinking into company

1.0 Introduction

In this unit an attempt is made to present the basic idea about Strategic Thinking. This includes the philosophy and mindset, the need for strategic leadership in an organisation and issues of strategic planning, its challenges, and structure of innovative thinking. A student will need to understand these to be able to appreciate specific issues that will follow in subsequent units. It will include definitions and relevant strategic issues and skills that will be discussed here below.

Strategic thinking is seen differently by different theorists, and some of those explanations of definitions are more research oriented and academic than we might like if we want to provide practical guidance about strategic thinking in the real world. Before looking at the more abstract side, let's provide a simple (and perhaps overly simplistic perspective on strategic thinking).

Strategic thinking is a MINDSET or way of thinking about a business or organization. It can be distinguished, strategic thinking by several characteristics.

- Focuses on long term rather than short term
- Involves systems thinking, and focusing on the big picture, NOT just the small one
- Focuses on identifying leverage (how can we use what we have to maximum advantage)
- Is both analytical, and creative processes
- Involves exiting assumptions, "the way things have been done around here", and a critical approach that questions what we believe.

- Takes into account that our thinking is going to be partly based on inaccurate information and/or conclusions, and treats any conclusions as tentative or hypotheses.

Strategic thinking includes finding and developing a strategic foresight capacity for an organization, by exploring all possible organizational futures, and challenging conventional thinking to foster decision making today. Beaufre wrote in 1963 that strategic thinking "is a mental process, at once abstract and rational, which must be capable of synthesizing both psychological and material data. The strategist must have a great capacity for both analysis and synthesis; analysis is necessary to assemble the data on which he makes his diagnosis, synthesis in order to produce from these data the diagnosis itself--and the diagnosis in fact amounts to a choice between alternative courses of action."

There is no generally accepted definition for strategic thinking, because no common agreement as to its role or importance, and no standardised list of key competencies of strategic thinkers have been agreed upon by experts in the area of study. There is no consensus on whether strategic thinking is an uncommon ideal or a common and observable property of strategy. Most agree that traditional models of strategy making, which are primarily based on strategic planning, are not working. Strategy in today's competitive business landscape is moving away from the basic 'strategic planning' to more of 'strategic thinking' in order to remain competitive. However, both thought processes must work hand-in-hand in order to reap maximum benefit. It has been argued that the real heart of strategy is the 'strategist'; and for a better strategy execution requires a strategic thinker who can discover novel, imaginative strategies which can re-write the rules of the competitive game; and set in motion the chain of events that will shape and "define the future".

When applied in an organizational strategic management process, strategic thinking involves the generation and application of unique business insights and opportunities intended to create competitive advantage for a firm or organisation. It can be done individually, as well as collaboratively among key people who can positively alter an organization's future. These are the leaders or managers of a firm. Group strategic thinking may create more value by enabling a proactive and creative dialogue, where individuals gain other people's perspectives on critical and complex issues. This is regarded as a benefit in highly competitive and fast-changing

business landscapes.

1.1. Definition of Strategic Thinking

According to Mintzberg (1994), explained that strategic thinking is more about synthesis (i.e., "connecting the dots") than analysis (i.e., "finding the dots"). It is about "capturing what the manager learns from all sources (both the soft insights from his or her personal experiences and the experiences of others throughout the organization and the hard data from market research and the like) and then synthesizing that learning into a vision of the direction that the business should pursue." Mintzberg argued that strategic thinking cannot be systematized and is the critical part of strategy formation.

Strategic thinking is a process that defines the manner in which people think about, assess, view, and create the future for themselves and others. Strategic thinking is an extremely effective and valuable tool one can apply to arrive at decisions that can be related to his/her work or personal life (Bradford, 2016). This definition is critical to an entrepreneur who must think towards success in his/her business. It's about looking at the environment, assessment of certain profiles that are important to the success of the business; view the possible threats in the business and possibly thinking towards the creation of opportunities for their businesses.

The greatest and most successful organizations in the world, over many years and decades, would think ahead and encourage great strategic thinking at least somewhere in their business plans. A sustainable successful future requires much more, no matter how big or small your business is, and a major requirement is strategic thinking.

Strategic Thinking lies perhaps at the core of strategic process. That's starting from Strategic Thinking; to Environmental Factors; to Analysis; to Strategic Choice. However; the idea of "Strategic Thinking" still appears to be abstract. In the context of the business environment, strategy process includes an analysis of the contingencies of the political, social, economic, technological and legal environment; generation of alternatives; and an appropriate strategic choice matching the organizational strengths and weaknesses with the environmental requirements. This involves two sub-processes:

1. Generation of strategic alternatives and
2. Choosing from among strategic alternatives.

A lot of strategic choices are generated around the key strategic questions: who are the firm's customers, what products is the firm offering, and how will it offer these products. Strategic thinking requires creativity and innovation in generating alternative strategic choices. But more importantly, it also requires exercising a choice from amongst alternatives. The question is how one exercises a choice. Modern strategy management gives us the techniques of understanding, not of choosing. Surprisingly, not much work has been done to understand what goes on in the mind of the person who takes strategic decisions (Amitah, 2016).

Typically, strategic thinking is defined by game theorists as the art of outdoing an adversary, knowing that the adversary is trying to do the same to you. This is the central theme of game theory which deals with decision situations in which two intelligent opponents with conflicting objectives are trying to outdo one another (Taha, 2007). Each player will have a finite or an infinite number of alternatives or strategies. Associated with each pair of strategies is a payoff that one player receives from the other. In effect it is a zero-sum game where one player's gain signifies an equal loss to the other.

Strategic thinking involves making a series of decisions about what actions the company intends to take to become more successful. A company often goes through a strategic planning process once a year, creating a document that is, in essence, a guidebook for the management team to use in the upcoming year. Companies should strive to make strategic thinking an ongoing, year-round process. At the heart of strategic thinking is the ability to anticipate major shifts in the competitive marketplace and identify emerging opportunities.

1.2 Elements of Strategic Thinking

These are the five elements that make up strategic thinking as described by Dr. Jeanne M. Liedtka, a faculty member at the University of Virginia's Darden Graduate School of Business and former chief learning officer at United Technologies Corporation. She wrote an article* to

explain what it meant to think strategically. So what are these five essential elements of strategic thinking that she identified? The following are the elements and their explanations.

1. Intent focused

Liedtka says: “Strategic intent provides the focus that allows individuals within an organization to marshal and leverage their energy, to focus attention, to resist distraction, and to concentrate for as long as it takes to achieve a goal.” This concept implies both having an overarching goal or direction (you might call that your vision) and making that goal a conscious focus or, in this wonderful definition for intent I found online “the act of turning your mind toward” an outcome or object.

In this approach to our matter, this intent is the change that we want to see in the world. A change that we are completely passionate about, that channels our every action for the future. Probably, the future of your business as it covers from start up to growth while making profits.

2. A systems perspective

Think ecosystem. An exercise I do with my graduate students that you can try for your organization is to describe all of the various systems in which you exist. Their answers start with the classroom and move beyond to the higher education system, to legal, natural, family, or body systems, to global economic and financial systems — and they operate in all of them.

So does your organization. So, to get good at strategic thinking, you need to try to understand the way your world works and how that affects you. Because you cannot really know everything, you will have to take your best shot at gathering the right information and prioritizing the components of systems that are most likely to affect the way you work now and into the future.

It really does help though to be curious about just about everything. While you might be an expert in interpreting the particular “business ecosystem” in which you operate, how well do you understand what is happening culturally or politically that might also influence your future? Read a lot. Explore new things. Talk to people outside your organization and outside your discipline as well as the people who know your system the best.

3. Thinking in Time

Liedtka suggests strategic thinkers ask this question: “Having seen the future that we want to create, what must we keep from our past, lose from that past and create in the present to get there?”

When you think strategically, you are always connecting the past to the present and to the future. You learn from the past and use that learning to make predictions. You look at the present to assess the gap between where you are now and where you want to end up. While your focus is always on the future, you can only act in the present. This concept always makes you think of well and mindful of time.

4. Intelligent Opportunism

Remember the old exercise, the SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats.) Well, SWOT thinking never ends for strategic thinkers. Strategic thinkers are able to spot and react to great new opportunities as they arise. They understand that the world is dynamic and they are open to change to reach their vision.

Intelligent opportunism also implies that you dig deep into your organization to hear from many perspectives. Ideas and knowledge are valuable wherever they exist — but you will need to look and listen to benefit from them.

5. Hypothesis driven

Finally, Liedtka says, “strategic thinking mirrors the scientific method... it is both creative and critical in nature.” As strategic thinkers, we create hypothesis, those questions that start “What if...?” Or “If... then?” - Questions that enable us to imagine multiple scenarios, analyze them as best we can based on the knowledge we have accumulated and then test the best hypotheses (experiment). As we act, we learn from our experience to create new hypothesis for future action. Thus, strategic thinking dissected and explained.

1.3 Importance of Strategic Thinking to Business

Strategic thinking helps your business achieve its goals more rapidly. Success comes as a result of thinking about how you can proactively accomplish your objectives instead of just reacting to business conditions. A strategic mind-set also encourages you to determine the best use of resources at your disposal and how to align them with your action plan. The following points could lead you to success in doing your business.

1. Missing Opportunities

Strategic thinking helps you recognize and take advantage of windfall opportunities. If you're always thinking about what problems your company faces, you have little time left to plan for the future. Windfall opportunities are those that could result in rapid business growth, such as a chance to recruit away disgruntled workers from your competitor or buy out inventory from a competitor's liquidation sale.

2. Focusing on Problem Solving

Strategic thinking also encourages you to take a long view of your company's business model and operations. Your company could have persistent operational problems that prevent it from maximizing success, so you and your employees must think critically about the root causes of problems. For example, you could study overhead costs such as printing, looking for the core reasons why your business wastes paper and toner. Then you can revise your policies and procedures so printing is no longer a drain on your overhead budget.

3. Creating a Clear Strategy

Employees also benefit from the strategic mind-set of a small-business owner. A business strategy should clearly explain to employees what roles they play in reaching company goals. Some strategic plans are short term, outlining how your company will achieve an end goal in a few months' time. Other plans, such as your strategic plan, explain how your company will realize long-term goals over five or 10 years.

4. Being Proactive

If you are planning ahead and addressing present business conditions simultaneously, you can choose appropriate actions when the economy shows early signs of trouble. Plan for how your business will succeed in tougher times. If consumer demand is decreasing or supply costs are rising, you can begin cutting costs in your overhead budget, ensuring that your overhead will not cripple you when the market declines. Without a deliberate strategy, your business decisions will be reactive instead of proactive.

5. Resource Limitations

Dealing with limited resources of money, people and time is a fact of life for all businesses, even giant corporations. Strategic thinking enables a business owner to determine how to use these resources most effectively and advance the company toward its objectives. Strategic thinking focuses the management team on markets that are most likely to succeed. Strategic thinking helps the company avoid costly mistakes, such as opening a new retail location before the customer population is large enough to support it.

6. Changing Environment

Every business is affected by change. New competitive threats arise. Change in the national and local economy affect the spending power of a company and customers. The prices of materials or inventory rise unexpectedly. The environment creates opportunity, too. New markets open up. Competitors that falter can create an opportunity to take market share from them. Strategic thinking is a mindset of preparing for these changes and having plans in place to deal with them. Reacting quickly allows the company to take advantage of opportunities and minimize the damage of unforeseen negative events.

7. Matching Competitors and Strengths

Business has been compared to a game of chess, with strategic moves of the chess pieces determining the outcome. The analogy is only partially accurate, because in business each side does not start with the same number of pieces, and the size of the board constantly changes.

Companies proficient in strategic thinking are continually evaluating their businesses strengths and weaknesses versus those of key competitors. They look for the right time and best means to attack stronger, better capitalized competitors. They try to tilt the chess board in their favor by taking a critical look at where they can improve their products, service levels and the message they send to the marketplace.

8. Need to Grow

Businesses are under constant pressure to grow. Growth means higher profitability and greater returns for the owners. It also means the company is succeeding in the competitive struggle. Strategic thinking forces companies to recognize they cannot afford to stand still. They must be innovative in all aspects of the operation of the business. A company content to do things the same way year after year usually ends up losing market share to companies that are not afraid of change.

9. Improved Decision Making

Business owners that make strategic thinking a central element of their management philosophy often become better strategic thinkers as time goes on. They learn how to recognize subtle changes in the business environment that will have a direct impact on their revenues--things they may have missed before. They become more adept at predicting how competitors are likely to react to the strategies they implement. They begin to view the business as their customers see it, and formulate strategies so they do a more capable job of reaching new potential customers. Strategic thinking enables a business owner to make more logical, confident decisions.

1.4. Ways to Improve Strategic Thinking Skills

Successfully incorporating new skills and behaviors into one's daily activities and habits takes time, focus, and commitment. But with a little work, you and your organization will reap the advantages. By identifying your own gaps, you can make changes to become more strategic. Organizations that support their employees as they build their strategic skills can reap a multitude of advantages -innovations, new ways of doing business, and insight into emerging

opportunities. Try these three approaches to improve your strategic thinking skills (Walsh, 2016);

1. **Constantly question your own opinions.** Seek out information that contradicts your point of view. You will end up with a more nuanced and complete view of any situation.
2. **Include people with diverse areas of expertise on your team.** Their different thinking styles and bodies of knowledge will complement your own—and improve your work.
3. **Get out of the office.** Whether it's going for a short walk or traveling to a new destination, when you give yourself a break from work to reflect, you can gain valuable new perspectives.

So what specific steps *can* you take to be more strategic in your current role?

This is a process that starts by changing your mindset. If you believe that strategic thinking is only for senior executives, think again, students are involved as potential entrepreneurs. It can, and must, happen at every level of the organization; it's one of those unwritten parts of all job descriptions. Ignore this fact and you risk getting passed over for a promotion, or having your budget cut because your department's strategic contribution is unclear and your business may not get the best of maximum success.

Once you have accepted that it's part of your job, focus on developing four key abilities that demonstrate your strategic prowess—These are; know; think; speak and act. The following are the possible explanations for your understanding.

1. Know: Observe and Seek Trends

Entrepreneurial person need to see the big picture because of the amount of work he/she had and the pace at which he/she needed to get it done, they often took a “heads down” approach to their job and failed to “lift up” and observe both internal and external trends. Missing key information that could help them focus, prioritizes, and be proactive in addressing talent issues for fast-growing company could be a problem. Because they approached their job in a transactional manner, simply getting the next hire; to recognize that entrepreneurs needed a completely new approach to recruitment and retention.

In order to be strategic, you need a solid understanding of the industry context, trends, and business drivers. An intellectual appreciation of the importance of bringing in current data and seeking trends is not enough. Entrepreneurs also have to:

- Make it a routine exercise to explore and synthesize the internal trends in your day-to-day work. For example, pay attention to the issues that get raised over and over in your organization and synthesize the common obstacles your colleagues face.
- Be proactive about connecting with peers both in your organization and in your industry to understand their observations of the marketplace. Then, share your findings across your network.
- Understand the unique information and perspective that your function provides and define its impact on the corporate level strategy.

2. Think: Ask the Tough Questions

With a fresh understanding of trends and issues, you can practice using strategic thinking by asking yourself, “How do I broaden what I consider?” Questions are the language of strategy. Prior experience gives entrepreneur a unique, yet myopic, strategic lens. So he/she pushes self to ramp up perspective-taking and inquiry skills. By becoming more curious, and looking at information from different points of view, you will be able to reduce myopia and see different possibilities, different approaches, and different potential outcomes.

Thinking Strategically, For example, when working on an employee retention project business manager asks self, “What does success look like in Year 1?” “What does it look like in Year 3?” “What could impact the outcome in a negative way?” “What are the early signs of success/failure?” “What do business partners need to understand to ensure its success?” and “Do the outcomes support the broader goals of the organization?” By asking these tough questions first, entrepreneur could recognized that he/she could better engage with colleagues and senior executives early on in ways that would benefit the project — and would help shape the perception that was thoughtful and strategic.

3. Speak: Sound Strategic

Strategic thinkers also know how to speak the language. They prioritize and sequence their thoughts. They structure their verbal and written communication in a way that helps their audience focus on their core message. They challenge the status quo and get people talking about underlying assumptions. Those that are really skilled walk people through the process of identifying issues, shaping common understanding, and framing strategic choices.

If this sounds complex, that's because it is. But there are ways you can start honing these skills:

- Add more structure to your written and verbal communication. Group and logically order your main points, and keep things as succinct as possible.
- Prime your audience by giving them a heads up on the overarching topics you want to address so they are prepared to engage in a higher level conversation, not just the tactical details.
- Practice giving the answer first, instead of building up to your main point.

First by focusing on one-on-ones with CEO on higher level discussions and leaving tactical issues to email is not strategic. To choose one or two strategic areas to focus on and make sure to frame issues in the context of the CEO's top priorities is actually strategic.

4. Act: Make Time for Thinking and Embrace Conflict

In the early phase of working together, keeping a jam-packed schedule, running from meeting to meeting, an entrepreneur will find it difficult to contribute strategically without the time to reflect on the issues and to ponder options. Recognizing that, you will not bring your full value to the table, you must start to evaluate your tasks based on urgency and importance as outlined. You should stop going to meetings you do not need to be at. Fight back the initial guilt of "Am I doing real work when I'm just sitting at my desk thinking?"

Practice other key skills and learn to embrace debate and to invite challenge, without letting it get personal so that they could ask tough questions is a good one. To do this, you need to focus on issues, not people, and use neutral peers to challenge your thinking. To manage the inevitable

ambiguity that arises when you ask more questions, also learn to clarify your decision-making criteria, to allow a better act in the face of imperfect information.

The quest to build your strategic skills can be uncomfortable. At first, you might feel like you are kicking up sand in the ocean. Your vision will be blurred as you manage through the unsettling feelings that come with challenging your own assumptions and gaining comfort with conflict and curiosity. Once the dust settles, however, and you are able to contribute at a higher level, you will be glad you took the risk.

1.5 The Role of Strategic Thinking in Business Planning

Traditionally, Strategic Planning omits the step of innovative thinking that is so critical to business success. Strategic Thinking is a more comprehensive planning model that covers innovation, strategic planning and operational planning

Strategy has never been more challenging, or more important, than in today's environment of global competition, in which, corporate strategies must transcend the borders of nations and markets. Too many organizations try to be everything to everyone, wasting resources in markets that may never provide a worthwhile return on investment.

Strategic Thinking is a planning process that applies innovation, strategic planning and operational planning to develop business strategies that have a greater chance for success.

More and more organizations are learning that past experience is not always the best basis for developing future strategies. Executives need to thoughtfully consider how to create value for customers. The exercise of strategic planning, while important, tends to answer the “how” and “when” of business planning and rarely captures the essence of what it means to think strategically. That's where strategic thinking comes in. Strategic thinking is the “what:” and “why” of the planning process. It answers the question, “What should we be doing, and why?”

Strategic Thinking requires innovation and creativity and includes a research phase to examine the voice of the customer, the employee and industry best practices. It is a process of examining everything we do in our various roles, understanding the needs of our customers and ensuring

that all of this is linked to clearly define strategic imperatives.

If we compare strategic thinking with strategic planning and operational planning we see that:

- *Strategic Thinking* – is the “What” and the “Why”...that is what should we be doing and why.
- *Strategic Planning* – is the “How” and “When” ...at a very high level.
- *Operational Planning* – is the specific details of the how and when.

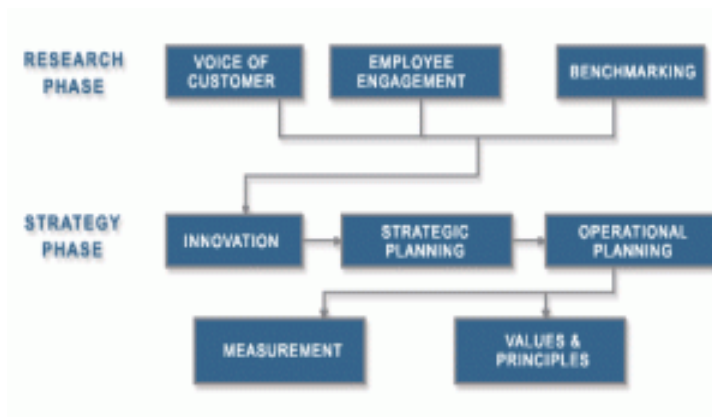
The purpose of Strategic Thinking is to create a strategy that is a coherent, unifying, integrative framework for decisions especially about direction of the business and resource utilization. To do it, Strategic Thinking uses internal and external data, qualitative synthesis of opinions and perceptions. It is conscious, explicit, and proactive and defines competitive domain for corporate strategic advantage.

Strategy is a key outcome of a relevant strategic thinking process. Tregoe and Zimmerman outlined the relationship between strategy and operations in their work on strategy, “Top Management Strategy: What It Is and How to Make It Work”.

1.5.1 The Strategic Thinking Process

| + STRATEGY - | |
|----------------|---|
| + OPERATIONS - | Clear Strategy + Operationally Competent (Winners) |
| | Uncertain Strategy + Operationally Competent (Cannot get a competitive advantage or basis for growth) |
| + OPERATIONS - | Clear Strategy + Operationally Incompetent (Yo-Yo) |
| | Uncertain Strategy + Operationally Incompetent (Pie in the Sky) |

<http://bia.ca/wp-content/uploads/2015/01/Strategy-Operations>.



Bia.ca/wp/Strategic Thinking Chat, 2015

Strategic Thinking is the combination of Innovation, Strategy Planning, and Operational Planning. The process begins with *Innovation*. We try to create the ideal future and consider the plans needed to achieve them and to see them through. Innovation helps us to move outside our comfort zone into the possibilities of exceeding customer and organizational requirements and expectations.

Innovations are then articulated into a series of strategies. This is a part of the entire Strategic planning process. However, in Strategic Thinking, we incorporate the needs of our customers, the organization and our staff in the process. We incorporate Benchmarking to ensure that industry best practices are included in our vision of the future.

Employee Involvement at each stage of the Strategic Thinking process is key to ensuring that they stay involved in the execution of the Operational plans. This is where Operational Planning comes to play. It is the process of taking the strategies (the outcomes of the Strategic Planning process) and developing them into action plans that are achievable and involve staff throughout the organization in ensuring that the needs of the customer and the organization are met.

The last part of Strategic Thinking is Measurement. There must be an on-going process of measuring the effectiveness of the plans and verifying that they are implemented as planned. Measurement is also used to benchmark the original needs against the implemented actions.

To successfully implement strategic change, initiated through the strategic thinking process, it is

important for all levels of employees to fully incorporate the change in everything they do. We do this by identifying and establishing Values and Principles to ensure the organization is successful at achieving its strategic goals.

In Summary, senior managers and leaders in organizations have a responsibility to make the required time to undertake Strategic Thinking in their business planning. It would not just happen-nor can it be done in a quick half-day meeting.

Without comprehensive Strategic Thinking the organization risks making quick decisions that lack the creativity and insights derived through a Strategic Thinking process. Executives may find out later that their organization is going in directions that they likely didn't want it to go. This is not something that can be delegated away.

Strategic Thinking can be done for the organization as a whole and for each department or division within the organization. The goal is to out-think, out-plan and out-maneuver other forces or competitors. The notion of combat implies a central premise of competition in the pursuit of "fulfillment".

Sun Tzu in his book, "The Art of War," defines the peak efficiency of knowledge and strategy as being, to make conflict altogether unnecessary-to overcome other's armies without fighting. Similarly, the role of the leader embodying the essential elements of Strategic Thinking is well described in this passage:

"A general must see alone and know alone, meaning that he must see what others do not see and know what others do not know. Seeing what others do not see is called brilliance, knowing what others do not know is called genius. Brilliant geniuses win first, meaning that they defend in such a way as to be unassailable and attack in such a way as to be irresistible."(Stanleigh, 2016).

1.5.2 Strategic Thinker: Test yourself.

Strategic thinking goes beyond looking at what is—it involves imagining what could be. It's a fresh point of view on a market, a unique take on the future, or a capacity to imagine new

answers to old problems. Strategic thinking is everyone's responsibility not just that of a CEO or management team (Walsh, 2014).

You may wish to rate yourself as you read these characteristics of strategic and conventional thinkers. What qualities do you need more to become a strategic thinker?

Strategic versus conventional thinkers

| Strategic thinkers are . . . | Conventional thinkers are . . . |
|--|--|
| Future-based: They anticipate change and look for opportunities that may arise. | Reactive: They rarely initiate ideas and wait to be told what to do or what actions to take. |
| Curious: They are interested in what is going on throughout their department, organization, industry, and the larger business environment. | Isolated: They typically work without input from others or without understanding others' goals and objectives. |
| Long-term focus: They are willing to invest today to gain a better outcome tomorrow. | Short-term focus: They often do not consider the potential impact of an action on long-term goals. |
| Willing to Take Risks: They are not limited to past or current thinking and are willing to try new methods. | Cautious: They fear changing or challenging the status quo. |
| Able to prioritize: They do not equate being busy with being effective. They place a high value on projects with the potential for great impact and return. | Unable to prioritize: They often treat all tasks equally without regard to impact. |
| Nimble: They are able to adjust and modify their approaches. | Inflexible: They may be unwilling to alter their plans even when adjustments could yield a better return. |
| Life-Long Learner: They proactively seek knowledge and skills and are willing to teach others. | Satisfied: They normally are not interested in learning new things or methods, and are content with their current capabilities. |
| Creative: They consider unorthodox | Predictable: They often stick with familiar paths. |

| | |
|--------|--|
| ideas. | |
|--------|--|

Source: Adapted from Woolsey, Blake “8 Characteristics of a Strategic Thinker” *Bright Thoughts* 12 July 2012 <http://blog.mitchcommgroup.com/blake/8-characteristics-of-a-strategic-thinker/>

By identifying your own gaps, you can make changes to become more strategic. Organizations that support their employees as they build their strategic skills can reap a multitude of advantages—innovations, new ways of doing business, and insight into emerging opportunities.

Try these three approaches to improve your strategic thinking skills:

1. **Constantly question your own opinions.** Seek out information that contradicts your point of view. You’ll end up with a more nuanced and complete view of any situation.
2. **Include people with diverse areas of expertise on your team.** Their different thinking styles and bodies of knowledge will complement your own—and improve your work.
3. **Get out of the office.** Whether it’s going for a short walk or traveling to a new destination, when you give yourself a break from work to reflect, you can gain valuable new perspectives.

Successfully incorporating new skills and behaviors into one’s daily activities and habits takes time, focus, and commitment. But with a little work, you and your organization will reap the advantages.

1.6 Strategic Planning and Organising Skills

The term *strategic planning* originated in the 1950s and was very popular between the mid-1960s and the mid-1970s. During these years, strategic planning was widely believed to be the answer for all problems. At the time, much of corporate America was “obsessed” with strategic planning. Following that “boom,” however, strategic planning was cast aside during the 1980s as various planning models did not yield higher returns. The 1990s, however, brought the revival of strategic planning, and the process is widely practiced today in the business world.

A strategic plan is, in essence, a company's game plan. Just as a football team needs a good game plan to have a chance for success, a company must have a good strategic plan to compete successfully. Profit margins among firms in most industries have been so reduced by the global economic recession that there is little room for error in the overall strategic plan. A strategic plan results from tough managerial choices among numerous good alternatives, and it signals commitment to specific markets, policies, procedures, and operations in lieu of other, "less desirable" courses of action (David, 2011).

Well, yes and no. Leaders do need to develop a clear vision for their organisation. But a key element of any leadership role is deciding on the direction of travel, whether of an organisation or a team, and then identifying how to get there, and making sure it happens.

This area therefore covers the key skills involved in that process, from strategic thinking through to action planning, project management, and risk management.

1.6.1 Organising Skills

Anyone who has ever thought 'I really need to get organised' could benefit from this section. Poor organisation can lead to missed opportunities and lower productivity. Fortunately, it is relatively easy to take a number of simple steps to get and stay organised. Organising skills suggests steps, including being clear about what you need to do, deciding when you are going to do it, and perhaps most importantly, staying on top of things.

How often have you said this; *'I really need to get organised?'* and then failed to do so? It's a common problem. Poor organisation usually means less productivity and missed opportunities and can lead to increased procrastination and stress. Fortunately, there are a few simple things that you can do that will help you to ensure that you get organised, and stay that way. And what's even better is that these skills can be used at home or at work, and are equally useful in both.

Organising skills are really a combination of Time Management and Self-Motivation. But if that sounds a bit daunting, it's probably best to consider organisation in terms of a series of steps that you can take.

1.6.2 Effective Organising Skills: The following Seven Steps are explained.

1. Be clear about what you need to do.

If you are one of those people, like most of us, who struggles to remember just what you have agreed to do or what you wanted to do if you had enough time, then keep a list.

If one list is not enough, then keep several. Some people find that they work best with one single list, but others have a long-term 'To Do' list, supplemented by a daily 'Tasks' list. Others also have a list of jobs for the week as well. It's a matter of preference whether you use paper or electronic lists.

2. Decide when you are going to do it.

Research shows that our brains are hard-wired to worry about things that we haven't done. This is why you wake up in the night panicking about that piece of work you forgot. Interestingly, however, putting a job on a 'To Do' list and, crucially, deciding when you're going to do it seems to be enough to switch off the bit of your brain that worries, at least until you've missed the slot you had identified.

3. Give yourself time and space.

Getting organised does not happen by chance. You need to give yourself time to do it. Take a bit of time each day to think about what you have got to do that day, and plan when you are going to do it. It's best to do this either at the beginning of the day, or at the end of the day for the next one. If you commute by train, you might find your journey is the ideal time to do this, but if not, just take ten minutes when you first get into work, preferably away from your desk to avoid distractions.

If you struggle to find that time, schedule it into your diary. If your electronic calendar is public, make sure you describe it in a way that your colleagues would not immediately identify as 'time that can be used to come and talk to you'. For example, use initials, so that it looks like you've got a meeting, such as 'DSW', or 'Do some work', and 'PMD' or 'Plan my day'. You know what it means, but nobody else will. And LEAVE YOUR DESK. Go and sit in the canteen, or a

quiet corner of a meeting room, to avoid anyone talking to you, or the temptation to ‘just check your emails’.

4. Decide what is important and what is urgent.

It is a delicate distinction, but everything can be separated into either urgent or not, and important or not. Some things are both important and urgent. Others are neither. Have a look at the Prioritisation section your time management, if you have.

5. Break down and delegate tasks.

Break tasks down into their component parts and consider whether you can delegate any of them.

Do you really need to do the whole task straight away? And do you really need to do parts of them? It can sometimes take as much time to delegate as to do the task, especially if it's relatively quick to do, but could take a while to explain. But if it's relatively straightforward to explain, and simple but long-winded to do, it's an ideal task for delegation.

Take a look at delegation skills in management text to learn how to delegate without losing control. And, without procrastinating unnecessarily, consider whether you really need to do it today, or if there is something else that is more important or urgent that would be a better use of your time.

6. Do not get frustrated by extra tasks.

We all know how it feels... You have just spent 10 minutes organising yourself, and you get back to your desk to find an email from your boss telling you to drop everything and just finish a report that has suddenly become the most important and urgent issue in the world.

Do not get cross or frustrated. At least you now know whether you have anything else on your list which cannot wait, and can negotiate extended deadlines for other work from an informed point of view!

7. Stay on top of things.

Especially when you are very busy, it's easy to let your daily organising session slip. You just want to go home, or you really need to get on with something else. But it's important to keep on top of your scheduling and organising, as otherwise everything gets in a real mess, and then it takes hours to untangle.

1.6.3 Strategic Thinking and Planning

Strategic thinking and action planning are sometimes viewed as a bit of a 'mystic art', the 'black box' of leadership. But in fact, strategic thinking and action planning are no more or less than working out where you are, where you need to be and how you are going to close the gap between the two. Strategic Thinking describes the process of developing a strategic plan, including how to avoid the trap of the 'Miracle Box'—as in, in this area; a miracle happens that means that we can achieve our aims. Action planning sets out how to translate a strategic plan into a set of clear actions, all the responsibility of a particular individual, to ensure that your strategy will be delivered.

1.6.4 Project Management for Leaders

Leaders do not need to do much detailed project management. They do, however, need to understand the process, and be able to ask the right questions.

Project management explains more about this process, and how leaders can ensure that any projects for which they are responsible are on track. It includes the need to draw up strong and detailed project documentation, and make sure that all the right people are involved from an early stage.

Project planning examines one key element of the project management process that of drawing up the project plan. It sets out a suitable process, and also provides some advice about visual presentation of project plans.

1.6.5 Managing Risk

Risk management is otherwise known as the art of working out what could possibly go wrong, and doing something about it. Like strategic thinking, it is often viewed as a black art, but again,

it is actually fairly straightforward. The key is to be clear about how catastrophic and/or likely any particular risk is, and focus your attention on those that are most likely to cause the most problems.

1.7 Simplified Strategic Planning

There is no denying that strategic planning involves complex issues. But developing your strategy (course and direction) doesn't have to be complicated. Good strategic planning should be simple, but not simplistic.

The Simplified Strategic Planning process is a lean, thorough step-by-step roadmap for answering the questions at the heart of the matter. The three key questions are:

1. What are you going to sell?
2. To whom are you going to sell?
3. How can you beat or avoid the competition?

The first two questions define the breadth, scope and focus of your business. The process will help you decide what you will do or will not do (products and/or services), and whom you will serve in the marketplace. These questions determine your appropriate focus.

We have found that many companies do not want to be focused and seem to go out of their way to avoid narrowing things down. The leaders of such companies usually can't stand the idea of not pursuing a sale. Often, when asked the question, "What are you going to sell?" such leaders answer "Everything we can." That's not focus. That's pursue-everything approach - often that person will also answer "Everyone we can," to the question, "To whom are you going to sell?" The problem to these two answers, of course, is the third question that necessarily narrows things down. It's that third question that brings realism to your strategy. When you get into the third question and begin examining your competencies, strengths, capabilities and infrastructure, you will really understand the importance of focus. You cannot profitably sell everything you can to

everyone you can. Instead, you need to focus on applying specific strategic competencies to target markets. This will allow you to use your resources to your advantage instead of just using them up.

These questions are the heart of the Simplified Strategic Planning model because at each step along the way you will be working towards answering them. As you do so your team will learn and grow. And as you learn and grow, you will create a well-considered plan. In the end, you will have a strategy that works and gives specific answers those three questions.

1.7.1 Simplified Strategic Planning Process Structure

At the broadest level, the Simplified Strategic Planning process is a series of structured meetings in which your team starts by gathering some basic data and facts about your external and internal situation. We will soon discuss models of strategies like SWOT profiles and others as it affects our strategic thinking. Then you hypothesize key assumptions about the future. You make sure everyone understands it and agrees with the facts and assumptions. They shape all further discussion about strategy.

You will then identify key issues that affect strategy. From there, you go on to develop your strategy (course and direction). Then you define goals and objectives and get into the questions of:

- How do we get there?
- Who will be involved, responsible and will they have the time required?
- How much is it going to cost?
- When do we arrive?

The whole purpose of the Simplified Strategic Planning process is to formulate sound, appropriate strategy and to make it happen. If you want to create a beautifully-bound bookend that everyone has and no one uses, you'll probably spend a lot of time and money. But if you want to create a real, workable plan that gets things done, the Simplified Strategic Planning process is for you.

Remember the entire purpose of strategic planning is to get results. Implementation must be specific because when it is not, it will inevitably fail. The Simplified Strategic Planning process leads to specific implementation of your strategy.

On the whole, the Simplified Strategic Planning process works out to about seven days of meetings spread out over twelve weeks or more so that it would not interfere with your day-to-day business.

1.7.2 Sound Strategy + Effective Implementation = Solid Success

At the end of the Simplified Strategic Planning process, you end up with 6 to 10 action plans that support your objectives which will be accomplished on time and on budget. Simplified Strategic Planning is a lean, thorough, effective process that has been honed and improved for over 35 years.

Simplified Strategic Planning will assure:

- balanced input.
- thoughtful strategic thinking,
- selection of a course and direction that fits your unique competencies, differentiates your company and leads to profitable growth,
- highly focused action on a few strategic objectives in support of that course and direction.

1.8 Principles of Strategic Leadership



Source: Strategy-business.com/10 principles strategy Info graphic: Opto Design/Lars Leetaru,(2014).

Given the small percentage of senior leadership equipped to manage large-scale transformation,

companies are often forced to bring in leaders from outside. But as we have observed in countless organizations over the years, significant change in a company is more likely to succeed if it is led from within. Perhaps most alarming, the leadership gap is typically hidden from view. No one recognizes that the company's top executives are not acting strategically, or people do realize it, but no one is willing to call attention to the problem. The gap thus comes to light only when a company faces a major challenge to its traditional way of doing business. It's in the do-or-die moments, when companies need a strategic leader most, that they discover the current leadership is not up to the task.

Fortunately, companies can build the capacity for strategic leadership. It starts with recognizing that your organization undoubtedly already has emerging strategic leaders within it whose skills are being overlooked or even stifled. The problem can be traced back to how organizations traditionally promote and develop their leaders. In many companies, the individuals who make their way to the top of the hierarchy do so by demonstrating superlative performance, persistent ambition, and the ability to solve the problems of the moment. These are valuable traits, but they are not the skills of a strategic leader. It's in the do-or-die moments that companies discover the current leadership is not up to the task.

The following ten principles can help unlock the potential strategic leadership in your enterprise. These principles represent a combination of organizational systems and individual capabilities — the hardware and software of transformation. You may have already adopted some of these tenets, and think that's enough. But only when you implement all of them together, as a single system, will they enable you to attract, develop, and retain the strategic leaders who've eluded you thus far.

Systems and Structures- The first three principles of strategic leadership involve nontraditional but highly effective approaches to decision making, transparency, and innovation.

1. Distribute responsibility. Strategic leaders gain their skill through practice, and practice requires a fair amount of autonomy. Top leaders should push power downward, across the organization, empowering people at all levels to make decisions. Distribution of responsibility gives potential strategic leaders the opportunity to see what happens when they take risks. It also

increases the collective intelligence, adaptability, and resilience of the organization over time, by harnessing the wisdom of those outside the traditional decision-making hierarchy.

Top leaders should push power downward, empowering people at all levels to make decisions.

A good example can be seen in this instance, in an oil refinery on the Nigerian Coast, a machine malfunction in a treatment plant was going to cause a three-week shutdown. Ordinarily, no one would have questioned the decision to close, but the company had recently instituted a policy of distributed responsibility. One plant operator spoke up with a possible solution. She had known for years that there was a better way to manage the refinery's technology, but she had not said anything because she had felt no ownership. The engineers disputed her idea at first, but the operator stood her ground. The foreman was convinced, and in the end, the refinery did not lose a single hour of production.

When individuals like the plant operator are given responsibility and authority, they gain more confidence and skill. And when opportunities to make a difference are common throughout an organization, a "can-do" proficiency becomes part of its identity.

Another example, at Buurtzorg, a Dutch neighborhood nursing organization, most decisions are made by autonomous, leaderless teams of up to a dozen nurses. A small central management team supports and coaches the frontline nurses; there is no other middle management. The company achieves the highest client satisfaction levels of all community nursing delivery in the Netherlands, at only 70 percent of the usual cost. Patients stay in care half as long, heal faster, and become more autonomous themselves. And the nurses gain skills not just for leading their part of the enterprise, but in community leadership as well.

2. Be honest and open about information. The management structure traditionally adopted by large organizations evolved from the military, and was specifically designed to limit the flow of information. In this model, information truly equals power. The trouble is, when information is released to specific individuals only on a need-to-know basis, people have to make decisions in the dark. They do not know what factors are significant to the strategy of the enterprise; they have to guess. And it can be hard to guess right when you are not encouraged to understand the bigger picture or to question information that comes your way. Moreover, when people lack

information, it undermines their confidence in challenging a leader or proposing an idea that differs from that of their leader.

Some competitive secrets (for example, about products under development) may need to remain hidden, but employees need a broad base of information if they are to become strategic leaders. That is one of the principles behind “open-book management,” the systematic sharing of information about the nature of the enterprise. Among the companies that use this practice are Southwest Airlines, Harley-Davidson, and Whole Foods Market, which have all enjoyed sustained growth after adopting explicit practices of transparency.

Transparency fosters conversation about the meaning of information and the improvement of everyday practices. If productivity figures suddenly go down, for example, that could be an opportunity to implement change. Coming to a better understanding of the problem might be a team effort; it requires people to talk openly and honestly about the data. If information is concealed, temptation grows to manipulate the data to make it look better. The opportunity for strategic leadership is lost. Worse still, people are implicitly told that there is more value in expediency than in leading the enterprise to a higher level of performance. Strategic leaders know that the real power in information comes not from hoarding it, but from using it to find and create new opportunities for growth.

3. Create multiple paths for raising and testing ideas. Developing and presenting ideas is a key skill for strategic leaders. Even more important is the ability to connect their ideas to the way the enterprise creates value. By setting up ways for people to bring their innovative thinking to the surface, you can help them learn to make the most of their own creativity.

This approach clearly differs from that of traditional cultures, in which the common channel for new ideas is limited to an individual’s direct manager. The manager may not appreciate the value in the idea, may block it from going forward and stifle the innovator’s enthusiasm. Of course, it can also be counterproductive to allow people to raise ideas indiscriminately without paying much attention to their development. So many ideas, in so many repetitive forms, might then come to the surface that it would be nearly impossible to sort through them. The best opportunities could be lost in the clutter.

Instead, create a variety of channels for innovative thinking. Some might be cross-functional forums, in which people can present ideas to a group of like-minded peers and test them against one another's reasoning. There could also be apprenticeships, in which promising thinkers, early in their careers, sign on for mentorship with leaders who are well equipped to help them build their skills. Some organizations might set up in-house courses or sponsor attendance at university programs. Reverse mentoring — in which younger staff members share their knowledge of new technology as part of collaboration with a more established staff member — can also be effective.

Google has made use of a number of channels to promote innovation. A few examples: Employees can directly email any of the leaders across the organization; the company established “Google cafés” to spark conversation by encouraging interaction among employees and across teams; and executives hold weekly all-hands meetings (known as TGIFs) to give employees at every level in-person access to senior leaders. People at Google learn to make the most of these opportunities — they know the conversations will be tough, but that genuinely worthwhile innovative thinking will be recognized and rewarded.

People, Policies, and Practices

The next four principles involve unconventional ways of thinking about assessment, hiring, and training.

4. Make it safe to fail. A company's espoused statement of values may encourage employees to “fail fast” and learn from their errors. That works well until there is an actual failure, leading to a genuine loss. The most dreaded phone call in the corporate world soon follows; it's the one that begins: “Who authorized this decision?” Big failures are simply unacceptable within most organizations. Those who fail often suffer in terms of promotion and reward, if not worse.

You must enshrine acceptance of failure — and willingness to admit failure early — in the practices and processes of the company, including the appraisal and promotion processes. For example, return-on-investment calculations need to assess results in a way that reflects the agreed-upon objectives, which may have been deliberately designed to include risk. Strategic leaders cannot learn only from efforts that succeed; they need to recognize the types of failures

that turn into successes. They also need to learn how to manage the tensions associated with uncertainty, and how to recover from failure to try new ventures again.

Strategic leaders need to recognize the types of failures that turn into successes.

Honda is one enterprise that has taken this approach to heart. Like several other industrial companies, the automaker has had a dramatic, visible failure in recent years. The installation of faulty equipment from its favored airbag supplier, Takata, has led Honda to recall about 8.5 million vehicles to date. Although the concerned executives were fired, the company's leaders also explicitly stated that the airbag failure, in itself, was not the problem that led to dismissal. The problem was the lack of attention to the failure at an early stage, when it could have been much more easily corrected. As one Honda executive told Jeffrey Rothfeder, author of *Driving Honda: Inside the World's Most Innovative Car Company* (Portfolio, 2014) (and an *s+b* contributing editor), "We forgot that failure is never an acceptable outcome; instead, it is the means to acceptable outcomes."

Some organizations have begun to embrace failure as an important part of their employees' development. The Bill and Melinda Gates Foundation and the U.K.-based innovation charity Nesta have held "failure fests," at which employees discuss decisions that went wrong and derive lessons from them. In addition to establishing such forums, you can provide managers with opportunities to oversee smaller change initiatives, some of which may not work out, to develop the skills they'll need to lead larger-scale transformations.

5. Provide access to other strategists. Give potential strategic leaders the opportunity to meet and work with their peers across the organization. Otherwise, they remain hidden from one another, and may feel isolated or alone. Once they know that there are others in the company with a similar predisposition, they can be more open, and adept in raising the strategic value of what they do.

The first step is to find them. Strategic leaders may not be fully aware themselves that they are distinctive. But others on their team, and their bosses, tend to recognize their unique talents. They may use phrases like "she just gets it," "he always knows the right question to ask," or "she never lets us get away with thinking and operating in silos" to describe them. A good way to

learn about candidates is to ask, “Who are the people who really seem to understand what the organization needs — and how to help it get there?” These may be people who aren’t traditionally popular; their predisposition to question, challenge, and disrupt the status quo can unsettle people, particularly people at the same level.

Of course, you don’t want to create the impression that some people deserve special treatment. Instead, cultivate the idea that many managers, perhaps even most, have the potential to become strategic leaders. Then bring the first group together. Invite them to learn from one another, and to explore ways of fostering a more strategic environment in the rest of the enterprise.

6. Develop opportunities for experience-based learning. The vast majority of professional leadership development is informative as opposed to experiential. Classroom-based training is, after all, typically easier and less expensive to implement; it’s evidence of short-term thinking, rather than long-term investment in the leadership pipeline. Although traditional leadership training can develop good managerial skills, strategists need experience to live up to their potential.

One vehicle for creating leadership experiences is the cross-functional “practice field,” as organizational learning theorist Peter Senge calls it. Bring together a team of potential strategic leaders with a collective assignment: to create a fully developed solution to a problem or to design a new critical capability and the way to generate it. Give them a small budget and a preliminary deadline. Have them draw plans and financial estimates of their solutions. Then run the estimates through an in-depth analysis. This project might include a simulation exercise, constructed with the kind of systems simulation software that has been used to model and participate in war games since the 1980s. You can also let reality be their practice field. Have them create the new capability or initiative on a small scale, and put it into effect. Then track the results assiduously. Assign mentors with experience to help them make the most of their effort — without sidetracking it.

Whether you set up the project in reality or as a simulation, the next step should be the same. Schedule a series of intensive discussions about the results. Explore why these results appeared, what the team might have done differently, and how things could be different in the future if the

group changed some of the variables. The goal is to cultivate a better understanding than would be possible without this type of reflection, and to use that understanding as the basis for future efforts.

7. Hire for transformation. Hiring decisions should be based on careful considerations of capabilities and experiences, and should aim for diversity to overcome the natural tendency of managers to select people much like themselves.

Test how applicants react to specific, real-life situations; do substantive research into how they performed in previous organizations; and conduct interviews that delve deeper than usual into their psyche and abilities, to test their empathy, their skill in reframing problems, and their agility in considering big-picture questions as well as analytical data. In all these cases, you're looking for their ability to see the forest and the trees: their ability to manage the minutiae of specific skills and practices, while also being visionary about strategic goals. The better they are at keeping near and far points of view simultaneously available, the better their potential to be strategic leaders.

For those hired, the on-boarding processes should send explicit signals that they can experiment, take on more responsibility, and do more to help transform the organization than they could in their previous career. They need to feel that the culture is open to change and to diverse views.

Focus on the Self

The final three principles are aimed at the potential strategic leaders themselves. Following these tactics can help them prepare for their personal evolution.

8. Bring your whole self to work. Strategic leaders understand that to tackle the most demanding situations and problems, they need to draw on everything they have learned in their lives. They want to tap into their full set of capabilities, interests, experiences, and passions to come up with innovative solutions. And they do not want to waste their times in situations (or with organizations) that do not align with their values.

Significantly, they encourage the people who report to them to do the same. In so doing, strategic

leaders create a lower-stress environment, because no one is pretending to be someone else; people take responsibility for who they truly are. This creates an honest and authentic environment in which people can share their motivations and capabilities, as well as the enablers and constraints in their life.

9. Find time to reflect. Strategic leaders are skilled in what organizational theorists Chris Argyris and Donald Schön call “double-loop learning.” Single-loop learning involves thinking in depth about a situation and the problems inherent in it. Double-loop learning involves studying your own thinking about the situation — the biases and assumptions you have, and the “undiscussables” that are too difficult to rise.

Your goal in reflection is to raise your game in double-loop learning. Question the way in which you question things. Solve the problems inherent in the way you problem-solve. Start with single-loop learning, and then move to double-loop learning by taking the time to think: Why did I make that decision? What are the implications? What would I do differently next time? How am I going to apply this learning going forward?

Reflection helps you learn from your mistakes, but it also gives you time to figure out the value of your aspirations, and whether you can raise them higher. It allows you the chance to spot great ideas using what you are already doing or things that are going on in your life. Managers are often caught up in the pressures of the moment. A mistake or a high-pressure project can feel overwhelming. But if you take a minute to step back and reflect on these problems, it can provide the space to see what you did right.

Some reflection is more productive than others. Psychologists warn about “rumination,” or dwelling on deceptive messages about your own inadequacies or the intractability of problems in a way that reinforces your feeling of being stuck. To avoid this pattern, deliberately give yourself a constructive question to reflect on. For example, what are the capabilities we need to build next? How can I best contribute? Human capital teams can help by training individuals in these practices and ensuring that all managers support their team members who take the time to reflect.

10. Recognize leadership development as an ongoing practice. Strategists have the humility and intelligence to realize that their learning and development is never done, however

experienced they may be. They admit that they are vulnerable and do not have all the answers. This characteristic has the added benefit of allowing other people to be the expert in some circumstances. In that way, strategic leaders make it easy for others to share ideas by encouraging new ways of thinking and explicitly asking for advice.

Strategists have the humility to realize that their learning and development is never done. Their thirst for learning also gives potential strategists the space to be open to less obvious career opportunities — new industries, different types of roles, lateral moves, stretch assignments, secondments, or project roles — that may help them fulfill their potential.

At some point, you may advance to the point where you are not concerned solely with your own role as a strategic leader, but also with cultivating opportunities for others. This will require a clear-eyed, reflective view of the talent pool around you. It isn't easy for any leader to accept that others in the company may not have what it takes. Or, worse, to learn that the people with the potential to demonstrate leadership feel constrained by current organizational practices, and they are taking their talents elsewhere.

But if you can come to terms with reality, as uncomfortable as it may be, then you are in a position to help change it. By following the ten principles we have outlined above, you will give yourself the skill and influence to pave the way for others who will follow to succeed in their entrepreneurial business. That's fortunate, because the ability to transform amid societal and business challenges and disruptions is essential to your company's success — and perhaps even to its survival.

1.9 Common Challenges to Strategic Planning

Strategic planning is a process, an outcome, and, in its best form, a roadmap used by stakeholders throughout an institution to move the institution toward higher levels of achievement. Strategic planning is also a much maligned endeavor, subject to the usual (and frequent) criticisms: too much time, too much money, and too little action. There are many reasons strategic plans fail, but the following five challenges are among the most common as explained by (Haden, 2016).

1. Lack of leadership

If the leaders of the institution, school, program, or department do not support the plan, it will fail. This point seems obvious, but far too often leaders talk about the importance of the strategic plan as the planning process gets underway, only to show little interest down the line. I'm thinking of a senior administrator who appeared exactly three times, for about 15 minutes each time, over a period of one year to express to his strategic planning task force how important their work was to the institution. At virtually every other gathering associated with the process, he sent an emissary to convey the importance of the strategic plan. Do you suppose those task force members viewed the process as extremely important?

How do leaders contribute to the success of the plan? They are present and engaged at the right times with the right people. Most important is their ongoing leadership responsibility: they think strategically. Strategic thinking is guided by vision, mission, and values. Strategic thinking and consequent action aligned with a clear vision of the future is an antidote to the inevitable environmental changes that undermine the details of strategic plans. Strategic thinking is ultimately about staying the course over time, in spite of detours caused by unforeseen circumstances.

2. Lack of consensus- having heard more than once, that the process of strategic planning is what matters, not the product. Of course, the process itself is vital; yet if an institution is serious about implementing the plan, then an excellent product is imperative.

Strategic planning is about consensus building. Done correctly, the process promotes communication, participation, and collaboration. It provides a structured forum for airing conflicts, dealing with the inevitable political struggles, and negotiating the purpose and meaning of an organization and one's place in it. While a true consensus about all issues among all stakeholders is unrealistic, engaging everyone through interviews, focus groups, surveys, open forums, and the like is essential if leaders expect them to implement the plan. Such engagement of others requires time. There are no formulas for the right amount of time. Too much and people lose interest or become mired in details; too little, and they feel unheard. Yet the results of this consensus-building process reflect the antithesis of the plan developed by committee or the lone administrator behind closed doors.

3. Too Ambitious

who can predict what will happen when bright, highly motivated, visionary people are charged to participate in strategic planning? One likely outcome is that from fertile minds will grow a garden of luscious ideas. After all, generating ideas is a core competency of an academician.

Tending the garden, however, is an altogether different task. It involves additional human and financial resources, more time and effort, and the willingness to get one's hands dirty by actually doing something with the idea. Overly ambitious plans tend to outstretch resources and become complicated in the implementation phase. They often have too many goals, including some that are simply unfeasible for the institution in a three-to-five-year window.

The problem of too many goals is exacerbated by implementation planning. We have seen strategies and goals deconstructed into literally hundreds of specific objectives. Even if an organization has full-time staff devoted to strategy and planning, such plans become unwieldy, demoralizing, and ultimately unhelpful as an actionable guide.

4. Failure to integrate the plan into the culture, operations, and budget

Failures often occur because the strategic plan is divorced from the daily life of an organization. Leaders must model the plan, and that includes talking about it—often. Every public venue and most closed venues are opportunities to stress the vision, mission, and values of the organization.

Integration involves implementing specific, measurable objectives at all levels. Tying decision making and resource allocation to the plan is vital to making it a part of the institution's daily life. From the departmental to the institutional level, all defining structures of the organization must be informed by the plan, including budgets, recruitment and development, curricula, and so forth. A fully integrated plan moves everything and everyone (well, most everyone—detractors and cynics reside in all organizations) in the same general direction.

5. Lack of momentum in the short term

The window of strategic plans continues to get smaller. When strategic planning first emerged as an institutional expectation, a plan spanning 10 years or more was not uncommon. Today, we typically advise our clients to consider a three-to-five-year window.

Even with a shorter time frame, an annual (or sometimes biennial, depending on the environment), systematic assessment of the plan is necessary for course corrections. The planning process itself should create momentum, but as noted above, if the process takes too long, then those involved begin to lose their enthusiasm. Thus the timeline is important; staying with an aggressive timeline sends the message that the planning is a serious endeavor.

Ideally, during the planning process itself, an organization will discover areas for growth and make important changes. To ensure that the strategic plan does not fall stillborn from the printer, institutions should act as quickly as possible. This means identifying those steps that can be taken in the short term and moving forward to implement them. Equally important is making sure that stakeholders know the institution has moved deliberately and decisively to act on the plan. Thus leaders must communicate their actions often and through a variety of media. Momentum in the short term conveys the message that the planning process was a serious undertaking and that the resulting strategic plan is a living document.

Strategic plans need not gather dust on a shelf. They can and should be living documents that guide an organization on a daily basis. In today's rapidly changing and unpredictable environment, a practicable strategy is more important than ever. Organizations that meet the challenges above have much better outcomes from their strategic plan.

1.9.1 Pitfalls in Strategic Planning

According to David (2011) strategic planning is an involved, intricate, and complex process that takes an organization into uncharted territory. It does not provide a ready-to-use prescription for success; instead, it takes the organization through a journey and offers a framework for addressing questions and solving problems. Being aware of potential pitfalls and being prepared to address them is essential to success. Some pitfalls to watch for and avoid in strategic planning are these:

- Using strategic planning to gain control over decisions and resources
- Doing strategic planning only to satisfy accreditation or regulatory requirements
- Too hastily moving from mission development to strategy formulation
- Failing to communicate the plan to employees, who continue working in the dark

- Top managers making many intuitive decisions that conflict with the formal plan
- Top managers not actively supporting the strategic-planning process
- Failing to use plans as a standard for measuring performance
- Delegating planning to a “planner” rather than involving all managers
- Failing to involve key employees in all phases of planning
- Failing to create a collaborative climate supportive of change
- Viewing planning as unnecessary or unimportant
- Becoming so engrossed in current problems that insufficient or no planning is done
- Being so formal in planning that flexibility and creativity are stifled.

In summary, of the challenges and pit falls listed above, the first is the greatest: the plan will succeed or fail on the strategic thinking and acting of its leaders.

1.10 Strategic Innovative Thinking into Company

When someone in a business context mentions “innovation”, we tend to think about someone like Steve Jobs, Henry Ford, or perhaps Thomas Edison. We often associate innovation with an individual and their force of personality, entrepreneurial spirit, and dogged determination to bend the world to their way. Although that viewpoint fits nicely with our hero-worship romance, it can too easily miss the actual reality of what “innovation” is, and it glosses over the imperative that all leaders face, in terms of their personal role in building sustainable innovation capabilities into their organizations. As excellent leaders already know from personal experience, the ability to continually innovate the stream of products, services, and processes can be programmed into any company by getting the mix right between strategy setting and implementation culture. However, to answer the question of *how* to program innovative thinking into company culture, we must first determine what we actually mean by “innovation” and by extension, what a “culture of innovation” actually looks like in action.

Innovation can be defined as: “the process of translating an idea or invention into a good or service that creates value or for which customers will pay” (Business Dictionary). This definition suggests that innovation: i) is a process and ii) must produce something that creates measureable value that can be economically exploited by the innovating organization. Extending that concept,

we can think of a “culture of innovation” as one where we regularly work at developing and implementing ideas that can be translated into value-adding activities for the business.

The key question now becomes: “How do management teams develop a company culture that motivates such behaviour?” The short answer is that programming “innovative thinking” into a company requires management teams to nurture two unique but complementary approaches: i) setting strategy with clarity and discipline, and ii) developing a culture that rewards experimentation and learning through doing. This programming, of course, starts with the executive team. Everyone in an organization witnesses firsthand what actual behaviour is nurtured and rewarded by management, and they evaluate the clarity of the strategies, goals, and objectives that flow down from the top.

1.10.1 Strategy Setting

Executive teams can effectively program the “strategy setting” aspect of innovative thinking into their business in the following ways:

1. Clearly articulating the business strategy and determining where key innovations in product, process, or business approach may drive compelling value.
2. Translating the strategy and the innovation intent into clear, measurable targets and ensuring that everyone understands their roles and responsibilities.
3. Ensuring alignment around that strategic intent and related action plan to help ensure everyone involved shares a common view of the strategy and is able to communicate it.
4. Working with the entire executive team on a regular basis to ensure regular and rapid feedback on implementation progress.
5. Facilitating a regular re-vectoring of the plan based on the real feedback and results gained from the marketplace, external environment, and the organization itself.

However, these activities only describe the mechanics, or process, of programming innovation. Just as we see with software programming, a solid design process must be married with meaningful content to achieve anything worthwhile out of the overall programming activity.

But, what is considered “good content” when working to program a culture of innovation? First and foremost, real innovation comes from envisioning a different game or different outcome and being open about how one might get there, while believing absolutely that the outcome is both achievable and worthwhile. Innovation is generally not driven purely by market research and focus groups, or incremental improvements; it is more disruptive and game-changing than that. The essence of innovation is best embodied in the statement commonly (mis)attributed to Henry Ford: “If I had asked my customers what they wanted, they would have said a faster horse.” (O'Toole, 2011) And, innovation does not only occur with products or services – it can also happen with process innovation.

Effective innovation starts with exploring where dramatic value might be unlocked in the business, if leadership could envision a “different future”. This in turn requires:

- a high degree of curiosity, a comfort with probing into inquiries where the answer is unknown (and possibly unknowable)
- a willingness to embark on experiments that may fail
- a bias toward reaching out and collaborating wherever and whenever possible
- a readiness to embrace failure as a learning mechanism and to reward such failure
- proactive management of timeframes such that experiments can be run long enough to clearly prove or disprove concepts, but no longer than absolutely necessary so that resources are not squandered

Therefore, the innovation content is “messy” and, in many respects, is the exact opposite of the business culture that is unwittingly built into many organizations where rewards accrue to those that play it safe, follow the rules, and support only incremental improvements.

Despite the formal statements that companies often tell about themselves about innovative thinking and thinking “outside the box”, all too often it seems that the overriding culture might be more accurately summed up as:

“This is the way we have always done it. It worked for us up to now and so the way forward is to do more of it, perhaps just more efficiently. It does not pay to experiment because failure is a one-way ticket down the ladder or out of the company. It does not pay to challenge

the strategy or question things, because I will be seen as a troublemaker or worse. And if I'm not clear on what I'm supposed to do I'm not going to declare that in public because people will think I'm thick. So, I will nod in agreement at the right time, and then go off on my own and do whatever I think needs to be done. Luckily, most everyone's goals and objectives are vague and not well managed so if I do not deliver I will likely be able to blend into the woodwork and blame the general environment as holding me back from delivering."

In a culture like this, the best people ultimately become frustrated and, not being able to find any traction for meaningful change and effective contribution, will most often leave the organization. A high rate of turnover among key employees is a tell-tale sign that significant "cultural rot" may be setting in.

1.10.2 The Structure of Innovative Thinking

Intentionally building a culture of innovation requires the antithesis of the more common "plays it safe" culture of most businesses. Working through the major structural elements in more detail allows us to explore both the discipline of strategy setting and the associated experimentation culture that combine to build "innovative thinking". These structural elements can be combined through five steps:

Step 1: Articulate the business strategy and determine key innovation areas

Unfortunately, many business strategies are not clear, precise, or measurable. At the extreme, they are merely platitudes, stating goals as: "we want to be the best in customer satisfaction" or "a clear number 1 in our market". Reasonable statements, to be sure, however they generally do not have the next level of details that addresses questions such as: "What does that actually mean?" and "How do we measure success?" If this detail is missing – and unfortunately in many cases it is – then the probability of achieving these objectives amounts to a slim chance. To further complicate things, the goals are often unclear, as are the methods of measuring progress toward them. The starting point is often also not clear or precisely defined. As an example, a typical "strategic goal" might be presented to the company as:

“Our customer-satisfaction levels are not acceptable. We need to dramatically improve them, and fast. In particular, customers complain a lot about product quality, so we have to focus on that and get a lot better, a lot more quickly. We know what we need to do – let’s go make it happen!”.

Of course the reality is that once the general cheerleading and enthusiastic demonstrations of support for improvement bleed away, all that is left are vague, empty statements that cannot be easily acted upon. Compare that situation with an actionable business objective such as:

“We need to improve our customer satisfaction levels, as measured by our standard quarterly customer survey and our random phone surveys. We are currently rated at an aggregate of 3.2 out of 5 in our surveys, with particular concern about product quality, which is rated at only 2.1 out of 5. Our business objective is to improve our scores to an aggregate of 4.5 within the next 18 months, and to score a minimum of 4.2 on the product-quality metric within the next 12 months.”

With this statement the company has clearly identified goals, targets, and measurement systems.

Step 2: Translate the strategy for innovation into clear targets

Embedded in the business-outcome statement is also a clear area for a potential product, process, or service innovation to add value: within 12 months, the goal is to double product quality, as measured by standard survey question responses. This statement forces the organization to now ask itself, “What actually drives customer satisfaction with the product quality?”, and including a requirement for a two-fold improvement helps push people outside their comfort zones and look for non-incremental solutions. Now that a clear goal has been stated, and related success measures have been identified, it is now a straightforward matter to pull together a cross-functional “tiger team” of experts, assign an executive champion, and develop a more detailed action plan for targeting this improvement area.

In our example, the tiger team may discover that the largest contributor to the dissatisfaction with “product quality” is in fact the product packaging, due to the sheer volume of over-packing required for transit safety. This finding might prompt the tiger team to consider potential what-if

scenarios involving dramatic changes in packing materials, transport options, or other potentially innovative solutions. Ideally, the tiger team will embrace potentially unorthodox approaches, such as: teaming with key customers to experiment with common processes; forming non-traditional teaming relationships within the business to provide a different perspective; and examining how other non-similar businesses and industries set about addressing similar challenges. All of these tactics go to the heart of helping embed and sustain “innovative thinking” into company culture.

Step 3: Ensure alignment of team members and communications

By the very nature of the message – very specific and clear, with measureable outcomes and target dates identified – it is much easier to test alignment across the executive team and to ensure clear and clean communications throughout the organization as to the strategic intent the company is operating within. A common problem in many executive team cultures is one of “malicious compliance”, where the strategy is publicly embraced but ignored or actively worked against inside the executives’ domain. Again, with clarity about the strategic intent, the objective and small measurable milestones that are published and regularly reviewed, this attitude becomes easier to spot and confront.

At this point, the tiger team has embarked on a number of investigations, each requiring some cross-functional resourcing, given the nature of the investigations. With clear alignment of these projects to the company’s strategic imperative of doubling product quality within 12 months, it becomes much easier to secure, support, and defend these resourcing requirements for all involved (e.g., line managers, project participants, executive sponsors), because there is high visibility and commitment to the desired outcomes.

Step 4: Implement a “heartbeat” for rapid feedback

In the course of one week, sales calls can be made, experiments can be planned and started, products can be built, critical customers and prospects can be contacted, and key projects can be moved forward by measureable amounts. Therefore, a weekly measurement discipline can become an ideal “heartbeat” timeframe for most companies. The key to making weekly “heartbeat” meetings successful is to make them an integral part of the executive team's

management system – short, regular, with a small handful of critical business metrics tracked and discussed, clear actions taken, and resulting issues taken offline and clearly addressed.

In our example, it is clear that we are not going to improve product quality from 2.1 to 4.2 in a single week, so what can be reported at the executive level that is meaningful? The role of the executive sponsor is to present a very short, meaningful update to the executive team that will provide transparency about the project and its progress, or lack thereof. The sponsor negotiates with the rest of the executive team to define what constitutes a “short, meaningful update” and presents standard metrics accordingly. The executive team also has an important role in helping to shape the scope and risk of the various investigations and experiments.

In our example, because the doubling of product quality is a stretch goal, it is critical for progress to be reported transparently. It is also essential for everyone to have a clear understanding of the overall portfolio of activities, what might constitute success for each activity, and how each activity contributes to the overall strategic goal. It is the executive sponsor’s responsibility to ensure that the tiger team is infused with “innovative thinkers” and has access to the resources it needs to push forward; it is the executive team’s responsibility to ensure that the executive sponsor and tiger team have a clear understanding of their approach to their design challenges and related success measures.

Step 5: Regularly update the plan to adapt to reality

In any organization, plans go awry for a multitude of reasons. As Field Marshal, Helmuth von Moltke the Elder makes clear: “No plan survives first contact with the enemy.” Moltke was not implying that plans were not important, but rather that it is a matter of having a plan and adjusting it in real time as the picture evolves. Weekly “heartbeat” meetings provide a mechanism for receiving regular feedback and, when progress is slow or the expected results do not materialize, the executive team can have an intelligent, data-driven conversation about whether the plan “as is” still makes sense or must be changed. This moment is when the executive team must put their expressions of support into action and show the tiger team that experimentation trumps the status quo, that rapid exploration and failure is strongly preferred

over playing it safe, and that the company culture not only supports but rewards a culture of experimentation.

This weekly routine – and the degree to which the executive team embraces it – is a direct measure of the company's management discipline. The ability to embrace, build, and continually fine-tune this “discipline habit”, combined with the ability to build and nurture a real culture of experimentation and "learning by doing", is a core competence of an effective executive team.

In summary, with the approach described here, it is indeed possible to program innovative thinking into company culture. A culture that continually seeks to question the status quo, that embraces experimentation and the failure that often accompanies it, that seeks and encourages feedback to provide greater context, and that is unafraid to react to changing circumstances in the pursuit of measureable business success, greatly improves its chances of success. By the very definition of “innovative thinking”, such a culture will continue to innovate – that is, to work at continually translating ideas, insights, and inventions into goods, services, and business processes that create value for the company.

1.11 Conclusion

We have seen in this unit that strategic thinking is a process that defines the manner in which people think about, assess, view, and create the future for themselves and others. The intend focus, a system perspective, thinking in time, intelligent opportunism and hypothesis drives the need for this critical thinking. Also, the mindset and characteristics that can affects strategic thinking of potential entrepreneurs were seen .More importantly, some pit falls were identified by David,2011.The importance of planning and organising skills, steps to succeed and improve effectiveness of strategic leadership was cardinal.

1.12. References / Suggested Textbooks for Further Reading

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1.13 Assignment File

1. Define strategic thinking?
2. What is the importance of strategic thinking to business?

1.14 Tutor-Marked Assignments

1. Discuss the elements of strategic thinking known to you.
2. Discuss the role of strategic thinking in business planning.
3. Explain clearly the common challenges of strategic planning.

MODULE 2

Module Objectives

At the end of these units, you should be able to:

- Define strategy and level of strategies
- -Understand intensive strategies and strategic situation
- -Understand identify strengths and weaknesses in business plan and strategic tools
- Understand more details of analysis for strategic tools or models

2.0 Introduction

You have probably heard the term "business strategy" used in the workplace. But what *is* strategy exactly? And are you aware that you need different types of strategy at different levels within your organization?

In this material, we are looking at some common definitions of strategy. We will focus on three strategic levels – corporate strategy, business unit strategy, and team strategy – and we will look at some of the core tools and models associated with each area.

2.1 Definition of Strategy

Strategy has been studied for years by business leaders and by business theorists. Yet, there is no definitive answer about what strategy really is. One reason for this is that people think about strategy in different ways. For instance, some people believe that you must analyze the present carefully, anticipate changes in your market or industry, and, from this, plan how you will succeed in the future. Meanwhile, others think that the future is just too difficult to predict, and they prefer to evolve their strategies organically.

Gerry Johnson and Kevan Scholes, authors of "Exploring Corporate Strategy," say that strategy determines the direction and scope of an organization over the long term, and they say that it should determine how resources should be configured to meet the needs of markets and stakeholders.

Michael Porter, a strategy expert and professor at Harvard Business School, emphasizes the need for strategy to define and communicate an organization's unique position, and says that it should determine how organizational resources, skills, and competencies should be combined to create competitive advantage.

While there will always be some evolved element of strategy, at Mind Tools, we believe that planning for success in the marketplace is important; and that, to take full advantage of the opportunities open to them, organizations need to anticipate and prepare for the future at all levels.

For instance, many successful and productive organizations have a corporate strategy to guide the big picture. Each business unit within the organization then has a business unit strategy, which its leaders use to determine how they will compete in their individual markets.

In turn, each team should have its own strategy to ensure that its day-to-day activities help move the organization in the right direction. At each level, though, a simple definition of strategy can be: "Determining how we are going to win in the period ahead." "A device ways of achieving the organizational goals"

We will now look more deeply at each level of strategy – corporate, business unit, and team.

2.2.1 Corporate Strategy

In business, corporate strategy refers to the overall strategy of an organization that is made up of multiple business units, operating in multiple markets. It determines how the corporation as a whole supports and enhances the value of the business units within it; and it answers the question, "How do we structure the overall business, so that all of its parts create more value together than they would individually?"

Corporations can do this by building strong internal competences, by sharing technologies and resources between business units, by raising capital cost-effectively, by developing and nurturing a strong corporate brand, and so on.

So, at this level of strategy, we are concerned with thinking about how the business units within the corporation should fit together, and understanding how resources should be deployed to create the greatest possible value. Tools like Porter's Generic Strategies, the Boston Matrix, the ADL Matrix and VRIO Analysis will help with this type of high-level analysis and planning.

The organization's design is another important strategic factor that needs to be considered at this level. How you structure your business, your people, and other resources – all of these affect competitive advantage and can support your strategic goals.

2.2.2 Business Unit Strategy

Strategy at the business unit level is concerned with competing successfully in individual markets, and it addresses the question, "How do we win in this market?" However, this strategy needs to be linked to the objectives identified in the corporate level strategy.

Competitive analysis, including gathering competitive intelligence, is a great starting point for developing a business unit strategy. As part of this, it's important to think about your core competencies, and how you can use these to meet your customers' needs in the best possible way. From there you can use USP Analysis to understand how to strengthen your competitive position.

You will also want to explore your options for creating and exploiting new opportunities. Porter's Five Forces is a must-have tool for this process; while a SWOT Analysis will help you understand and address the opportunities and threats in your market.

Note:

For smaller businesses, corporate and business unit strategy may overlap or be the same thing. However, if an organization is competing in different markets, then each business unit needs to think about its own strategic direction. It's important, though, that each business unit's strategy is aligned with the overall strategy of the corporation, particularly where the corporation's brand is important.

Your business unit strategy will likely be the most visible level of strategy within each business area. People working within each unit should be able to draw direct links between this strategy and the work that they're doing. When people understand how they can help their business unit "win," you have the basis for a highly productive and motivated workforce. As such, it's important to have a clear definition of the business unit's mission, vision and values.

2.2.3 Team Strategy

To execute your corporate and business unit strategies successfully, you need teams throughout your organization to work together. Each of these teams has a different contribution to make, meaning that each team needs to have its own team-level strategy, however simple.

This team strategy must lead directly to the achievement of business unit and corporate strategies, meaning that all levels of strategy support and enhance each other to ensure that the organization is successful.

This is where it's useful to define the team's purpose and boundaries using, for example, a team charter; and to manage it using techniques such as Management by Objectives and use of key performance indicators.

You need to be working efficiently to achieve the strategic objectives that have been set at higher levels of the organization; so, an important element of your team strategy is to implement best practices to help your team to meet its objectives. Activities that optimize supplier management, quality, and operational excellence are also important factors in creating and executing an effective team strategy.

In summary:

Strategy can be difficult to define, but a good definition is: "Determining how we will win in the period ahead." In business there are different levels of strategy. Each of these has a different focus, and needs different tools and skills. Corporate strategy focuses on the organization as a whole, while business unit strategy focuses on an individual business unit or market. Finally, team strategy identifies how a team will help the organization meet its overall goals and objectives.

2.3 Intensive Strategies

Market penetration, market development, and product development are sometimes referred to as *intensive strategies* because they require intensive efforts if a firm's competitive position with

existing products is to improve. A strategic thinker must understand this situation of things as he/she moves into issues of strategy.

2.3.1Market Penetration

A *market penetration* strategy seeks to increase market share for present products or services in present markets through greater marketing efforts. This strategy is widely used alone and in combination with other strategies. Market penetration includes increasing the number of salespersons, increasing advertising expenditures, offering extensive sales promotion items, or increasing publicity efforts. Coke in 2009/2010 spent millions on its new advertising slogan, “Open Happiness,” which replaced “The Coke Side of Life.”

These five guidelines indicate when market penetration may be an especially effective strategy; hence strategic thinking entrepreneur should note.

- When current markets are not saturated with a particular product or service.
- When the usage rate of present customers could be increased significantly.
- When the market shares of major competitors have been declining while total industry sales have been increasing.
- When the correlation between dollar sales and dollar marketing expenditures historically has been high.
- When increased economies of scale provide major competitive advantages.

2.3.2Market Development

Market development involves introducing present products or services into new geographic areas. For example, Retailers such as Wal-Mart Stores, Carrefour SA, and Tesco PLC are expanding further into China in 2009/2010 even in a world of slumping sales. Tesco is opening fewer stores in Britain to divert capital expenditures to China. French hypermarket chain Carrefour is opening 28 stores in China in 2009, up from 22 in 2008. Wal-Mart opened 30 stores in China in 2008 and plans to nearly double that number in 2009. Wal- Mart had roughly 250 stores in China at year-end 2009. Housing goods giant Ikea plans to build two more stores in

China in 2009 to have eight stores total. All of these market development strategies come in the face of a slowing Chinese economy and faltering consumer confidence among Chinese consumers.

Delta Air Lines in 2009 began serving 15 new international destinations as part of a strategy by the Atlanta-based carrier to derive more traffic from international routes. This market development strategy is being implemented largely by deploying its recently acquired Northwest Airlines big jets from unprofitable domestic routes to global routes, especially into Asia, where Delta previously had only a few routes.

Another clear explanation is PepsiCo Inc spending \$1 billion in China from 2009 to 2012 to build more plants, specifically in western and interior areas of China. Also in China, PepsiCo is developing products tailored to Chinese consumers, building a larger sales force, and expanding research and development efforts. China is Pepsi's second-largest beverage market by volume, behind the United States. Pepsi owns Lay's potato chips and in China sells the chips with Beijing duck flavor. Pepsi has 41 percent share of the potato chip market in China. Pepsi's new market development strategy is aimed primarily at rival Coke, which dominates Pepsi in the carbonated-soft-drink sector in China; Coke has a 51.9 percent share of the market to Pepsi's 32.6 percent.

The National Open University of Nigeria, (NOUN) has networking capacity to enter into another country to provide educational services. More students would be attended to by NOUN. When this happens, then they are seen doing market development because other people from other places are actually getting their services and obtaining degrees.

These six guidelines indicate when market development may be an especially effective strategy:

- When new channels of distribution are available that are reliable, inexpensive, and of good quality.
- When an organization is very successful at what it does.
- When new untapped or unsaturated markets exist.
- When an organization has the needed capital and human resources to manage expanded operations.

- When an organization has excess production capacity.
- When an organization's basic industry is rapidly becoming global in scope.

2.3.3 Product Development

Product development is a strategy that seeks increased sales by improving or modifying present products or services. Product development usually entails large research and development expenditures. Google's new Chrome OS operating system illuminates years of monies spent on product development. Google expects Chrome OS to overtake Microsoft Windows by 2015.

These five guidelines indicate when product development may be an especially effective strategy to pursue:

- When an organization has successful products that are in the maturity stage of the product life cycle; the idea here is to attract satisfied customers to try new (improved) products as a result of their positive experience with the organization's present products or services.
- When an organization competes in an industry that is characterized by rapid technological developments.
- When major competitors offer better-quality products at comparable prices.
- When an organization competes in a high-growth industry.
- When an organization has especially strong research and development capabilities.

2.3.4 Diversification Strategies

Businesses are said to be *related* when their value chains possess competitively valuable cross-business strategic fits; businesses are said to be *unrelated* when their value chains are so dissimilar that no competitively valuable cross-business relationships exist. Most companies favor related diversification strategies in order to capitalize on synergies as follows:

- Transferring competitively valuable expertise, technological know-how, or other capabilities from one business to another.
- Combining the related activities of separate businesses into a single operation to achieve lower costs.

- Exploiting common use of a well-known brand name.
- Cross-business collaboration to create competitively valuable resource strengths and capabilities.

Diversification strategies are becoming less popular as organizations are finding it more difficult to manage diverse business activities. In the 1960s and 1970s, the trend was to diversify so as not to be dependent on any single industry, but the 1980s saw a general reversal of that thinking. Diversification is now on the retreat. Michael Porter, of the Harvard Business School, says, “Management found it could not manage the beast.”

Hence businesses are selling, or closing, less profitable divisions to focus on core businesses.

The greatest risk of being in a single industry is having all of the firm’s eggs in one basket. Although many firms are successful operating in a single industry, new technologies, new products, or fast-shifting buyer preferences can decimate a particular business.

For example, digital cameras are decimating the film and film processing industry, and cell phones have permanently altered the long-distance telephone calling industry.

Diversification must do more than simply spread business risk across different industries, however, because shareholders could accomplish this by simply purchasing equity in different firms across different industries or by investing in mutual funds. Diversification makes sense only to the extent the strategy adds more to shareholder value than what shareholders could accomplish acting individually. Thus, the chosen industry for diversification must be attractive enough to yield consistently high returns on investment and offer potential across the operating divisions for synergies greater than those entities could achieve alone.

2.4 Strategic Situation Analysis

In order to profitably satisfy customer needs, the firm first must understand its external and internal situation, including the customer, the market environment, and the firm's own capabilities. Furthermore, it needs to forecast trends in the dynamic environment in which it operates.

A useful framework for performing a situation analysis is the **5 C Analysis**. The 5C analysis is an environmental scan on five key areas especially applicable to marketing decisions. It covers the internal, the micro-environmental, and the macro-environmental situation. The 5 C analysis is an extension of the 3 C analysis (company, customers, and competitors), to which some marketers added the 4th C of collaborators. The further addition of a macro-environmental analysis (climate) results in a 5 C analysis, some aspects of which are outlined below for a careful entrepreneur to note and think of how to observe them strategically.

Company

- Product line
- Image in the market
- Technology and experience
- Culture
- Goals

Collaborators

- Distributors
- Suppliers
- Alliances

Customers

- Market size and growth
- Market segments
- Benefits that consumer is seeking, tangible and intangible.
- Motivation behind purchase; value drivers, benefits vs. costs
- Decision maker or decision-making unit
- Retail channel - where does the consumer actually purchase the product?
- Consumer information sources - where does the customer obtain information about the product?
- Buying process; e.g. impulse or careful comparison

- Frequency of purchase, seasonal factors
- Quantity purchased at a time
- Trends - how consumer needs and preferences change over time

Competitors

- Actual or potential
- Direct or indirect
- Products
- Positioning
- Market shares
- Strengths and weaknesses of competitors

Climate (or context)

The climate or macro-environmental factors are:

- Political and regulatory environment - governmental policies and regulations that affect the market
- Economic environment - business cycle, inflation rate, interest rates, and other macroeconomic issues
- Social/Cultural environment - society's trends and fashions
- Technological environment - new knowledge that makes possible new ways of satisfying needs; the impact of technology on the demand for existing products.

The analysis of the four external "climate" factors often is referred to as a PEST analysis.

Information Sources

Customer and competitor information specifically oriented toward marketing decisions can be found in market research reports, which provide a market analysis for a particular industry. For foreign markets, country reports can be used as a general information source for the macro-environment. By combining the regional and market analysis with knowledge of the firm's own

capabilities and partnerships, the firm can identify and select the more favorable opportunities to provide value to the customer.

2.5 PEST Model Analysis

A PEST analysis is an analysis of the external macro-environment that affects all firms. P.E.S.T. is an acronym for the Political, Economic, Social, and Technological factors of the external macro-environment. Such external factors usually are beyond the firm's control and sometimes present themselves as threats. Entrepreneur need to strategically think carefully of when this tool is appropriate for his/her business. However, changes in the external environment also create new opportunities and the letters sometimes are rearranged to construct the more optimistic term of STEP analysis.

Many macro-environmental factors are country-specific and a PEST analysis will need to be performed for all countries of interest. The following are examples of some of the factors that might be considered in a PEST analysis. Strategic entrepreneurs need to follow and understand these elements within individual factors to make businesses easier.

Political Analysis

- Political stability
- Risk of military invasion
- Legal framework for contract enforcement
- Intellectual property protection
- Trade regulations & tariffs
- Favored trading partners
- Anti-trust laws
- Pricing regulations
- Taxation - tax rates and incentives
- Wage legislation - minimum wage and overtime
- Work week
- Mandatory employee benefits
- Industrial safety regulations

- Product labeling requirements

Economic Analysis

- Type of economic system in countries of operation
- Government intervention in the free market
- Comparative advantages of host country
- Exchange rates & stability of host country currency
- Efficiency of financial markets
- Infrastructure quality
- Skill level of workforce
- Labor costs
- Business cycle stage (e.g. prosperity, recession, recovery)
- Economic growth rate
- Discretionary income
- Unemployment rate
- Inflation rate
- Interest rates

Social Analysis

- Demographics
- Class structure
- Education
- Culture (gender roles, etc.)
- Entrepreneurial spirit
- Attitudes (health, environmental consciousness, etc.)
- Leisure interests

Technological Analysis

- Recent technological developments
- Technology's impact on product offering

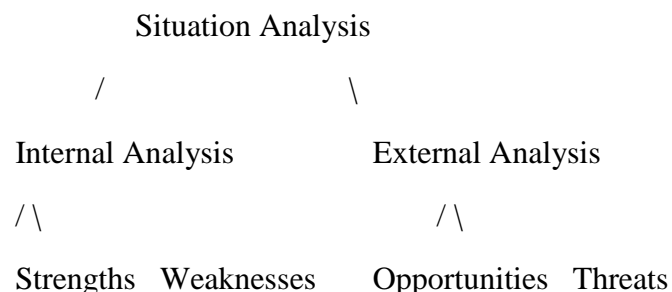
- Impact on cost structure
- Impact on value chain structure
- Rate of technological diffusion

The number of macro-environmental factors is virtually unlimited. In practice, the firm must prioritize and monitor those factors that influence its industry. Even so, it may be difficult to forecast future trends with an acceptable level of accuracy. In this regard, the firm may turn to scenario planning techniques to deal with high levels of uncertainty in important macro-environmental variables.

2.6 SWOT ANALYSIS AND PROFILES

The SWOT analysis is a simple framework/model for generating strategic alternatives from a situation analysis. It is applicable to either the corporate level or the business unit level and frequently appears in marketing plans. SWOT (sometimes referred to as TOWS) stands for Strengths, Weaknesses, Opportunities, and Threats. The SWOT framework was described in the late 1960's by Edmund P. Learned, C. Roland Christiansen, Kenneth Andrews, and William D. Guth in *Business Policy, Text and Cases* (Homewood, IL: Irwin, 1969). The General Electric Growth Council used this form of analysis in the 1980's. Because it concentrates on the issues that potentially have the most impact, the SWOT analysis is useful when a very limited amount of time is available to address a complex strategic situation.

The following diagram shows how a SWOT analysis fits into a strategic situation analysis.



SWOT Profile

The internal and external situation analysis can produce a large amount of information, much of which may not be highly relevant. The SWOT analysis can serve as an interpretative filter to reduce the information to a manageable quantity of key issues. The SWOT analysis classifies the internal aspects of the company as strengths or weaknesses and the external situational factors as opportunities or threats. Strengths can serve as a foundation for building a competitive advantage, and weaknesses may hinder it. By understanding these four aspects of its situation, a firm can better leverage its strengths, correct its weaknesses, capitalize on golden opportunities, and deter potentially devastating threats.

Internal Analysis

The internal analysis is a comprehensive evaluation of the internal environment's potential strengths and weaknesses. Factors should be evaluated across the organization in areas such as:

- Company culture
- Company image
- Organizational structure
- Key staff
- Access to natural resources
- Position on the experience curve
- Operational efficiency
- Operational capacity
- Brand awareness
- Market share
- Financial resources
- Exclusive contracts
- Patents and trade secrets

The SWOT analysis summarizes the internal factors of the firm as a list of strengths and weaknesses.

External Analysis

An opportunity is the chance to introduce a new product or service that can generate superior returns. Opportunities can arise when changes occur in the external environment. Many of these changes can be perceived as threats to the market position of existing products and may necessitate a change in product specifications or the development of new products in order for the firm to remain competitive. Changes in the external environment may be related to:

- Customers
- Competitors
- Market trends
- Suppliers
- Partners
- Social changes
- New technology
- Economic environment
- Political and regulatory environment

The last four items in the above list are macro-environmental variables, and are addressed in a PEST analysis.

The SWOT analysis summarizes the external environmental factors as a list of opportunities and threats.

SWOT Profile

When the analysis has been completed, a SWOT profile can be generated and used as the basis of goal setting, strategy formulation, and implementation. The completed SWOT profile sometimes is arranged as follows and to give an entrepreneurs guide on how to look or take decisions as regards the prevailing situations. This is about knowing and understanding the

business environment which is actually the internal and external .The chart below will give better details of what it means and the elements in individual profiles. I decided to insert three possible elements in the matrix below and I urge students to think strategically what other possible elements could be.

The summary of this are as in the matrix below:

| Strengths | Weaknesses |
|---|--|
| 1. Capital 2.connection 3.languages . . . | 1. Inadequate capital 2 .poor communication 3. Low sales . . . |
| Opportunities | Threats |
| 1. Niche Market 2. Instant contact with buyer. 3. Availability of Raw Materials. . . . | 1. New Technology 2. Insecurity (In the North East) 3.Competitors . . . |

SWOT Matrix, Researcher's Concept, 2017.

When formulating strategy, the interaction of the quadrants in the SWOT profile becomes important. For example, the strengths can be leveraged to pursue opportunities and to avoid threats, and managers can be alerted to weaknesses that might need to be overcome in order to successfully pursue opportunities.

Multiple Perspectives Needed

The method used to acquire the inputs to the SWOT matrix will affect the quality of the analysis. If the information is obtained hastily during a quick interview with the CEO, even though this one person may have a broad view of the company and industry, the information would represent a single viewpoint. The quality of the analysis will be improved greatly if interviews are held with a spectrum of stakeholders such as employees, suppliers, customers, strategic partners, etc.

SWOT Analysis Limitations

While useful for reducing a large quantity of situational factors into a more manageable profile, the SWOT framework has a tendency to oversimplify the situation by classifying the firm's environmental factors into categories in which they may not always fit. The classification of some factors as strengths or weaknesses, or as opportunities or threats is somewhat arbitrary. For example, a particular company culture can be either strength or a weakness. A technological change can be either a threat or an opportunity. Perhaps what are more important than the superficial classification of these factors are the firm's awareness of them and its development of a strategic plan to use them to its advantage.

2.6.1 How to Identify Strengths and Weaknesses in a Business Plan

Strong business plans provide a road map for turning your small business into a profitable enterprise. Weaknesses in a business plan indicate one of two things -- either the plan was not well written and researched, or the business concept is not sound. Once you identify the strengths and weaknesses in your plan, you can decide how much time and money to put into the endeavor. Weaknesses in a business plan used to secure funding often suggest the plan is not deserving of an infusion of cash, a big negative if that's the purpose of your plan, (Wagner, 2007).

1. Market Analysis

A thorough analysis of your potential market is critical to creating a strong business plan. The plan should explain the characteristics of your market and suggest how much of the market you

hope to capture. A strong marketing analysis section also shows why customers want to buy what you offer rather than the competition's products or services. A weak marketing analysis section does not mention industry trends and the effect of those trends on your business. Regulatory trends are also important if they pertain to your business idea; without them, your business plan seems unfinished and lacking information.

2. Competition

Your business plan needs to provide full details about your competitors. Every business has competition, even if you're a small business competing with much larger companies. Even the only bakery in town has competitors, including the local church that holds monthly bake sales, the grocery store and kids selling cookies for fundraisers. A plan suggesting you have no competitors indicates a major weakness in understanding your market. Providing detailed information about each of your competitors in regards to their market position, offerings, strengths and weaknesses shows you've thoroughly examined the competition. Your analysis might conclude that gaining market share against your competitors will be difficult, indicating a potentially weak business idea due to a saturated market.

3. Marketing

A solid marketing plan is always part of a good business plan. The marketing plan explains your sales and marketing strategies for convincing prospects to become customers. A marketing plan broken down by quarter that shows the activities you plan to use indicates a well-thought out plan. Smaller companies should not feel afraid to list the exact activities they plan to use, such as advertising in a local newspaper, sending follow-up postcards to interested prospects and sending thank you notes to customers. These potential efforts help convince funding sources you know what to do to get business. You also need to explain your distribution channels if you plan to sell products.

4. Management

Providing detailed bios and background information about your executive and management team is critical to a strong business plan. The plan should explain the experience and expertise of each

person and how that translates into productive management of your business. Even if you are a sole proprietor or the only executive among your employees, you should explain your qualifications to handle the company's day-to-day management. If you or your team does not appear qualified enough to a bank or investor, this is a potential sign of weakness that your company may not succeed in becoming a stable, profitable company.

5. Financials

Strong business plans include all the financial documents needed to analyze and calculate your cash flow, income projections and expenses. The documents should include financial statements and realistic operating budgets. If you are looking for funding for a startup, your income and expense projections need to make sense. If it sounds like you have made them up, your plan looks weak, and you are unlikely to get funding.

Analyzing Your Business's Strengths, Weaknesses, Opportunities, and Threats

SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) is a method of assessing a business, its resources, and its environment. Doing an analysis of this type is a good way to better understand a business and its markets, and can also show potential investors that all options open to, or affecting a business at a given time have been thought about thoroughly.

The essence of the SWOT analysis is to discover what you do well; how you could improve; whether you are making the most of the opportunities around you; and whether there are any changes in your market—

such as technological developments, mergers of businesses, or unreliability of supplier that may require corresponding changes in your business. This action list will introduce you to the ideas behind the SWOT analysis, and give suggestions as to how you might carry out one of your own.

The SWOT process focuses on the internal strengths and weaknesses of you, your staff, your products, and your business. At the same time, it looks at the external opportunities and threats that may have an impact on your business, such as market and consumer trends, changes in technology, legislation, and financial issues.

2.6.2 What is the best way to complete the analysis?

The traditional approach to completing SWOT is to produce a blank grid of four columns— one each for strengths, weaknesses, opportunities, and weaknesses—and then list relevant factors beneath the appropriate heading. Do not worry if some factors appear in more than one box and remember that a factor that appears to be a threat could also represent a potential opportunity. A rush of competitors into your area could easily represent a major threat to your business. However, competitors could boost customer numbers in your area, some of whom may well visit your business.

2.6.3 What is the point of completing a SWOT analysis?

Completing a SWOT analysis will enable you to pinpoint your core activities and identify what you do well, and why. It will also point you towards where your greatest opportunities lie, and highlight areas where changes need to be made to make the most of your business.

2.6.4 What to Do-Know Your Strengths

Take some time to consider what you believe are the strengths of your business. These could be seen in terms of your staff, products, customer loyalty, processes, or location, see above SWOT matrix for more elements. Evaluate what your business does well; it could be your marketing expertise, your environmentally-friendly packaging, or your excellent customer service. It's important to try to evaluate your strengths in terms of how they compare to those of your competitors. For example, if you and your competitors provide the same prompt delivery time, then this cannot be listed as strength.

However, if your delivery staff is extremely polite and helpful, and your competitor's staff has very few customer-friendly attributes, then you should consider listing your delivery staff's attitude as strength. It is very important to be totally honest and realistic. Try to include some personal strengths and characteristics of your staff as individuals, and the management team as individuals. Whatever you do, you must be totally honest and realistic: there's no point creating a useless work of fiction!

2.6.5 Recognize Your Weaknesses

Try to take an objective look at every aspect of your business. Ask yourself whether your products and services could be improved. Think about how reliable your customer service is, or whether your supplier always delivers exactly what you want and when you want it. Try to identify any area of expertise that is lacking in the business. As you can then take steps to improve that aspect. For example, you might realize that you need some more sales staff, or financial help and guidance. Do not forget to think about your business's location and whether it really does suit your purpose. Is there enough parking, or enough opportunities to attract passing trade?

Your main objective during this exercise is to be as honest as you can in listing weaknesses. Do not just make a list of mistakes that have been made, such as an occasion when a customer was not called back promptly. Try to see the broader picture instead and learn from what happened. It may be that your systems or processes could be improved so that customers are contacted at the right time, so work on boosting your systems and making that change happen rather than looking about for someone to blame.

It's a good idea to get an outside viewpoint on what your weaknesses are as your own perceptions may not always marry up to reality. You may strongly believe that your years of experience in a sector reflect your business's thorough grounding and knowledge of all of your customers' needs. Your customers, on the other hand, may perceive this wealth of experience as an old-fashioned approach that shows unwillingness to change and work with new ideas. Be prepared to hear things you may not like, but which, ultimately, may be extremely helpful.

2.6.6 Spot the Opportunities

Completing a SWOT analysis will enable you to pinpoint your core activities and identify what you do well, and why. It will also point you towards where your greatest opportunities lie, and highlight areas where changes need to be made to make the most of your business.

External opportunities can include the misfortune of competitors who are not performing well, providing you with the opportunity to do better. There may be technological developments that you could benefit from, such as broadband arriving in your area, or a new process enhancing

your products. There may be some legislative changes affecting your customers, offering you an opportunity to provide advice, support, or added services. Changes in market trends and consumer buying habits may provide the development of a niche market, of which you could take advantage before your competitors, if you are quick enough to take action.

Another good idea is to consider your weaknesses more carefully, and work out ways of addressing the problems, turning them around in order to create an opportunity. For example, the pressing issue of a supplier who continually lets you down could be turned into an opportunity by sourcing another supplier who is more reliable and who may even offer you a better deal. If a member of staff leaves, you have an opportunity to re-evaluate duties more efficiently or to recruit a new member of staff who brings additional experience and skills with them.

2.6.7 Watch Out for Threats

Analyzing the threats to your business requires some guesswork, and this is where your analysis can be overly subjective. Some threats are tangible, such as a new competitor moving into your area, but others may be only intuitive guesses that result in nothing.

Having said that, it's much better to be vigilant because if potential threat does become a real one, you will be able to react much quicker: you will have considered your options already and hopefully also put some contingency planning into place.

Think about the worst things that could realistically happen, such as losing your customers to your major competitor, or the development of a new product far superior to your own. Listing your threats in your SWOT analysis will provide ways for you to plan to deal with the threats, if they ever actually start to affect your business.

2.6.8 Use Your Analysis

After completing your SWOT analysis, it's vital that you learn from the information you have gathered. You should now plan to build on your strengths, using them to their full potential, and

also plan to reduce your weaknesses, either by minimizing the risk they represent, or making changes to overcome them. Now that you understand where your opportunities lie, make the most of them and aim to capitalize on every opportunity in front of you. Try to turn threats into opportunities. Try to be proactive, and put plans into place to counter any threats as they arise. To help you in planning ahead, you could combine some of the areas you have highlighted in the boxes; for example, if you see an external opportunity of a new market growing, you will be able to check whether your internal strengths will be able to make the most of the opportunity. For example, do you have enough trained staff in place, and can your phone system cope with extra customer orders?

If you have a weakness that undermines an opportunity, it provides a good insight as to how you might develop your internal strengths and weaknesses to maximize your opportunities and minimize your threats.

The basic SWOT process is to fill in the four boxes, but the real benefit is to take an overview of everything in each box, in relation to all the other boxes. This comparative analysis will then provide an evaluation that links external and internal forces to help your business prosper.

Do not just focus on the large, obvious issues, such as a major competitor encroaching on your business. You need to consider all issues carefully, such as whether your Internet system provides everything you need or whether your staffing levels are as they should be.

Do take advantage of other people's contribution when you are completing your SWOT analysis; do not try and do it alone. Other people's perspectives can be very useful, particularly as they may not be as close to the business as you are. This distance can often help them see answers to thorny questions more easily, or to be more innovative: we all get stuck in a rut at points.

Do not do a SWOT analysis once and then never repeat the exercise. Your business environment will be constantly changing, so use SWOT as an ongoing business analysis practice.

Use SWOT as part of an overall strategy to analyze your business and its potential. It is a useful guide, not major decision-making tools so do not base major decisions on this analysis and nothing else.

2.6.9 Examples of Weaknesses in SWOT Analysis

Small businesses use SWOT analysis to examine the strengths and weaknesses of their businesses, and to identify potential opportunities and threats. Uncovering these factors can help small business owners focus on growing their businesses and attracting customers. Weaknesses, as identified in SWOT analysis, focus on areas a business can improve upon so that it doesn't lose sales or ruin the company's reputation.

1. Online Presence

Consumers are increasing use of the Internet to research companies, find their contact information and browse their inventories. Some traditional brick-and-mortar operations do not have an online presence, such as is found on websites or in social networking profiles, so it is hard for potential customers to find them. Small businesses might lose customers if their competitors are online.

2. Branding and Reputation

Small businesses have competition that may have better branding and better reputation than they have established. This type of weakness is prevalent when customers are already familiar with a specific store or brand, and then a small business creates or offers a competing product or service. Companies with better brand recognition, and established reputations, see a higher percentage of the market share, which is a potential weakness for a small operation.

3. Outdated Technology

Today's business world relies on technology for everything from inventory management to communicating with customers. When a business uses outdated technology it can slow down productivity and contribute to the business losing money. For example, if a graphic design company uses a desktop publishing program that most printers don't use anymore, it could limit the types of printers the company could work with and negatively impact how files are formatted and transferred.

4. Marketing Budget

Marketing is a key factor in promoting products and services to customers, whether through pay-per-click campaigns or by offering product samples to potential customers. If a business lacks the budget for marketing, this is a major weakness that can affect how much of the market share a business acquires, and how high its sales are from quarter to quarter.

5. Human Resources

Limited human resources are weakness to many small business owners discover they have when they do their SWOT analysis. Limited human resources can include having a small staff, which makes it difficult to tackle every item on the company's to-do list. On the other hand, a company with a full staff that lacks the skills and training necessary to perform tasks can be a hindrance to an organization. If a company wants to launch its social media presence, but none of the staff has experience in social media, it can be a major weakness for the company. Either they'll have to hire a consultant, or risk an unsuccessful social media launch.

2.7 Conclusion

In this unit we have seen that strategy focused on three levels- Corporate, Business and Team strategy. There were seen and discussed which could let you determine the direction and scope of an organisation over long term. The issues that determine how resources should be configured to meet the need of the markets and stakeholders are strategic matter to entrepreneurs. The intensive strategies which are market penetration, market development, product development and diversification were discussed to make you have a good focus as regards thinking critical for your business. We did see the tools of strategic analysis-SWOT and PEST models to scan business environments before taking decisions, explanations of weaknesses in SWOT analysis were clearly seen.

2.8 Suggested Textbooks for Further Reading

1. Bhargava,P. (2014) Five elements of thinking strategically; Management Trainee at CRISIL

2. Stanleigh, M. (2016) The Role of Strategic Thinking in Business Planning CMC, CSP, CSM

is the CEO of Business Improvement Architects. Michael Stanleigh at

mstanleigh@bia.ca

2.8 Assignment File

1. A PEST analysis is an analysis of the external macro-environment that affects all firms. Discuss.
2. How do you identify strengths and weaknesses in a business plan?
3. Define strategy as you understand it.

2.9 Tutor Marked Assignment

1. Write a short note on the followings strategies:
 - a. Market Penetration
 - b. Market Development
 - c. Product Development
 - d. Diversification Strategies.
2. As a careful entrepreneur, explain in detail, 5Cs analysis to note and think strategically on their observation.

MODULE 3

Module Objectives

At the end of these units, you should be able to:

--Understand definition of lateral thinking and categories of tools of lateral thinking.

- Understand lateral thinking techniques and application of the lateral in marketing process
- Understand ways to market products through vertical, horizontal or lateral
- Understand elements, thinking modes, ideation methods and selection-SCAMPER

3.0 Introduction to Lateral Thinking

With logic you start out with certain ingredients just as in playing chess you start out with given pieces. But what are those pieces? In most real life situations the pieces are not given, we just assume they are there. We assume certain perceptions, certain concepts and certain boundaries. Lateral thinking is concerned not with playing with the existing pieces but with seeking to change those very pieces. Lateral thinking is concerned with the perception part of thinking. This is where we organise the external world into the pieces we can then 'process'.

Lateral thinking is the process of using information to bring about creativity and insight restructuring. Lateral thinking can be learned, practiced and used. It is possible to acquire skill in it just as it is possible to acquire skill in mathematics and entrepreneurial business.

Edward de Bono - from the de Bono Creativity Course; A healthy human brain does not want to always be creative, it is designed to figure out how to do things or how to think about things and then 'locks' that automatic response or behaviour into a subconscious process so that your conscious brain can focus on other matters.

Forbes Magazine states, if you have not heard of Edward de Bono or of Lateral Thinking, perhaps you have been too busy thinking in conventional ways. This is why De Bono developed the Lateral thinking techniques to help overcome our natural proclivity to get 'locked' into patterns and allow you to be creative on demand. These techniques can be used by individuals and groups as a way to develop creative and innovative ideas for business activity.

Creativity is a messy and confusing subject. Much of the difficulty arises directly from the words "creative" and "creativity." At the simplest level "creative" means bringing into being something that was not there before. Understanding the need for creativity in business and industry today is the easy part. Everyone is faced with the need to create a new product or service, solve a

problem, or have the leading edge over the competitors. Understanding the process of creativity and how individuals can learn skills to be creative is what causes the confusion. This creation requires a special skill.

The Lateral Thinking issue teaches individuals creativity and the skill of generating ideas while using their knowledge and experience. This is very important to business and particularly, the new business people who must be creative in producing and offering their product and service to their market which they serve. The definition of this subject matter will certainly bring to our knowledge the true meaning of lateral thinking and the tools.

3.1 What is Lateral Thinking?

Lateral thinking is solving problems through an indirect and creative approach, using reasoning that is not immediately obvious and involving ideas that may not be obtainable by using only traditional step-by-step logic. The term Lateral Thinking was invented by Dr. Edward de Bono in 1967 and is defined by the Oxford English Dictionary as “a way of thinking which seeks the solution to problems through unorthodox methods, or elements which would normally be ignored by logical thinking”

All of the lateral thinking techniques have been designed to make an individual look at something from a different perspective. Lateral thinking is an attitude of the mind to generating new ideas and solving problems, supported by unconventional thinking techniques. Its thinking that seeks new ways of looking at a problem rather than proceeding by logical steps.

Business Dictionary defined lateral thinking as an idea generation and problem solving technique in which new concepts are created by looking at things in novel ways. Whereas the logical ('vertical') thinking carries a chosen idea forward, the sideways ('lateral') thinking provokes fresh ideas or changes the frame of reference. And, while vertical thinking tries to overcome problems by meeting them head-on, lateral thinking tries to bypass them through a radically different approach. The term was coined by the Maltese-born UK psychologist Dr. Edward de Bono in his 1970 book 'Lateral Thinking.' This lateral thinking is like thinking of the box. Doing things differently and unconventionally to get the desired results for organisation.

Lateral Thinking is a set of processes that provides a deliberate, systematic way of thinking creatively that result in innovative thinking in a repeatable manner. While critical thinking is primarily concerned with judging the true value of statements and seeking errors. Lateral thinking is more concerned with the "movement value" of statements and ideas. A person uses lateral thinking to move from one known idea to creating new ideas. De Bono defines four main categories of Lateral thinking tools:

- 1. Idea-generating tools** which break free your current thinking patterns from their usual pathways.
- 2. Focus tools** that open your mind to new possibilities in the search for new ideas.
- 3. Harvest tools** that help maximize value is received from the idea generating output
- 4. Treatment tools** that ground the creativity process by making the wild ideas and make them fit the real world constraints, resources, and support.

"You cannot dig a hole in a different place by digging the same hole deeper". Edward De Bono - from the de Bono Creativity Course .Often trying to think harder in the same direction may not be as useful as changing direction. Effort in the same direction will not necessarily help you achieve your goal. Lateral thinking deliberately distances itself from "vertical" or logical thinking (the classic method for problem solving: working out the solution step-by-step from the given data) or "horizontal" imagination (having many ideas but being unconcerned with the detailed implementation of them by deferring judgment).

Dr. Edward de Bono is regarded by many as the leading world authority in the field of creativity. He is the inventor of the phrase "Lateral Thinking" which is now in the Oxford English Dictionary. His Lateral Thinking tools are based directly on how the brain functions as a self-organizing information system. He has worked for over thirty years in the field with major corporations all over the world.

Here are some notes from Dr. de Bono on the definition of Lateral Thinking. There are a number of ways of describing or defining Lateral Thinking.

1. "You cannot dig a hole in a different place by digging the same hole deeper."
2. "Lateral Thinking is for changing concepts and perceptions instead of trying harder with the same concepts and perceptions."
3. "In self-organizing information systems, asymmetric patterns are formed. Lateral Thinking is a method for cutting across from one pattern to another."

In his writing and seminars, De Bono use the terms "lateral thinking" and "creative thinking" interchangeably because creative thinking is much more widely known. He introduced the new term "serious creativity" in his book *Serious Creativity* (HarperBusiness, New York, 1992) in order to make a distinction between formal creative techniques and just messing around and hoping that an idea will happen.

The word "creative" in the English language has a very broad meaning and includes the bringing into existence of something new. We do not accept creating a mess as being creative because the new thing is supposed to have value. For example, artists are creative because they create new things that have value. Yet many artists are productive stylists who produce within the same perceptions and style of expression. There may be very little of the change in perceptions and concepts that is central to Lateral Thinking.

So, one of the reasons for creating and using the term "Lateral Thinking" is to distinguish this kind of artistic creativity from the thinking involved in creating new perceptions and new concepts in business. There are, of course, artists who also change concepts and perceptions and who do use Lateral Thinking as such. This seems to particularly apply to musicians in both popular and classical music. There are also playwrights, novelists, architects, and others who have used Lateral Thinking to open up new concepts and perceptions. Even so, the Lateral Thinking topic does not pretend to turn a participant into an artist. It intends to turn you into creative entrepreneurs who will always use creativity as a skill to succeed in entrepreneurial business.

3.2 Lateral Thinking Techniques

Attitudes are fine, but tools are more reliable. Many people attempt to teach creativity by encouraging attitudes of "freedom" and "playfulness." These attitudes may work in the presence of the instructor but are difficult to resurrect later.

Tools are much more concrete. Once you have built up skill and confidence in the use of the Lateral Thinking tools, then you can apply these to any situation at any time. You do not have to wait until you feel inspired.

It is sometimes argued that tools are fine, but without motivation tools never get used. There are two approaches here.

1. You can motivate and inspire people to be creative and then teach them the tools. Or you can teach them the tools and when they find they can use the tools and get new ideas then they become motivated to be creative. That's because now they have seen how it can be done and how it works.

2. The second approach can be very effective. People who have never considered themselves to be creative learn the Lateral Thinking tools and surprise themselves with their creativity. Over the years, many people who are highly creative in their own fields have said they get the best ideas when they use the Lateral Thinking tools systematically. Such people are never short of ideas, but they surprise themselves with a new idea only when they use the tools deliberately.

The Learning Process

At first, as a participant, students or entrepreneurs, you may have to fight the urge to start thinking of creative ideas without bothering to use the tools. The systematic formality of the tools may seem to slow you down at first. It is easier to have spontaneous ideas on a subject. A barber, at first, the tools will seem awkward to use. Learning the tools is just like learning to ride a bicycle. At first, riding a bicycle is awkward, and you would get there faster by walking. But when you pick up the skills of cycling, then it becomes greatly superior to walking.

Do the Tools Work?

The tools laid out in a particular subject matter; say selling tools which are, listening, participating and collaboration have been used over the years by many different people in different jobs and in different cultures. The tools do work and have produced powerful results. If someone claims that the tools do not work, the answer is that maybe the tools do not work for that person because he or she has not yet developed a skill in using the tools. We know that skis work, so it is not much use for a novice skier to complain that skis do not work. Mathematics works even though some people may not be very good at mathematics.

Precise Use

Because creativity seems vague and open-ended and because you cannot be sure of a result at a defined point, many people have come to believe that it is enough mess around. For this reason, the precise use of the tools may seem strange to some participants or students of creativity. Yet the tools work best when used in a precise way.

1. At any moment, know exactly what you are doing.
2. Be aware of the next step.
3. Follow the technique and do not allow yourself to be distracted.

Time Tested

There are many instructors or facilitators who come new to the field of creative thinking. They pull bits from different units, change them around a bit, and offer themselves as instructors/facilitators in creativity. Such people can do a lot of damage and can turn people away from creativity.

All the material in Lateral Thinking has been tried and tested over many years - in some cases, over twenty-five years - with thousands of students. There are today many thousands of people in the world who regularly use the tools of Lateral Thinking, sometimes with spectacular results.

Systematic Use

The importance of the systematic use of the Lateral Thinking tools is stressed in this introduction as well as the course itself. The goal of the course is mastery of the tools. With many of the

examples, you may indeed feel that you can generate a wonderful idea without using the tool at all. But this is not going to be of much use to you because the purpose of the course is to develop skill in the use of the tools, not just to have some ideas about the exercise. Until you master the tools, it is not surprising that your use of them will not be very productive.

Being systematic about learning and practicing tools is essential. But even when you have mastered the tools, you will still get the best results when you use the tools systematically. Many people who are highly creative in their own fields have told me that they still get the best new ideas (the ones that really surprise them) when they use the tools systematically.

A carpenter has a full set of tools and uses them systematically to make beautiful furniture. Mastery of the woodworking tools is essential. So is the deliberate use of the tools. A carpenter does not flop about and hopes that things will happen beautifully. In other words the techniques could be the followings which are related with what we above.

Alternatives: How to use concepts as a breeding ground for new ideas. Sometimes we do not look beyond the obvious alternatives.

Focus: When and how to change the focus of your thinking. You will learn the discipline of defining your focus and sticking to it.

Challenge: Breaking free from the limits of traditional thinking. With challenges, we act as though the present way of doing things is not necessarily the best.

Random Entry: Using unconnected input to open up new lines of thinking.

Provocation and Movement: Generating provocative statements and using them to build new ideas.

Harvesting: Capturing your creative output. At the end of a creative-thinking session, participants normally take note of the specific ideas that seem practical and have obvious value.

3.3 Vertical, Horizontal or Lateral... Which Way to Market?

“A vertical market is a market in which vendors offer goods and services specific to an industry, trade, profession, or other group of customers with specialized needs. It is distinguished from a horizontal market, in which vendors offer a broad range of goods and services to a large group of customers with wide range of needs, such as businesses as a whole, men, women, households, or, in the broadest horizontal market, everyone.”-Wikipedia.

Horizontal Markets or Horizontal Marketing is found where you take little or no notice of what people do for a living. Everyone needs spreadsheets, so you sell them to all types of business. Expensive spreadsheet solutions such as “n” dimensional pivot tables will only appeal to companies which do advanced statistical analysis and visualization, but as they could be in any manufacturing or service sector, this is still a horizontal market. The buyers occupy a niche in it!

Lateral marketing is a work process which, when applied to existing products or services, produces innovative new products and services that cover needs, uses, situations or targets not currently covered. As a result, lateral marketing leads to new categories or markets.

What justifies lateral marketing? Vertical Marketing, by itself, leads to markets that are fragmented and saturated. The goal of Lateral Marketing is to create an entirely new market. Lateral marketing lets marketers develop an entirely new product that finds a much wider audience.

The evolution of markets and the dynamics of competition: The effective use of Lateral Marketing creates customers the real impression that needs are more than satisfied, they are hyper satisfied. When companies continue to segment the market, markets will be too small to serve profitably. The challenge in marketing today is to fight against fragmentation and saturation. The priority must be to find new methods to create and launch more successful

products. This is why lateral thinking about marketing is very important.

Traditional Marketing Thinking Marketing starts by studying consumer needs and figuring out how to satisfy them, then determining who the market is. Markets are born with a first brand that creates the category. The first two entrants in the category usually capture 75 percent of the market. Companies continue to segment the market so it becomes more fragmented and saturated.

Innovations Originated from Inside a Given Market: These innovations consist of continued variations on what the product or service is but do not intend to modify its essence. The innovations occur within the category in which they compete (they assume a fixed market). The end result is still fragmentation and a small share of the total market.

Lateral Marketing as Complement to Vertical Marketing: Lateral Marketing transforming products for satisfying new needs and situations not considered before. It creates a new market. Lateral marketing: works best for mature markets, creates markets from scratch, is riskier, requires greater resources, anticipates high volume, and may redefine mission and business focus. Lateral marketing creates new categories in one of four ways:

1. A lateral product can restructure markets by creating new categories or subcategories.
2. It can reduce the volume of other products within the given market.
3. It can sometimes generate volume without hurting other volume.
4. It may take volume from other categories.

3.3.1 Application of the Lateral Marketing Process

Be prepared to generate a displacement. Choose a product or service you market and make sure it is one you have difficulty competing. Break the product into pieces using the scheme of vertical marketing, then look for the gap with lateral thinking: substituting, inverting, combining, exaggerating, eliminating, or reordering the product or service.

Lateral Marketing at the Market Level: A market level contains several dimensions where a product or service competes: need, target, and occasion (combination of place, time, situation,

and experience). What we are doing is substituting one of the dimensions of the market for another that was discarded.

Lateral Marketing at the Product Level: There are 6 techniques:

1. Substitution (removing one or several elements of the product and changing it).
2. Combination (adding one or several elements to the product and maintaining the rest).
3. Inversion (saying the contrary or adding 'no' to an element of the product).
4. Elimination (removing an element of the product).
5. Exaggeration (exaggerating upward or downward one or more elements).
6. Reordering (changing the order or sequence of one or more product or service elements).

Lateral marketing can be used to diversify marketing mix (Product, Promotion, Price and Place) by applying existing pricing, distribution, or communications formulas that correspond to other existing products or services and that are not naturally associated with the category you compete in. Example: coffee vending machines have applied the credit card concept to selling coffee.

Principles for successful lateral marketing: Companies need to continuously innovate, not just “tweak” an existing product, to grow and prosper. A high percentage of new products fail in spite of careful market research and planning. The reason for the innovation crisis lies in the traditional innovation process. Most new products offer just a specialized version of something already on the market.

Repeated application of vertical thinking results in a hyper fragmented market. Marketers need a complementary way of thinking about new products or services that will lead to new categories or markets. Lateral thinking uses a distinct framework and processes that can be taught and become a part of company's culture.

An innovative company is characterized by several systems: An idea market, a capital market, or a talent market. Companies have an idea market if they have a system for actively soliciting, collecting, and evaluating new ideas. Funding must be set aside to support idea evaluation as well as to train employees in thinking laterally.

3.3.2. Importance of lateral and vertical marketing

In understanding which is most appropriate in a given circumstance, remember that innovations that come from vertical marketing are easier for customers to assimilate and understand while lateral marketing innovations need more time for assimilation.

Characteristics of Vertical marketing:

- works best in new markets
- works best to convert potential customers and for developing the market
- is less risky
- requires fewer resources
- does not depend on high volume
- fragments markets
- maintains business focus.

Vertical Thinkers have these elements;

- Are methodical and take things step-by-step
- Do not like to make mistakes
- Go for deep knowledge and things based on facts and not assumptions
- Do not like to stray from established patterns or rules
- Like structure and learn in terms of linear or sequences
- Analyze a problem before they act, taking in details before they see the whole picture

Vertical thinking produces people who are capable of making correct decisions under ambiguous circumstances. They use the correct way to solve a problem by analyzing the situation and then taking the tried-and-true approach. This process of reasoning often serves well for scientific research and for the further advancement of the medical and scientific disciplines.

Characteristics of Lateral marketing:

- works best for mature markets with no growth
- creates markets from scratch
- is riskier
- requires greater resources
- anticipates high volume
- may redefine mission and business focus

Lateral Thinkers have the following elements;

- Are not restricted by established patterns and prefer to find their own path
- Are creative and go off in many directions
- Do not mind making mistakes because they learn from them
- Think in terms of the whole picture, and do not limit themselves
- Often act before taking everything into account, taking in the whole picture before the details

This form of creative thinking incorporates reasoning and imagination. New ideas are born from these types of thinkers by adding imagination and reasoning abilities. They are not bound by logic or external demands and are not confined by linear thinking.

Traditional Thinkers have these elements;

- Things are as they always have been, and always will be
- Maintains the status quo
- Logic and argumentation have no place because there are no alternatives
- Sees things in black and white, with no gray areas
- Do not make mistakes because the authority is always right

The traditional thinkers do not like change, and will fight to keep it away. They are comfortable in doing things the way their parents did, and their parents before them. They do not tolerate questioning of authority, and are flexible as long as the authority is not challenged. This type of thinker is unbending, and usually lives a secluded and restrictive life and makes those around them do the same.

We live in a society where things change on a daily basis. What worked before no longer does in most areas of our lives, so a traditional thinker becomes more secluded and enforces their traditions within their nucleus family or supporters.

Vertical thinkers have their place. They are the ones who are dependable at work and home. They are predictable and stable, and when given a job to do follow it through until completion. They are methodical, and get the job done right.

Lateral thinkers are the life of the party, and the joker in class, but are usually the ones with the highest Iq. They do not follow the crowd, and look for new and inventive ways to approach a problem because the last thing they want to be is bored. These are the moguls who start tech companies and invent new ways to do things. They are the employers and the creators.

3.4. Importance of Vertical and Horizontal Linkages to Foster Win-Win Relationships in Business

Effective vertical linkages between firms at different levels of the value chain play a key role in supporting the upgrading capacity of the chain. For example, firms in global value chains for fresh fruits and vegetables must be able to respond quickly to changing food safety and quality standards. Rapid response to changing market conditions requires on-going communication and cooperation both up and down the chain.

When vertically linked firms are willing and able to share information on new products and technologies, then the value chain as a whole is more competitive because it can adapt more rapidly to changing market conditions.

Effective vertical relationships can contribute to value chain competitiveness in other ways, by creating conditions that support risk-taking and investment. Examples of this can be found in handicraft value chains, where it is common for lead firms to provide inputs to their artisan suppliers. This assures the lead firm of a quality product, even when quality inputs are not locally available. Such in-kind credit is an embedded service that helps artisans overcome cash flow constraints.

Other examples of embedded services include training, technical assistance and credit for capital improvements. When agricultural producers have a secure, established relationship with their buyers, buyers may be willing to assist with long-term investments such as organic certification, irrigation equipment or post-harvest handling facilities. Such win-win interactions between firms benefit the entire value chain by improving productivity, product quality and reliability of supply.

On the other hand, if vertical relationships are characterized by mistrust, misinformation and opportunistic behavior, the entire value chain may struggle to remain competitive. Individual firms, by conducting their vertical relationships on the basis of an adversarial “win-lose” way of thinking, can create negative results for themselves as well as the rest of the firms in the value chain.

The case study in the box will let you understand more of what goes on within the stakeholders in an industry.

Armed with the advantage of knowing the market prices for cocoa, a middleman misinforms his smallholder suppliers as a negotiation tactic for gaining the greatest possible margins. Knowing from experience that the middleman is not always honest, smallholders add extra debris in the bag to compensate for likely misinformation. When the middleman goes to sell his cocoa to the lead exporter, he is identified as dishonest (for adding debris) and given the lowest grade price for his cocoa. The main exporter continues to be frustrated by the international market’s discounts on the low grade world price due to persistent quality problems.

While all the actors seek their own individual benefit, their collective actions drive down the competitiveness of the industry. The root of the problem is ineffective vertical relationships based on mistrust, misinformation and opportunistic behavior. The solution is for the exporter to provide the middleman with incentives to improve quality and for the middleman, in turn, to see the farmers as critical to his own success and to be willing to share market information that results in upgrading.

Horizontal Linkages to Foster Win-win Relationships

Through horizontal linkages, firms at the same level of the value chain interact to accomplish what a single firm working independently could not do so well. This interaction may come in the form of either cooperation or competition (or both). Effective horizontal relationships can promote efficiencies, reduce costs, open markets and spur beneficial competition. A producer association is a classic example of horizontal relationships designed to promote economies of scale, favorable market pricing, and other benefits for its members.

Effective models of cooperation among micro- and small enterprises are needed in order for large numbers of these very small firms to be integrated into competitive value chains. Cooperation makes it possible for small-scale producers to reduce the costs of inputs and supporting services (e.g., training or transportation), while gaining access to new buyers and better prices through group marketing. By operating as a group, small-scale producers become more attractive commercial partners to larger firms, because the large firms' transaction costs are lower than they would be in dealing with many small firms.

Farmers assist in selecting a representative from the community to act on their behalf with a large input firm. The farmers also agree to place cash orders with the selected representative. The representative waits until a sufficient quantity of orders have accumulated and then places a single order with the input firm. As a result of this cooperation, the farmers gain substantial cost savings on inputs and transaction cost savings by being able to place their orders and receive inputs in their village. Because the input firm benefits from this arrangement, it agrees to train the representative as an extension agent and provide him a small commission to cover his time and risk. This investment by the input firm increases farmers' ongoing access to technical information and improves their upgrading opportunities.

3.5. Understand the Elements and Thinking Modes that Create Fruitful Ideation Sessions

Facilitating ideation sessions involves an understanding of human thinking and mental modes as well as a whole range of factors like creating the right environment and goals, which we will introduce you to here. “Ideation is the mode of the design process in which you concentrate on idea generation. Mentally it represents a process of ‘going wide’ in terms of concepts and outcomes. Ideation provides both the fuel and also the source material for building prototypes and getting innovative solutions into the hands of your users.” (Dam and Yu Siang, 2017).

Elements that Influence Ideation Sessions

- **Mental or Thinking Modes:** Understand and purposely adopt the mental modes required to successfully generate the right kind of ideas.
- **People dynamics:** Understand and manage the people dynamics and maintain group cohesion in order to leverage the collective cognitive power of the team and avoid people-related stumbling blocks.
- **Clear Goals:** Know the objectives and understand the goals, users, needs, wants, and associated problems. You should articulate these as a problem statement (also known as a Point Of View) before you start ideating.
- **Tools and Methods:** Make use of the appropriate ideation methods and associated tools and artifacts, to facilitate the process and navigate the challenges of ideation.
- **Constraints:** Know how to apply and make use of the right kind of constraints in order to generate ideas that match the team’s objectives.
- **Stimulus:** Gather and appropriately use stimuli which, in combination with the right mental modes, can overcome idea generation inhibitors.
- **Environment:** Set up and maintain a physical and social space that provides openness, freedom of expression, and creative energy.

3.5.1 Mental or Thinking Modes

Ideation relies on the interplay between a range of cognitive processes and mental modes or mindsets. Achieving the best results requires that you purposefully select only the relevant

modes and apply them, switch between them and mix them to produce unconventional recipes from the same set of inputs.

3.5.2 Vertical Thinking – Linear Thinking

Vertical Thinking is the type of thinking within which problem solving in traditional organisational settings and academia generally falls. It is based on pure logic, past data and existing solutions, possibly with some form of reductionism or streamlining of what exists. It is best to use vertical thinking after the initial divergent stages (please see below) of ideation and towards the end, where you need to choose one or more specific ideas to flesh them out in more detail and streamline them.

3.5.3 Binary Thinking

Binary thinking serves to see the world through a yes/no right/wrong lens. In other words: black or white. There is no room for exploration, gradation, or ambiguity. This is the antithesis of innovation or human-centred problem solving. With so much complexity to consider, solutions need to span across a spectrum of needs, which requires broader, more holistic cognitive processes to consider fully.

3.5.4 Lateral Thinking – Horizontal Thinking

Horizontal thinking, unlike vertical thinking, is used to investigate **wider** not deeper. The opposite of lateral thinking is vertical/linear thinking, which is about being analytical, careful and precise and finding logical solutions. Lateral thinking involves solving problems through an **indirect and creative** approach. It's all about using reasoning that is not immediately obvious and involving ideas that may not be obtainable by using only traditional step-by-step logic.

World-renowned thinking guru, Edward De Bono, coined the term, Lateral Thinking, in 1967 in his book *New Think: the Use of Lateral Thinking*. De Bono is also the inventor of the famous Six Thinking Hats technique and a host of other creative thinking techniques and methods. Edward de Bono is a major force in British creative thinking and he has doctorates from both Oxford and Cambridge University.

The purpose of lateral thinking is to break out of rigid thought patterns and to generate unpredictable ideas. Achieving this requires the purposeful application of a range of techniques, which depends on the area of focus. Lateral thinking seeks to arrive at unknown solutions, as opposed to vertical thinking, which operates directly on perceivable data and analysis.

Lateral thinking is very much about standing back, looking at the big picture, and understanding concepts. It also requires that you focus on the parts that have perhaps been overlooked, challenging assumptions, and seeking alternatives.

Eduard De Bono believes creative thinking is not so much a talent but a learnable skill. We can all learn to apply specific techniques to help our mind break out of unproductive patterns of thinking. A good way to learn it is through examples and provocation techniques.

3.5.5 Provocations in Lateral Thinking

Lateral thinking techniques include the following provocations in order to stimulate unconventional ways of looking at things. In simplest terms, a provocation can be thought of as an idea which you consider too radical and unrealistic for a regular brainstorming session.

The purpose of the provocation is to force your mind to move out of your comfortable mental patterns and instead allow you to come up with potentially radical solutions to the problem at hand:

- Randomisation
- Contradiction
- Reversal
- Distortion
- Exaggeration
- Insight or Theme Mining
- Analogies
- Questioning the Norms
- Wishing and Dreaming
- Escapism

- Breaking Assumptions

Two thinking techniques that are quite effective at structuring lateral thinking and broadening the scope of input being used to stimulate ideas are De Bono's 6 “Thinking Hats technique” and the SCAMPER method. Both of these techniques categorise thinking styles into set patterns and allow for the purposeful choice of each style at any given time to stoke alternative cognitive approaches to the challenge. This disrupts the patterns of thinking and allows reflection that is more intentioned. Implementing these techniques, however, requires a good level of awareness from the participants or the ideation facilitator, to know when to call for a pause and redirect the group's thinking or even apply a new thinking trigger to the process

3.5.6 Disruptive Thinking

One of the most successful approaches to problem solving, idea generation and innovation is the concept of disruption, which involves looking at an existing paradigm and turning it on its head. The aim of disruption involves considering existing assumptions and overturning them to make what seemed impossible, possible. It requires the application of lateral thinking processes to arrive at paradigm shifts. In stories, these may represent the twist in the tale.

3.6 .7 Three modes of thinking in Ideation Sessions

1. Divergent Thinking

Early stage divergent thinking takes the form of generative cognitive activity, where the quantity of ideas is more important than quality. Visually, you may imagine two lines opening up from a single point like a less than sign (<). This indicates that the thinking starts at a single point of focus and expands further and further adding more novel combinations as time progresses.

2. Emergent Thinking

This is an in-between thinking style, which leverages ideas generated in the early divergent stage as stimuli to allow the generation of additional ideas. It is a building upon phase, in which new

connections, mix-ups and ideas are sparked from the pile of ideas generated during early phases. Usually what emerges out of these later thinking sessions would not have been possible without the early, more chaotic divergent sessions, providing a wide enough range of stimuli. Many ideation methods rely on trigger stimuli to provide a platform out of which new ideas can emerge.

3. Convergent Thinking

Convergent thinking is at the opposite end of ideation sessions, and involves closing off these sessions by sifting through ideas, grouping them into themes, picking out common threads and ultimately deciding upon winners and losers. Ideation and Design Thinking is not a wild frenzy of chaos. Impractical or impossible solutions do need to be weeded out, or at least the overly ambitious ones need to be shelved for later consideration in certain cases.

This is where you make decisions through the lenses of desirable, viable and feasible. It doesn't end with these decisions though, as this is merely the first phase of pruning to prepare a few of the best ideas for prototyping and field validation. Convergent thinking relies on a more vertical, rational style of thinking, though it still needs to maintain a good enough degree of creativity so that ideas with merit are not rejected merely because they do not follow logical norms.

Clear Goals and Problem Statement

Whether or not your team has the greatest minds on the planet, including expert facilitation at hand, without a clear enough map, they could easily get lost in ideation twilight zone. Ideation can go in so many different directions that the possibilities are almost infinite. Understanding the challenge at hand, the goals and objectives, the user, the needs and wants of the targeted market and a range of other constraints help put much more focus into ideation sessions. A random constraint-less ideation session could invigorate the team and be lots of fun, while wasting time and producing nothing of value. It's only when you frame the challenge/problem statement/Point of View clearly that you can steer the ship in the right direction.

Stimulus

Having information, artifacts, idea stoking material, or stimulus can help provide levers for lifting the collective cognitive load. Stimulus sparks new connections and thinking pathways, which can help lead to unexpected and unconventional ideas. The stimulus applied depends on the needs of the group, whether it is some input in the form of personas, affinity diagrams, imagery, analogies, key words, quotes, stories, or even video collages to get the collective neurons firing. Understanding the type of stimulus needed at any given time is the role of the facilitator. Stimulus such as images of the users and quotes from them help sparks new connections and thinking pathways, which can help lead the designers to unexpected and unconventional ideas.

Team Leadership and Human Psychology

As we find when exploring the nitty gritty of innovation teamwork, we know diversity rules. Bringing together a multi-disciplinary team that incorporates a wide range of thinking styles helps provide that much needed diversity. Add to that openness, mutual respect, and a bar on egos at the door, and you are much closer to the type of radical collaboration on which Design Thinking thrives.

Ideation facilitation requires experience and expertise in a range of people dynamics, not to mention an understanding of the principles and methods to be implemented. Investing in external skills or internal facilitation and creative leadership training is important for any organisation that has a continuous need for creative solutions. The book *Rise of the DEO* by Maria Giudice and Christopher Ireland is full of characteristics required of creative leadership, including empathy, social intelligence, ambiguity, risk taking, being hands on, being a change agent and applying intuition.

Ideation facilitators and creative leaders need to be acutely aware of those they are leading, their mental modes, their cognitive and creative aptitudes, and how best to leverage these to produce innovative results.

Environment

When you plan an ideation session or a design thinking session, it's important that you choose or create the right location as it will have a significant impact on the outcome. The importance of appropriate space cannot be underestimated in the ideation process, as the effects of space on people's attitudes, thinking and collaboration will directly impact on the quality of output from ideation sessions.

The ideation space should ideally be located away from the normal work environments, which can stifle creativity or remind participants of stressful activities and time pressure. Participants should be cut off from interference from other co-workers or continuing work activities that may distract them. Distractions of this nature will prevent them from fully focusing on the task at hand, due to their minds wandering to other tasks that need to be completed across the hall.

The Take Away

Facilitating ideation sessions involves an understanding of human thinking and mental modes. Ideation relies on the interplay between a range of cognitive processes and mental modes or mindsets. To achieve the best results requires that you purposefully select only the relevant modes and apply them, switch between them and mix them to produce unconventional recipes from the same set of inputs.

Vertical Thinking/Linear Thinking is based on pure logic, past data and existing solutions, possibly with some form of reductionism or streamlining of what exists. It is best to use vertical thinking after the initial divergent stages of ideation and towards the end, where you need to choose one or more specific ideas to flesh them out in more detail and streamline them. Binary thinking serves to see the world through a yes/no right/wrong lens. In other words: black or white. Lateral Thinking/Horizontal thinking is to investigate wider not deeper. Lateral thinking involves solving problems using an indirect and creative approach.

Divergent thinking: Early stage divergent thinking takes the form of generative cognitive activity, where the quantity of ideas is more important than quality. 2. Emergent thinking: This is an in-between thinking style, which leverages ideas generated in the early divergent stage as

stimuli to allow the generation of additional ideas. It is a building upon phase, in which new connections, mix-ups and ideas are sparked from the pile of ideas generated in early phases. 3. Convergent thinking: Convergent thinking closes off the ideation sessions by sifting through ideas, grouping them into themes, picking out common threads and ultimately deciding upon winners and losers. This is where you make decisions through the lenses of desirable, viable and feasible. Convergent thinking relies on a more vertical, rational style of thinking, though it still needs a good enough degree of creativity so that ideas with merit are not rejected merely because they do not follow logical norms.

3.7 How to Develop Critical Thinking

Great leaders think strategically. They can understand and appreciate the current state as well as see possibilities. When dealing with today's issues, they operate from a broad, long-term perspective rather than focusing only on short-term implications. And they can gather information and make decisions in a timely manner (Green, 2016).

Most of all, strategic leaders know how to strike a balance between visualizing what might or could be and an effective day-to-day approach to implementation. They can look into the future to see where the company needs to go and what it will look like once they get there. And they can do this while making sure the right things get done on a daily basis.

This type of strategic leadership requires five different types of thinking. Knowing when and how much to utilize each one is the hallmark of great leaders.

1. **Critical thinking** is the mental process of objectively analyzing a situation by gathering information from all possible sources, and then evaluating both the tangible and intangible aspects, as well as the implications of any course of action.
2. **Implementation thinking** is the ability to organize ideas and plans in a way that they will be effectively carried out.
3. **Conceptual thinking** consists of the ability to find connections or patterns between abstract ideas and then piece them together to form a complete picture.

4. **Innovative thinking** involves generating new ideas or new ways of approaching things to create possibilities and opportunities.
5. **Intuitive thinking** is the ability to take what you may sense or perceive to be true and, without knowledge or evidence, appropriately factor it in to the final decision.

Until recently, most leaders could get by with critical and implementation thinking. But in today's hyper-fast world, conceptual, innovative and intuitive thinking have become increasingly important, especially in industries where frenetic change represents the rule rather than the exception.

Business leaders still need to gather and analyze data, make decisions, and implement them well. But now they have to take in vast amounts of data from a more diverse array of sources. They have to make decisions much more quickly. And they have to do it knowing that everything could change overnight.

In such an environment, the ability to ponder possibilities, see patterns and connections that others do not see, and look at the same data in new and different ways represents a formidable competitive advantage.

Some leaders seem to be born with these intuitive types of thinking skills. But since most of us are not so naturally gifted, here are some suggestions for developing these essential leadership skills.

- Take time to look around. Browse business websites and read related publications to learn how other organizations have implemented various strategies in order to increase their competitive advantage.
- Be willing to change directions and/or pursue new goals when strategic opportunities arise. Think about what is keeping you on the same path and force yourself to ponder whether or not you should shift plans. Consider worst-case scenarios.
- When problems arise, do not settle for a quick fix. Instead, carefully look at the problem and take the time to analyze all possible solutions. Create a checklist for you to trigger thoughts on long-term consequences and possibilities.

- Help others in the organization feel that they are part of the overall mission and strategies by discussing it with them frequently and involving them as much as possible.
- Pause and view your situation from another perspective – that of an employee, customer, supplier, etc.
- Research and analyze your company's major competitors. Create a detailed profile of each one and share it with your team. Constantly look for first-hand data rather than relying on anecdotal information.
- Engage in "what-if" thinking. For example, "If we do this, how will our competitors respond? What will our customers think? What impact will this have on our suppliers and distributors? What if there is something we have not considered?"
- Expand your data sources to include areas totally outside your business or industry. Analyze other industries to see what they're doing well and how that could be adapted to your business.

Most of all get in the habit of stimulating your mind by not thinking about your business. From time to time, go outside your office and take a walk. Turn off your processing and just soak in the sights, sounds, and scents of the environment. Let your mind wander, and allow yourself the luxury of daydreaming. You will be amazed at what you can come up with simply by shifting out of the critical/implementation thinking modes from time to time. The human brain is a powerful leadership tool. It works even better when you use all five thinking types.

Characteristics of Critical Thinking

Wade (1995) identifies eight characteristics of critical thinking. Critical thinking involves asking questions, defining a problem, examining evidence, analyzing assumptions and biases, avoiding emotional reasoning, avoiding oversimplification, considering other interpretations, and tolerating ambiguity. Dealing with ambiguity is also seen by Strohm and Baukus (1995) as an essential part of critical thinking, "Ambiguity and doubt serve a critical-thinking function and are a necessary and even a productive part of the process".

Another characteristic of critical thinking identified by many sources is metacognition. Metacognition is thinking about one's own thinking. More specifically, "metacognition is being

aware of one's thinking as one performs specific tasks and then using this awareness to control what one is doing" (Jones and Ratcliff, 1993).

In the book, *Critical Thinking*, Beyer elaborately explains what he sees as essential aspects of critical thinking. These are:

- Dispositions: Critical thinkers are skeptical, open-minded, value fair-mindedness, respect evidence and reasoning, respect clarity and precision, look at different points of view, and will change positions when reason leads them to do so.
- Criteria: To think critically, must apply criteria. Need to have conditions that must be met for something to be judged as believable. Although the argument can be made that each subject area has different criteria, some standards apply to all subjects. "... An assertion must be based on relevant, accurate facts; based on credible sources; precise; unbiased; free from logical fallacies; logically consistent; and strongly reasoned".
- Argument: Is a statement or proposition with supporting evidence. Critical thinking involves identifying, evaluating, and constructing arguments.
- Reasoning: The ability to infer a conclusion from one or multiple premises. To do so requires examining logical relationships among statements or data.
- Point of View: The way one views the world, which shapes one's construction of meaning. In a search for understanding, critical thinkers view phenomena from many different points of view.
- Procedures for Applying Criteria: Other types of thinking use a general procedure. Critical thinking makes use of many procedures. These procedures include asking questions, making judgments, and identifying assumptions.

Why Critical Thinking?

Oliver and Utermohlen (1995) see students as too often being passive receptors of information. Through technology, the amount of information available today is massive. This information explosion is likely to continue in the future. Students need a guide to weed through the information and not just passively accept it. Students need to "develop and effectively apply critical thinking skills to their academic studies, to the complex problems that they will face, and

to the critical choices they will be forced to make as a result of the information explosion and other rapid technological changes" (Oliver and Utermohlen, 1995).

As mentioned in the section, Characteristics of Critical Thinking, critical thinking involves questioning. It is important to teach students how to ask good questions, to think critically, in order to continue the advancement of the very fields we are teaching.

Beyer sees the teaching of critical thinking as important to the very state of our nation. He argues that to live successfully in a democracy, people must be able to think critically in order to make sound decisions about personal and civic affairs. If students learn to think critically, then they can use good thinking as the guide by which they live their lives.

How is Critical Thinking Different from Analytical or Lateral Thinking?

Critical thinking as a term is often mentioned as a key skill for employees to have at all levels of the organization but many people do not fully understand it or confuse it with the related but different terms of analytical and lateral thinking. In this brief, Warner (2014) looked at what these latter two terms mean and then end on why critical thinking takes us further.

So what is analytical thinking?

Analytical thinking is a thinking process or skill in which an individual has the ability to scrutinize and break down facts and thoughts into their strengths and weaknesses. It involves thinking in thoughtful, discerning ways, in order to solve problems, analyze data, and recall and use information. It involves the following main activities:

- Focusing on facts and evidence
- Analyzing data or information or systems
- Dissecting data/information and the analysis of complex things into simpler constituents
- Reasoning – thinking that is coherent and logical
- Partitioning, breakdown – an analysis into mutually exclusive categories
- Eliminating extraneous data or analysis of a problem into alternative possibilities followed by the systematic rejection of unacceptable alternatives

- Analyzing trends or the analysis of changes over time

Lateral thinking involves:

Lateral thinking involves solving problems through an indirect and creative approach, using reasoning that is not immediately obvious and involving ideas that may not be obtainable by using only traditional step-by-step logic or simple analysis. It involves the following main activities:

- Reviewing issues and problems in terms of what might be missing or absent
- Looking at an issue or problem from a variety of different or unusual angles
- Reversing an issue or problem/challenge to look for a new solution
- Finding and evaluating more than one potential solution to an issue or challenge
- Rearranging a problem to see if new angles may be discovered
- Delaying judgment and maintaining an open mind
- Removing any stereotypical or cliché patterns of thought or knowledge

Critical thinking involves:

Critical Thinking consists of mental processes of discernment, analysis and evaluation, especially as it relates to what we hear by way of points that are raised or issues which are put forward for discussion. It includes the process of reflecting upon a tangible or intangible item in order to form a sound judgment that reconciles scientific evidence with common sense. Hence, Critical Thinking is most successful when it effectively blends our natural senses or feelings with our logic and intuition, all applied in a systematic manner. It involves the following main activities:

- Deeply evaluating how far information we are given is current, up-to-date and accurate.
- Checking for bias or unsubstantiated assumptions.
- Evaluating how far the evidence or opinions presented genuinely proves the point(s) claimed.
- Weighing up opinions, arguments or solutions against appropriate (usually logical) criteria.

- Making inferences from the data/information and filling in “gaps”.
- Taking a clear line of reasoning through to its logical conclusion.
- Checking whether the evidence/argument really support the conclusions.

So, in summary we might say that analytical thinking mainly aims to review the data/information we are presented with (for relevance, patterns, trends etc.), Lateral thinking aims to put data/information into a new or different context (in order to generate alternative answers or solutions) and Critical thinking aims to make an overall or holistic judgment about the data/information which is as free from false premises or bias as much as possible. Although there is clearly therefore much overlap between all three activities (and they certainly complement one another), each one as a unique focus and where there is time and the needs are significant enough should be deployed in the above order.

3.7.1 Learn How to Use the Best Ideation Methods and Idea Selection: SCAMPER

Alex Osborn, the originator of the brainstorming method, originally came up with many of the questions used in the SCAMPER technique. However, it was Bob Eberle, an education administrator and author, who organised these questions into the SCAMPER *mnemonic*.

The SCAMPER method helps you generate ideas for new products and services by encouraging you to ask seven different types of questions, which will help you, understand how you can innovate and improve existing products, services, problems and ideas. SCAMPER is an acronym formed from the abbreviation of: **S**ubstitute, **C**ombine, **A**dapt, **M**odify, (Also magnify and minify), **P**ut to another use, **E**liminate, and **R**everse. SCAMPER is a lateral thinking technique which challenges the status quo and helps you explore new possibilities.

The SCAMPER method helps you generate ideas for new products and services by encouraging you to ask seven different types of questions, which will help you, understand how you can innovate and improve existing products, services, problems and ideas. Here, you’ll learn how to use the method. SCAMPER is surprisingly easy to start using and very efficient in innovation and ideations sessions.

SCAMPER

SCAMPER refers to a series of thought sparkers or provocations which help you to innovate on an existing product, service or situation by looking through different *lenses*. There are seven provocation lenses in the SCAMPER method:

- **S**ubstitute
- **C**ombine
- **A**dapt
- **M**odify (Also **M**agnify and **M**inify)
- **P**ut to another use
- **E**liminate
- **R**everse

Best practice: How to use SCAMPER:

- First, take an existing product or service. It could be an existing product, service or idea which you want to improve or which could be a great starting point for future development.
- Then, simply go down the list and ask questions regarding each of the seven elements. Please see our step-by-step guide below.
- Apply the questions to values, benefits, services, touch points, product attributes, pricing, markets and essentially any other related aspect you might be able to think of that has relevance to your ideation needs.
- Look at the answers that you came up with. Do any of the answers stand out as viable solutions? Could you use any of them to create a new product, or develop an existing one?
- Take the good ideas and explore them further.

Example

McDonald's would come to be a larger-than-life household name; it may seem hard to see in the 21st century, but the philosophy behind its 'formula' revolutionised the old style of restaurant experience.

Take, for example, McDonald's founder, Ray Kroc. As he's already done all the hard work, it's now easy for us to identify some of the ideas he used in the SCAMPER method:

- Put to other uses: Selling restaurants and real estate instead of just simply hamburgers.
- Eliminate: Letting customers serve themselves and thereby avoiding the use of expensive waiters.
- Rearrange: Having customers pay before they eat.

Substitute

Overall, the question to think about here is this: What can I substitute or change in my product, problem or process? You should think about substituting part(s) of your product or process for something *else*.

Guiding questions for entrepreneurs;

- What can I substitute so as to make an improvement?
- How can I substitute the place, time, materials or people?
- Can I substitute one part for another or change any parts?
- Can I replace someone involved?
- Can I change the rules?
- Should I change the name?
- Can I use other ingredients or materials?
- Can I use other processes or procedures?
- Can I change its shape, colour, roughness, sound or smell?
- Can I use this idea for other projects?
- Can I change my feelings or attitude towards it?

Use these instead of starting with: ‘I can ...’

Combine

The overall question to think about here is: How can I combine two or more parts of my product, problem, or process so as to achieve a *different* product, problem, or process to enhance synergy? Creative thinking involves combining previously unrelated ideas, products, or services in order to create something new and innovative.

Guiding questions for entrepreneurs:

- What ideas, materials, features, processes, people, products, or components can I combine?
- Can I combine or merge this or that with other objects?
- What can I combine so as to maximize the number of uses?
- What can I combine in order to lower the costs of production?
- Which materials could I combine?
- Where can I build synergy?
- Which are the best elements I can bring together so as to achieve a particular result?

Adapt

Overall, the question you need to think about is: What can I adapt in my product, problem, or process? Think about which parts of the product or process you could adapt so as to solve your problem.

Guiding questions for entrepreneurs:

- Which part of the product could I change?
- Could I change the characteristics of a component?
- Can I seek inspiration in other products or processes, but in a different context?
- Does the history offer any solutions?
- Which ideas could I adapt, copy, or borrow from other people’s products?
- What processes should I adapt?
- Can I adapt the context or target group?
- What can I adapt in this or that way in order to make this result?

Modify (Also Magnify and Minify)

Overall, the question you need to focus on is this: What can I modify or put more or less emphasis on in my product, problem, or process? Can I change the item in some way? Can I change meaning, colour, motion, sound, smell, form, or shape? It’s time to magnify or

exaggerate your idea, product, problem, or process—or to minify it. These questions will give you new insights about which components are the most important ones. Think about changing part or all of the current situation or product. Alternatively, distort the product in an unusual way.

Guiding questions for entrepreneurs:

- What can I magnify or make larger?
- What can I tone down or delete?
- Could I exaggerate or overstate buttons, colours, size...?
- Could I grow the target group?
- What can be made higher, bigger, or stronger?
- Can I increase its speed or frequency?
- Can I add extra features?
- How can I add extra value?
- What can you remove or make smaller, condensed, lower, shorter or lighter—or streamline, split up or understate?
- What can I change in this way or that way so as to achieve such and such a result?

Put to another Use

The overall question to consider here is this: How can I put the thing to other uses? What are new ways to use the product or service? Can I reach out to other users if I modify the product? Is there another market for the product? It's time to work out *how* you may be able to put your current product or idea to other uses and purposes.

Guiding questions for entrepreneurs:

- What else can it be used for?
- How would a child use it?—an older person?
- How would people with different disabilities use it?
- Which other target group could benefit from this product?
- What other kind of user would need or want my product?
- Who or what else may be able to use it?
- Can it be used by people other than those it was originally intended for?
- Are there new ways to use it in its current shape or form?
- Would there be other possible uses if I were to modify the product?
- How can I reuse something in a certain way by doing what to it?

Eliminate

Your overall question to consider here is: What can I eliminate or simplify in my product, design, or service? Think of what might happen if you were to eliminate, simplify, reduce, or minimise parts of your idea. If you continue to trim your idea, service, or process—you can gradually narrow your challenge down to that part or function that is most important.

Guiding questions for entrepreneurs:

- What can I remove without altering its function?
- Can I reduce time or components?
- What would happen if I removed a component or part of it?
- Can I reduce effort?
- Can I cut costs?
- How can I simplify it?
- What's non-essential or unnecessary?
- Can I eliminate the rules?
- Can I make it smaller?
- Can I split my product into different parts?
- I can eliminate what by doing what?

Rearrange

Overall, you have to ask yourself this question: How can I change, reorder, or reverse the product or problem? What would I do if I had to do this process in reverse?

Guiding questions for entrepreneurs:

- What can I rearrange in some way – can I interchange components, the pattern, or the layout?
- Can I change the pace or schedule?
- What would I do if part of your problem, product or process worked in reverse?
- I can rearrange what in what way such that this happens?

3.7.2 Idea Selection – Apply Edward De Bono's Six Thinking Hats

The Six Thinking Hats Technique provides a range of thinking styles to apply to idea selection. It involves purposely evaluating and considering ideas through various mindsets so as to uncover the widest range of possible angles on the ideas being assessed. It helps break participants out of their set styles of thinking and forces them to look at the ideas being assessed from multiple viewpoints and assessment criteria.

- **White Hat:** The White Hat calls for information which is *known* or *needed*. It's all about this: 'The facts, and nothing but the facts.'

- **Yellow Hat:** The Yellow Hat symbolizes *optimism, confidence, and brightness*. Under this hat, you explore the positives and probe for value and benefit.
- **Black Hat:** The Black Hat is all about *judgment*. When you put on this hat, you're the devil's advocate where you try to figure out what or why something may *not* work. It's now your job to spot the difficulties and dangers and ask where things might go wrong. This is probably the most powerful and useful of the hats, but it's a problem if you overuse it.
- **Red Hat:** The Red Hat calls for *feelings, hunches, and intuition*. When you use this hat, you should focus on expressing emotions and feelings and share fears, likes, dislikes, loves, and hates.
- **Green Hat:** The Green Hat focuses on *creativity*: the possibilities, alternatives, and new ideas. It's your opportunity to express new concepts and new insights.
- **Blue Hat:** The Blue Hat is used to *manage the thinking process*. It's your control mechanism that ensures the Six Thinking Hats guidelines are observed.

3.7.3 Converging

At some point in your ideation session, you will have reached a critical mass of ideas, and it will become unproductive to attempt to keep pushing for more. This is different from the natural creative slumps that teams experience throughout ideation sessions, and means it is a good point to stop and focus on pruning. This is referred to as the 'convergent stage' where ideas are evaluated, compared, ranked, clustered and even ditched in an attempt to pull together a few *great* ideas to *act on*. Hang onto those unused ideas, though; they may prove useful in future ideation sessions as stokers or idea triggers. Right now, the aim is spotting potential winners, or combinations of winning attributes, from a number of ideas.

Post-it Voting or Dot Voting

Best practice:

- You write all of the ideas which have been generated in the ideation session down on individual Post-its.
- Then you give all participants a number of votes (around three to four should do) to choose and write down their personal favourite ideas.
- Participants vote by using stickers or simply using a marker to make a dot on the ideas they like.
- You can also use variations in colour in order to let participants vote on which ideas they like the most or which they dislike the most.
- You can invent other voting attributes when it makes sense.
- This process allows every member to have an equal say in the shortlisted ideas.

3.7.4 Four Categories Method

The Four Categories method entails dividing ideas according to their relative abstractness, ranging from the most rational choice to the 'long shot'. The four categories are: the rational choice, the most likely to delight, the darling, and the long shot.

Best practice: Ideation participants decide upon one or two ideas for each of these categories. This method ensures that the team covers all grounds, from the most practical to the ideas with the most potential to deliver innovative solutions.

3.7.5 Idea Affinity Diagrams

Use affinity diagrams or similar activities to cluster similar ideas together and make connections between them that will help you uncover patterns or themes that may be promising.

Best practice: Paste up all the ideas which you have collected in your ideation sessions—and then, as a group, make sense of these by clustering ideas which share attributes, eliminate duplicates, and form idea themes or concept themes. This will help you in the process of selecting the best ideas or idea themes.

3.7.6 Idea Selection Criteria

You should ensure that ideas that have made it through Post-it voting and other elimination exercises in the convergence sessions – just described above – are evaluated, based on these selection criteria, and you should rank them according to how they meet these criteria. These idea selection criteria will help you at this stage to provide a guide for choosing ideas which fit well into your goals, your research about your users, their needs, and your insights about them which you've condensed into your problem statement—which is also called your Point of View.

- Does it fit with people's needs? Is there demand?
- Does it really meet the goals set initially?
- Does it meet the requirements in our problem statement/Point of View?
- Does it answer our “How Might We” questions in a satisfying way?
- Is it different enough from what exists to add additional value?
- Do we have access to the budget—enough to implement even partially?
- Is the technology available?
- Will we be able to roll it out with the available resources?
- Can we get approval from decision makers?

3.8 The Guide to Idea Management Processes

Leadership Innovation Idea Management is new ideas that are a crucial component of business

development and continuous improvement. Without ideas there would not be new product innovations, intriguing process changes to improve efficiency or new HR practices to boost employee engagement and satisfaction (Nieminen, 2016).

However, just having the ideas is not enough. You still need to further develop and implement them before you can reap the rewards. How you manage these ideation activities affects how much of the full potential of your employees you really have the luxury to benefit from.

By defining a process for managing the ideas, you'll introduce clear responsibilities that will hold people accountable for progress, as well as create a set of common rules that make the process transparent and understandable for everyone.

By defining a process for managing ideas, you'll have clear responsibilities that hold people accountable for progress.

This guide will look at the different idea management processes we've encountered with our prospects and customers. We will introduce the models and talk a little bit about their characteristics and suitability for different kinds of companies.

Non-ideal Processes

While you might think that you don't have an idea management process, you actually always do. Every company has ideas and every company makes decisions on how to proceed with these ideas, one way or the other.

When there's no defined process in place, the culture – and the ways people are used to operating in – will define how ideas will be managed. There are also some processes that are less than ideal, even if they were formal. We will first talk about the two most common ones we've encountered.

The Wild West

If you do not know what should be done about new ideas in your company, you can probably be classified to use this model. Typically when people have an idea, they probably tell their colleagues or immediate manager about it. Usually the manager just receives a vague email introducing the idea in a couple of sentences and since has tons of other things to do; he might just not have the time to do anything about it.

Often time's employees will then get gradually more frustrated about all the things that are broken in their daily work and start to turn more and more demotivated and cynical.

There are really three ways to get something to happen in this scenario:

- **Just do it yourself**
- Start to **shout around loud** enough until someone is forced to take action
- **Play politics**

All of these have their challenges but the bottom line is that these methods are hardly ideal for finding the right ideas to work on, as well as to have the right people working on them with the right resources. In addition, they can often be harmful for the company culture in the long run.

If you identify yourself with this "process", you could try to introduce a very light process that requires managers to collect suggestions from their employees and report them to their superior once a month. While very rudimentary and far from ideal, this should still eliminate many of the issues explained above and lead to positive development while you prepare a better one, the hallmark of a quick win.

Centralized Suggestion Box

Often companies have identified the need for feedback from their employees and have created a centralized *suggestion box* as a result. This *suggestion box* can have many forms:

- A physical suggestion box
- A dedicated email inbox
- An online form (typically in the company intranet)

This *suggestion box* is then monitored, typically by a single person, and the few ideas that are left there are perhaps processed by some committee once a quarter. While well intent, the execution of this kind of a process is often times terrible.

Usually the suggestions seem to either just disappear or result in no further action whatsoever. Furthermore, the people leaving the suggestion will typically never hear what happened to their idea, especially if it's a no-go decision. This approach suffers from a few fundamental flaws due to its non-transparent nature:

- Lack of transparency and slowness of the process lead to employees becoming frustrated
- Lack of transparency means that no tacit knowledge will be transferred
- The first idea is almost never ready to be implemented as is but rather requires further refinement (often a lot), which means that very few ideas in the box are actually worth implementing
- Difficulty in avoiding biases in decision making as ideas are typically evaluated by a single party, which means that a lot of ideas with potential might be scrapped

The poor results and lack of transparency will lead to a downward spiral for the culture of participation, leading to decreased activeness, as well as potentially worse results.

If you are still using this approach, there are a few **quick wins** you could try using to spur things up:

- More transparency by increased communication, for example in the form of weekly or monthly internal newsletters
- Speed up decision making
- Recognize and reward previous implemented ideas and active contributors

Recommended Processes

We have basically seen three different kinds of processes being practiced in companies that are successful in this area. There are of course always minor differences in the way companies deploy these models, as there should be, but fundamentally these variants are the same. We'll next explain these models, as well as discuss their suitability for different kinds of companies and use cases.

The Centralized Model

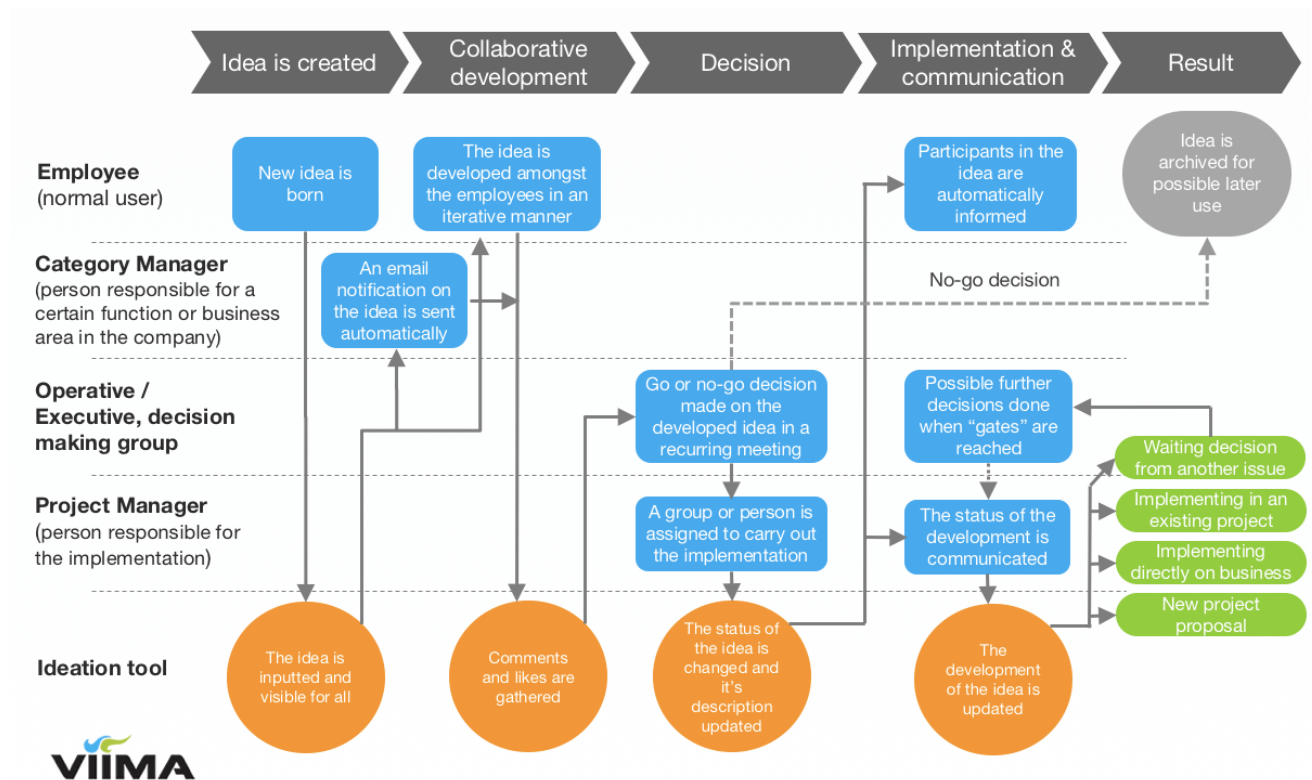
The first one is called the **Centralized Model**. The idea is pretty simple. You basically have employees coming up with ideas and putting them into a transparent system, which then notifies people who are responsible for the area of the idea, called **Category Managers**, after which the idea is then collaboratively developed further.

Decisions are then made in a **steering group** meeting or similar, which gathers in regular intervals, on whether the ideas are to be implemented or not. If not, the no-go decision is communicated back to relevant stakeholders automatically via the system after it's status is changed.

If the idea is given green light, the idea might be implemented in an existing project, directly in a business unit or then a project team will be formed to implement the idea. The project manager is anyway responsible for communicating the status of the idea back to interested stakeholders via the system, which can be as quick as couple of clicks and a one sentence status update.

If the implementation is a large project, there might be several "gates" where further go/no-go decisions need to be made again, in which case the steering group will make those decisions.

The steering group is also responsible for the process itself, monitoring the results and discussing how to further improve it.



Source: VIIMA,

When to use this model?

This model is most often used by companies with less than 200 employees that have, to at least some extent, hierarchical organizations. The decision making process is thus very familiar and often works quite well as long as you can fit everyone who needs to be involved in the same meeting room and make sure that the meetings occur on a constant frequent enough basis.

Once the company grows larger than that, there are typically too many and too diverse ideas to discuss in a single meeting with a handful of people representing only a part of the required expertise.

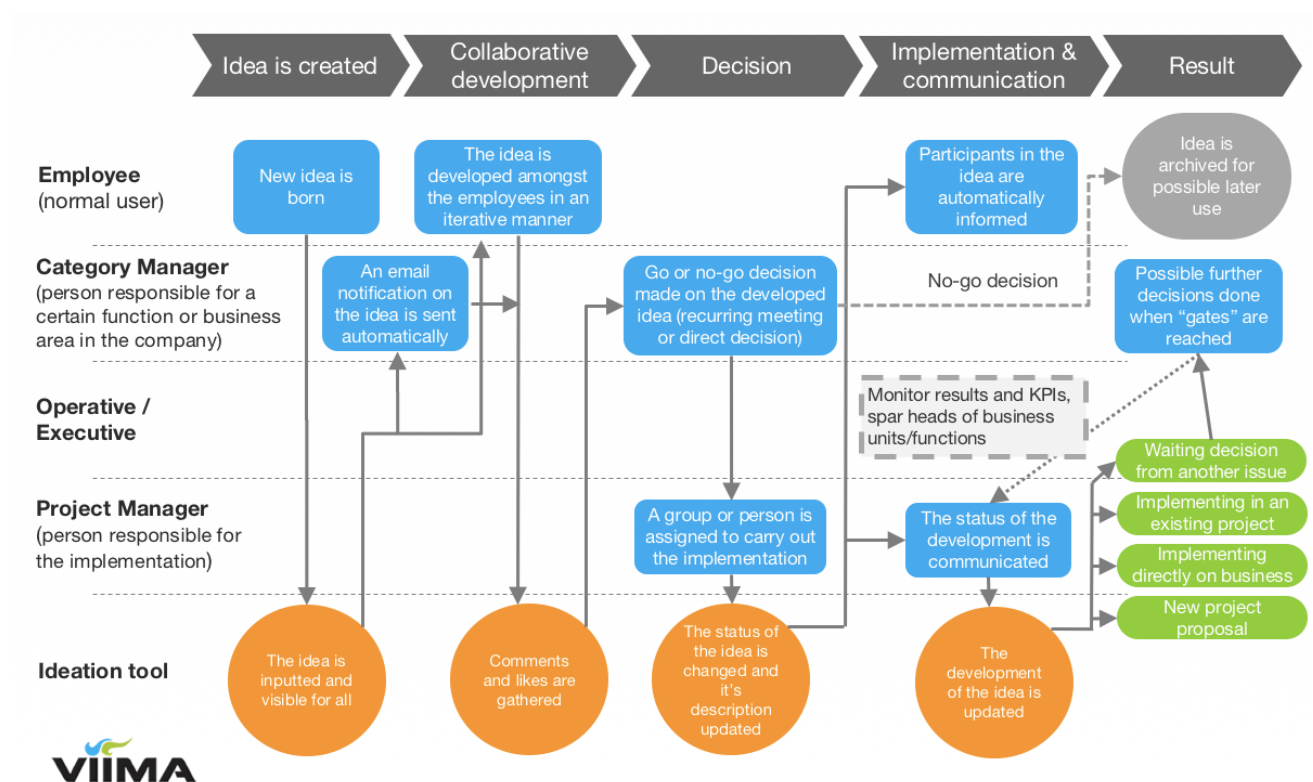
This model is also often used in specific contexts where the ideas require either cross-functional expertise or a lot of resources to implement, such as when ideating improvements to a complex product or completely new business opportunities.

The Decentralized Model

The second is actually quite similar to the first one. The only real difference is that there's no central steering group making decisions about the ideas. That responsibility is moved over to the **Category Managers**.

The Category Managers often have all the expertise required to make decisions about their own category so they can make decisions faster and with more knowledge. While Category Managers are responsible for the decision, this does not mean that they did always need to do it by themselves. They can gather their own expert panel or just ask for expert opinion quickly and easily as they typically work with the domain experts on a daily basis.

The role of the **process owner** and/or executives is mainly to monitor the flow of ideas, measure the results and discuss with the Category Managers about potential challenges, as well as opportunities for improvement.



When to use this model?

This model is most often used by companies with more than 200 but less than 500 employees. When the companies are of this size, they usually start to have business units that are

used to making decisions like this pretty much independently. This speeds up the process and ensures that the people making the decisions have the right knowledge. This model is thus also suitable for cases where the ideas are smaller, incremental improvements in specific processes or simpler products.

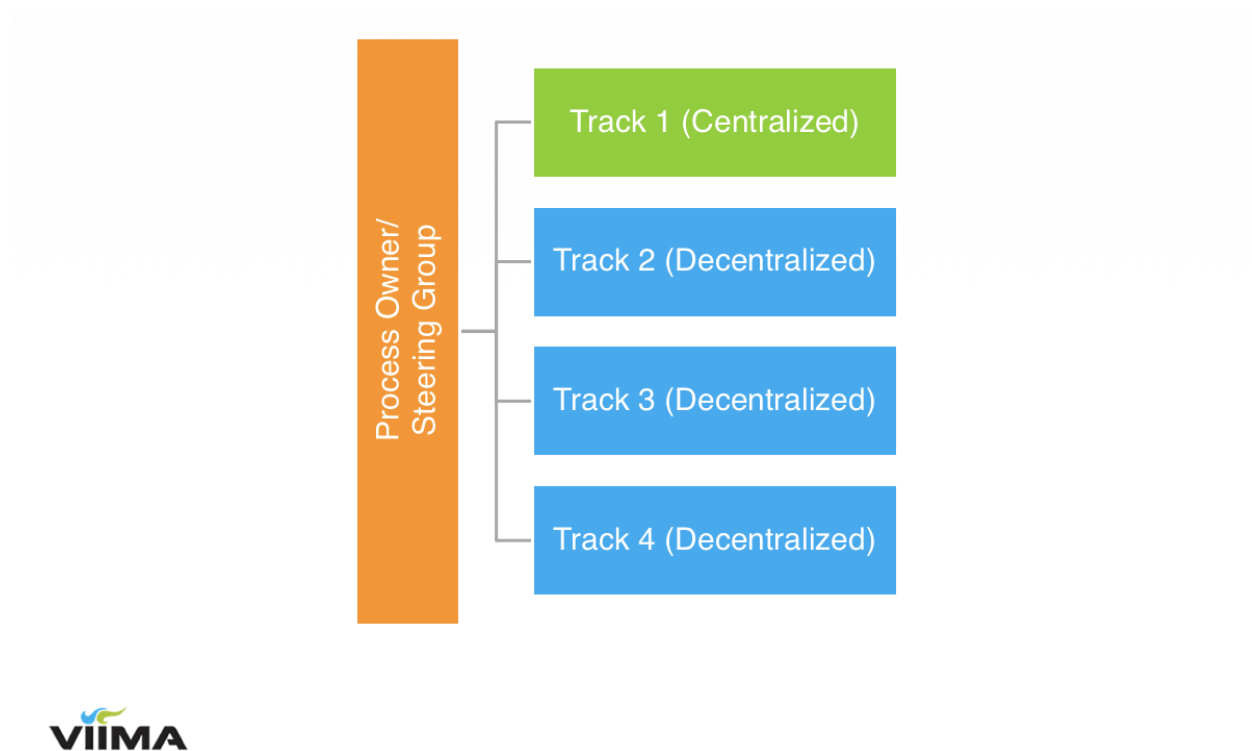
The challenge lies in cases where the ideas are overlapping and cross-functional. It might not be obvious who's in charge of those so make sure you have clearly established rules for this kind of occasions as the best ideas usually are somewhat cross-functional. Also, with this model, one must ensure that Category Managers have the necessary resources to actually implement the ideas.

The Hybrid Model

This model is actually just a combination of the two abovementioned. In most large organizations, one company-wide process just doesn't cut it for all the different ideation needs. There might, for example, be need for product related ideation and then general companywide process development. These are by nature very different so it just makes sense to have different processes for each of these use cases. We refer to these as **tracks**.

However, when you have several separate **ideation tracks** in place, you should have some kind of a **dedicated process owner or steering group** in place to oversee the different tracks. This can be just one person or a recurring meeting of either executives and/or the representatives of the different tracks.

The role of this party is primarily to **support the decision makers** of the different tracks to monitor their performance and continuously improve their processes. However, this party can also help in cases where the decision makers of the tracks have a hard time making those decisions, for example if the idea is overlapping with other tracks.



When to use this model?

This model is often used by companies larger than 500 employees but is not limited to them. It's very useful also for smaller companies that have several ideation needs that are different by nature.

The Hybrid Model is also a necessity if you have a large portfolio of projects and would like to manage ideation separately for each large project (as you probably should). As projects are always temporary instances, you need to make sure that you can set up new tracks quickly and easily by having common process models for them along with the system support of setting those up in minutes.

If you're unsure about implementing this model right away, start small with a specific use case with either the centralized or decentralized model. Then once you start expanding to other use cases, you'll soon realize if you need to implement those use cases as their own tracks.

Key Success Factors

Even though these models are different, there are certain aspects that you need to have right, regardless of the model in question, in order for it to work. Here are some of the factors that always seem to play a large role.

- Role of the category manager
- Expert participation in the steering group
- Community management and rewards
- Commitment to transparency and breaking down the organizational silos
- Willingness to move fast and experiment

As was explained, in the decentralized model the **Category Managers** are the ones making the decisions on new ideas. They, however, play a huge role in the development of the ideas, regardless of the model. Their job is to serve as a kind of devil's advocate. They are responsible for sparring the creator of the idea, and others who are interested in it, in developing the idea further by asking the tough questions. This will also help employees develop their capabilities in critical thinking.

As very few ideas are ready to be implemented without this kind of participation, the activeness and capabilities of the Category Managers is usually the single biggest factor for increasing the ratio of useful ideas to poor ones, which is a very common issue in most idea management processes.

No matter who makes the final decision on an idea, it's still important to truly hear out people who know more about the area of the business that the idea is about. Most steering groups are naturally made of people from different functions so **expert participation** happens naturally. If yours isn't make sure you invite the category managers to talk about the decision before making it. This is important for two reasons:

- They can help you understand what the idea is really about, how difficult it would be to implement and how large the impact would be. All crucial pieces of information for decision making that might otherwise be missing.
- The Category Manager needs to communicate the decision back to the employees so she needs to fully understand why the decision was made.

Communication leads us to our third success factor of **community management**. Community management is most often talked about in the context of brand presence in social media but the same skills and principles apply for building an internal community within the company. Community management is typically performed by the **Process Owner together with the Category Managers** but can also be delegated to a dedicated **Community Manager**, depending on the size of your company. For some of the qualities that are essential to succeed in this role, see

In this regard, it's also crucial that you commit to making transparency a value in itself. There's often a lot of anxiety whether people should see ideas for example from other departments. The argument is, however, completely counter-productive. The only way to build the cross-functional knowledge, that's required to thrive in virtually all businesses these days, is to add transparency and start to break down the silos. Ideation is a very easy, cost-effective and safe way to start to do that.

If participation seems low, there are two potential sources for the issue: either it's too difficult to participate (consider the ease-of-use of your ideation tool) or poor community management.

Even if your community manager does a good job communicating the process and its purpose, it still might sometimes take a lot of communication, encouragement and hard work to get people to really change their habits and actively participate. You can also consider the use of rewards, which can be as simple as recognition, to help drive home the point and encourage desired behaviour. With time, employees will gradually start to form this behaviour into a habit. Just remember that different people are motivated by different factors.

The last success factor is related to both the decision making and implementation phases. If you aren't willing to start a new project before you know everything, you'll by definition probably never create anything new. In the complexity of today's world, you just can't know everything beforehand.

You need to be willing to let people proceed with incomplete information and experiment. That's by far the fastest road for both learning and getting things done. So be eager to start new projects and start them with great freedom but limited resources, especially if it's a large project. Then check back on the progress regularly and don't hesitate to kill the ones that don't seem to work out.

The same also applies for the idea management process itself. The first version of your process will never be perfect, no matter how well you plan it. So just get started with your best guess based on this guide and see how it goes. You will learn what works and what does not and can then improve the process. Just make sure your ideation system is flexible enough to quickly and easily adapt to at least all of the different processes mentioned in this post without the need for additional software development.

The first version of your idea management process will never be perfect, no matter how well you plan it.

The Dream

However, to be completely honest, none of these processes is ideal. They all have one thing in

common: you basically need to wait for a decision to be made about an idea before anything happens. This has two major downsides:

- It takes time and adds overhead
- Many good ideas will inevitably be rejected

In business, time is of the essence and no matter how efficient you will make the process, waiting for a decision still always prolongs things and adds overhead costs, which for many smaller ideas might be a very significant. On some of these occasions that overhead can actually be costlier than implementing the idea, especially so if you take into account the opportunity cost for not implementing the idea right away.

The second downside is that top-down decision making requires heavy prioritization. While that's generally speaking a really good thing for maintaining focus, it's not always ideal since it will eventually lead to many great ideas being rejected, either because they're considered too much of a long shot or because they are just not considered a priority. The latter being an issue, especially for many incredible useful incremental improvements; whereas the more those big ideas that can lead to great innovation but always come with an inherently high risk.

The dream is to have a company where every employee understands well both their own job as well as the business as a whole and are capable of proactively improving every facet of the way they work. Occasionally they did even come up really big ideas and build the first versions of those themselves, really taking the company to new heights.

The dream is to have every employee understand the business as a whole and proactively develop every facet of the way they work.

When you are close to this level, you can start to introduce more freedom and responsibility for everyone like Google does with their famous 20% time policy. If you are not familiar with it, the idea is that employees can use up to 20% of their time working on anything they want that they'd consider to benefit the company. In reality, this was never an official policy but more of an abstract but practical idea for encouraging employees to be creative and innovate.

There are obviously a number of great benefits in this model, mostly related to how people are going to be more engaged and work harder to make their own ideas a reality, as opposed to the norm where the ideas come from someone else. In addition, this enables original, creative ideas – that the decision makers would never have bought in the first place – to take shape. This can in turn lead to great new business areas for the company, just like Gmail for Google.

However, chances are that you are not quite ready for that. These kinds of practices require a tremendous amount of initiative and long days from your employees but even that is not enough.

They need to have great cross-functional skills, understanding and knowledge (or the network to acquire all of these) in order to make those ideas a reality, which most employees in most companies don't unfortunately have.

To eventually get to that dream, or at least close to it, you will need to take gradual, systematic steps, as organizational change takes time and is inevitably gradual.

There are obviously many ways you can build the capabilities for innovation and having a well lead and efficient idea management process is just one of them. Consider, for example, using self-organizing, completely autonomous, teams in some of your teams or development projects.

However, the models we've introduced above are practical ways of getting started on that path. They will help you build an engaged culture that appreciates participation and empowers people to innovate. By doing this, you'll also efficiently spread tacit knowledge and can start building the capabilities people need in order to really make innovation happen.

The good thing is that you do not need to (and probably should not if you have not done anything like this before) make the process company-wide right away. Start for example just with a single business unit as an experiment. See how the process works and how people respond. Learn and then adjust your approach, gradually expanding when you will see positive results.

3.9 Interface of Vertical versus Lateral Thinking

The need to better understand complex systems is especially critical in light of the magnitude of entrepreneurial challenges as noted by the economies where they operate from. The challenges faced in today's business organizations are immensely complicated, which often necessitate sophisticated and non-linear thinking and solutions. Does entrepreneurial training impede the ability of entrepreneurs to resolve leadership challenges? Traditionally, business leaders have depended on reasoning and logical/sequential thinking to solve organizational problems.

As described by Hauser, (1977) this process usually consists of "thinking that proceeds in a stepwise fashion applying specific rules in order to reach a definite goal." It is linear and left-brained; selecting only what is relevant and "correct" to achieve a goal. This traditional way of thinking is referred to as "vertical thinking." (De Bono, 1994). Much of the time that is spent in undergraduate and graduate business education cultivates this form of bound by logic, external demands or goals. It does not follow the linear direction of vertical thinking and it is not confined to left-brain dominant thinking. While vertical thinking seeks to develop an existing pattern, lateral thinking seeks to restructure the existing pattern. Lateral thinking is a step-by-step method of creative thinking with prescribed techniques that can be used consciously.

As opposed to vertical thinking, lateral thinking tries to identify different directions of solving a problem. It is not sequential, it is thinking. Vertical thinking rewards the depth of our knowledge.

We believe that it produces those in business who are capable of making correct decisions under ambiguous circumstances, leading to the rigorous development of analytical, sequential thought processes that enable literature-supported, evidence-based decisions. This process of reasoning often serves well for scientific research and for the further advancement of the medical and scientific disciplines. On the other hand, “lateral or horizontal thinking” often used by successful leaders’ demands a breadth of knowledge and skills that requires an understanding of complex systems (De Bono, 1994). This form of creative thinking incorporates reasoning and imagination. By adding imagination to reasoning abilities, new ideas are born.

This form of thinking is not bound by logic, external demands or goals. It does not follow the linear direction of vertical thinking and it is not confined to left-brain dominant thinking. While vertical thinking seeks to develop an existing pattern, lateral thinking seeks to restructure the existing pattern. Lateral thinking is a step-by-step method of creative thinking with prescribed techniques that can be used consciously.

As opposed to vertical thinking, lateral thinking tries to identify different directions of solving a problem. It is not sequential, it is not restricted by relevant information, and it does not have to be correct. Uncertainty and novel approaches can be terrifying to business leaders who have been reinforced to find the “right” answer and to succeed all the time.

Some of the techniques of lateral thinking **include challenging labels, search for alternatives, fractionation, exposure from other fields and reversal**. Challenging labels requires reframing and questioning the root causes of the problem to be solved. A search for alternatives helps leaders go beyond the apparently obvious solutions, akin to generating a differential diagnosis for a problem. Fractionation involves the technique of breaking a complex problem into discrete subsets, and exposing novel solutions or a bundle of solutions to the issues at hand. An exposure from unrelated fields can aid creative problem solving by using best practices in other fields such as mathematics, engineering and informatics.

Some of the concepts of lateral thinking parallel the complexity theory, which states that complex adaptive systems, composed of a network of agents, have significant interaction among its various building blocks. Hence, small changes within or outside the system can lead to major changes to the overall team, while large changes can make very little difference.

As entrepreneurial leaders, the focus in such complex entrepreneurial business systems is to define the vision of the organization in order to enhance the productivity of front-line Microsystems, rather than to try to plan out their every little strategy (Innes, Campion & Griffiths, 2005). Traditionally, institutions turn to the most skilled entrepreneurs and researchers to fulfill leadership roles. Since these business leaders usually use vertical reasoning in their previous endeavors for success, they often resort—at least at the start of their leadership career—

to this approach to solve complex business and operational concerns. Such thinking may result in potentially significant failures, low employee morale and financial losses for the organization.

Training in systems thinking, complex adaptive systems, quality process improvement and leadership are some of the ways to mentor new physician leaders to cultivate lateral thinking. It is entirely possible that there is a spectrum of thinking from almost pure vertical thinking to almost pure lateral thinking and that our solutions will depend on the nature of the problem in a complex system. We suggest that effective leadership in complex business systems will require both traditional/vertical entrepreneurial business training and lateral/complex thinking strategies to optimize effectiveness as business leaders. If business leaders fail to adequately and systematically develop and implement lateral thinking skills in problem solving, they may fail to solve complex systems issues adequately and effectively. Systematic training in the application of lateral thinking and complexity theory may assist business leaders early on to develop effective innovative solutions to complex challenges in the evolving health care system.

3.10 How lateral thinking can help us find better ideas

The whole purpose of lateral thinking is to allow us to cut across patterns and to find new ideas. As with all creativity, the ideas must be valuable and logical in hindsight (De Bono, 2009).

This is what occurs in an asymmetric system. Something might be invisible in foresight, but obvious and logical in hindsight. This fact was never observed by traditional philosophers, who were busy playing around with words rather than understanding the behaviour of self-organising information systems.

You can learn the formal techniques of lateral thinking. Specific training programmes exist for this purpose (there are around 1,200 certified trainers around the world, De Bono, 2009). You can then practise the techniques and have your personal skills.

When a new idea is required in a specific area, you can train yourself to switch on your 'lateral thinking mode' and then use your creative skill. There is a belief that new thinking is only required when a problem exists that cannot otherwise be solved. While it is true that creative thinking could be your only hope if a problem cannot be solved, that is by no means the only - or even the most important - use of creative thinking.

If you have a problem and you are able to solve it, there is great value in using creative thinking to find other possible solutions. These might be cheaper, easier to use or offer more value. There is no reason to assume that the first solution is the only solution or even the best one. There is an even more important use of creative thinking, and that is when there is no problem at all.

If a concept or a method of doing things has always been quite satisfactory, it never gets any thinking attention because it is believed that it does not need such attention. If it works well then why mess with it? Or, as the saying goes, if isn't broken then why fix it?

But the result of this kind of thinking is that many procedures continue in the old way when newer technology or newer market conditions make it possible to find a much better approach.

Something might work reasonably well but that does not mean that there cannot be a much better way of doing it. If we continue to believe that creative thinking is only needed to solve problems then we miss out on opportunities.

There is a need for a regular review of all existing procedures and concepts to make sure that they are not 'blocking' better ideas. And those better ideas can be produced with the help of lateral thinking.

3.11 Conclusion

We have learnt from this unit that lateral thinking is used to open up new concept and perceptions. De Bono four main categories of lateral thinking tools are seen: idea generating, focus, harvest, and treatment. It tries to bypass vertical through a radically different approach. This is solving problems through an indirect and creative approach, using reasoning that involves ideas that may not be obtainable using only traditional step-by-step logic. Also, the lateral thinking techniques and way to market products vertical or lateral are seen. The elements, thinking modes and ideation methods and selection were well explained.—SCAMPER Method for instance was very important to any business person if well used.

3.12 References/Suggestions for Further Reading

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3.13 Assignment files

1. What is lateral thinking?
2. What are the elements that influences ideation sessions?
3. Mention techniques of lateral marketing at the product level.

3.14 Tutor Marked Assignments

1. Explain critical thinking as elaborated by Beyer in you course material.
2. The SCAMPER method helps you to generate ideas for new products and services by encouraging entrepreneur ask different questions. Discuss.

MODULE 4

Module Objectives

At the end of these units, you should be able to:

- Understand the definition of problem solving, its skills and basic steps in solving problems.
- -Understand tools of knowing problems and brainstorming
- Understand the critical thinking in a decision making process to solve problems
- Understand the ways to solve problems using techniques and skills

4.0 Introduction to Problem Solving Skills

Having good strong problem solving skills can make a huge difference to your career. Problems are at the center of what many people do at work every day. Whether you are solving a problem for a client (internal or external), supporting those who are solving problems, or discovering new problems to solve, the problems you face can be large or small, simple or complex, and easy or difficult.

A fundamental part of every manager's role is finding ways to solve them. So, being a confident problem solver is really important to your success. Much of that confidence comes from having a good process to use when approaching a problem. With one, you can solve problems quickly and effectively. Without one, your solutions may be ineffective, or you will get stuck and do nothing, with sometimes painful consequences.

There are four basic steps in solving a problem:

1. Defining the problem.
2. Generating alternatives.
3. Evaluating and selecting alternatives.
4. Implementing solutions.

This portion focuses on helping you to make a success of these steps – defining the problem. A very significant part of this involves making sense of the complex situation in which the problem occurs, so that you can pinpoint exactly what the problem is. Many of the tools in this portion will help you do just that. We look at these, and then review some useful, well-established problem-solving frameworks.

The key to a good problem definition is ensuring that you deal with the real problem – not its

symptoms. For example, if performance in your department is substandard, you might think the problem is with the individuals submitting work. However, if you look a bit deeper, the real issue might be a lack of training, or an unreasonable workload.

Fixing that which is broken and making everything else awesome! Learn creative problem solving skills and techniques is a discussion on the process and theory behind powerful problem solving and creative thinking.

When you are problem solving person, you are doing one of two things. Either you are fixing something that is broken, or you are building something. If you are building something, it could be a completely new something, or it could be an improved something. Read on to discover how to do these effectively.

Some people are naturally good at problem solving. Others are not (yet). Most are somewhere in between. A lot of people underestimate just how good they are at problem solving. Many do not realise just how much problem solving they actually do. Problems are all around us and we solve them all the time, be it something as simple as deciding whether to put that extra blanket on the bed tonight, or something a little more difficult like constructing a plane out of old junk you have found in the garage.

Wherever you are at, you can improve your problem solving skills. With the right mindset, problem solving is not that difficult, and is quite fun. Fixing things and building things is always a rewarding task. The more problem you solve, the better you will get too. The Right Attitude is to be an awesome problem solver, first we need to start with the right attitude. It can be good to write some of these down in places you will see them regularly so you are always reminding yourself.

Be Open Minded .Be open to the possibility that:

- The actual problem you have may be different to the problem you think you have.
- What you think is causing the problem may not actually be what is causing the problem.
- The best option may be to throw out your solution and start again in a different direction.
- Your beliefs on anything and everything could be wrong.

Great new ideas often come from challenging our assumptions about how things do or should work. Always be open to different opinions. I'm not saying you have to agree with them but you should take the time to appreciate and understand them.

Be Inquisitive

Always be looking around and noticing things. Try and notice everything, not just what is (or what you think is) directly related to the problem area. Often, things which you do not suspect have anything to do with what you are looking at actually do.

Look for;

- Things that seem odd or stand out.
- Any patterns.
- Anything that is there that may be should not be.
- Anything that is missing.

These are often good starting places to find clues. A good way to develop inquisitiveness is to do a little activity when you are travelling (to or from work, school, etc). Look for things that stand out, or patterns, then ask yourself why they may have been done like that. eg. Why is that building three (3) stories when all the others are two? Every third tree on this street is much wider than the others, why?

Ask the Right Questions

This is one of those things you get much better at with practice. Often when a student is stuck I find that I can get them unstuck by simply asking them the right questions.

I like to ask these general questions (about anything and everything):

- What is it actually doing?
- How is it actually doing it?
- How effectively is it performing its purpose?
- Why is it doing it/ what would happen if it was taken out?
- What is its relationship with other components?
- What could I do to test that assumption?

You will also find that by asking these questions, new questions arise specific to the situation or problem. This is good. The more questions you can ask the better. In answering these questions, always try and find proof or evidence. Try to rely as little as possible on assumptions.

4.1 Definition of Problem Solving

We use the word problem to describe a *wide range of situations of different importance*, from the irritation of discovering that the car battery is flat, to the life threatening failure of an aircraft engine in mid-air. Problem can be defined broadly as situations in which we experience uncertainty or difficulty in achieving what we want to achieve. For examples; stopping smoking is a problem when you decide you want to stop but cannot. A computer malfunction is a problem

if it prevents you completing work on time. An excessive workload is a problem when it interferes with your ability to work effectively. And poor communication is a problem when it reduces the efficiency of an organisation.

Problems arise when an obstacle prevents us reaching an objective, for example, when a breakdown in a company's manufacturing plant (the obstacle) prevents it fulfilling orders (the objective). Objective = something we have decided we need to achieve. Obstacle = anything that prevents us achieving an objective. Objective + Obstacle = PROBLEM

We encounter a large variety of problems during the course of our work, with objectives and obstacles of different types and importance. Defining these accurately is essential to finding an effective solution.

This is a process of working through details of a problem to reach a solution. Problem solving may include mathematical or systematic operations and can be a gauge of an individual's critical thinking skills (Business Dictionary, 2017).

Problem solving consists of using generic or *ad hoc* methods, in an orderly manner, for finding solutions to problems. Some of the problem-solving techniques developed and used in artificial intelligence, computer science, engineering, mathematics, or medicine are related to mental problem-solving techniques studied in psychology (Wikipedia, 2017).

The term *problem solving* is used in many disciplines, sometimes with different perspectives, and often with different terminologies. For instance, it is a mental process in psychology and a computerized process in computer science. Problems can also be classified into two different types (ill-defined and well-defined) from which appropriate solutions are to be made. Ill-defined problems are those that do not have clear goals, solution paths, or expected solution. Well-defined problems have specific goals, clearly defined solution paths, and clear expected solutions. These problems also allow for more initial planning than ill-defined problems. (Schacter, D.L. et al. (2009) Being able to solve problems sometimes involves dealing with pragmatics (logic) and semantics (interpretation of the problem). The ability to understand what the goal of the problem is and what rules could be applied represents the key to solving the problem. Sometimes the problem requires some abstract thinking and coming up with a creative solution.

The key to a good problem definition is ensuring that you deal with the real problem – not its symptoms. For example, if performance in your department is substandard, you might think the problem is with the individuals submitting work. However, if you look a bit deeper, the real issue might be a lack of training, or an unreasonable workload. At this stage, it's also important to ensure that you look at the issue from a variety of perspectives. If you commit yourself too early, you can end up with a problem statement that's really a solution instead. For example, consider this problem statement: "We have to find a way of disciplining of people who do substandard

work." This doesn't allow you the opportunity of discovering the real reasons for under-performance. The CATWOE checklist provides a powerful reminder to look at many elements that may contribute to the problem, and to expand your thinking around it.

What do you do when you're faced with a really big business problem? What if your employee retention was low, for example, and you wanted to know why?

Your first step might be to brainstorm the possible reasons, and apply a range of different problem-solving skills to fix them. But what if you've focused on the wrong problem or you're just looking at one symptom of a larger problem? By focusing on one specific aspect, you tend to stop looking for other potential issues. That's when you risk missing the core problem, which could be much more serious than the problem you identified first. This is where CATWOE comes in handy.

4.2 Tools for Understanding Problems

Understanding CATWOE

In the 1960s Peter Checkland, a systems engineering professor, developed a problem-solving methodology called Soft Systems Methodology (SSM), which sought to apply systems principles to business and other "soft" problems.

SSM conceptualizes the activities or business being examined as a system, the essence of which is encapsulated in a "Root Definition."

In 1975, David Smyth, a researcher in Checkland's department, observed that SSM was most successful when the Root Definition included certain elements. These elements, remembered by the mnemonic CATWOE, identified the people, processes, and environment that contribute to a situation, issue, or problem that you need to analyze.

CATWOE stands for:

| | |
|----------------|---|
| Customers..... | Who are they, and how does the issue affect them? |
| Actors..... | Who is involved in the situation? Who will be involved in |

| | |
|---------------------------------------|--|
| | implementing solutions? And what will impact their success? |
| Transformation Process..... | What processes or systems are affected by the issue? |
| World View..... | What is the big picture? And what are the wider impacts of the issue? |
| Owner..... | Who owns the process or situation you are investigating? And what role will they play in the solution? |
| Environmental Constraints..... | What are the constraints and limitations that will impact the solution and its success? |

When you look at all six of these elements, and consider the situation from all of these perspectives, you open your thinking beyond the issue that sits directly in front of you. By using CATWOE, the output of your brainstorming and problem solving should be much more comprehensive, because you have considered the issue from these six, very different, perspectives.

Using CATWOE

Before you try to solve an important problem, use the CATWOE checklist to brainstorm the various people and elements that are affected. Taking the example of low employee retention rates that we used at the start of this article, start your thinking not with reasons why it is happening or by trying to identify solutions, but by using CATWOE to expand your thinking about the situation in general.

4.2.1 Five Whys Getting to the Root of a Problem Quickly

Learn how to drill down into a problem, to get to its root and solve it quickly and effectively. Have you ever had a problem that refused to go away? No matter what you did, sooner or later it would return, perhaps in another form.

Stubborn and recurrent problems are often symptoms of deeper issues. A "quick fix" may seem convenient, but it's really just a temporary solution and it may solve only part of the problem. To

solve it properly, you need to drill down through the symptoms to the underlying cause. This article looks at Sakichi Toyota's 5 Whys technique – a simple but powerful tool for quickly uncovering the root of a problem, so that you can deal with it once and for all.

About the Tool

Sakichi Toyota, one of the fathers of the Japanese industrial revolution, developed the technique in the 1930s. He was an industrialist, inventor and founder of Toyota Industries. His technique became popular in the 1970s and Toyota still uses it to solve problems today.

Toyota has a "go and see" philosophy. This means that its decision making is based upon an in-depth understanding of the processes and conditions on the shop floor, rather than reflecting what someone in a boardroom thinks might be happening.

The 5 Whys technique is true to this tradition, and it is most effective when the answers come from people who have hands-on experience of the process being examined. It is remarkably simple: when a problem occurs, you uncover its nature and source by asking "why" no fewer than five times. Here it is in action:

Problem: Your client is refusing to pay for the leaflets you printed for them.

1. **Why?** The delivery was late, so the leaflets couldn't be used.
2. **Why?** The job took longer than we anticipated.
3. **Why?** We ran out of printer ink.
4. **Why?** The ink was all used up on a big, last-minute order.
5. **Why?** We didn't have enough in stock, and we couldn't order it in quickly enough.

Counter-measure: We need to find a supplier who can deliver ink at very short notice so that we can continue to minimize inventory, reduce waste, and respond to customer demand, in line with our Just in Time approach.

When to Use the Tool

You can use the 5 Whys in troubleshooting, quality improvement and problem solving, but it is best for simple or moderately difficult problems.

For more complex or critical problems, it can lead you to pursue a single track of enquiry when there could be multiple causes. Here, a wider-ranging method such as Cause and Effect Analysis may be more effective.

This simple technique, however, can often quickly direct you to the root of the problem. So, whenever a system or process isn't working properly, give it a try before you embark on a more in-depth approach.

The simplicity of this tool gives it great flexibility, too, and it combines well with other methods and techniques. It is often associated with lean manufacturing (also part of the Toyota Production System), where it is used to identify and eliminate wasteful practices. It is also used in the analysis phase of the Six Sigma quality improvement methodology.

How to Use the Tool

The 5 Whys is a simple, practical tool that is very easy to use. When a problem arises, simply keep asking the question "why" until you reach the underlying source of the problem, and until a robust counter-measure becomes apparent.

Note:

The five (5) Whys use "counter-measures," rather than solutions. A counter-measure is an action or set of actions that seeks to prevent the problem arising again, while a solution just seeks to deal with the situation. As such, counter-measures are more robust, and are more likely to prevent the problem from recurring.

Each time you ask "why," look for an answer that is grounded in fact: it must be an account of things that have actually happened – not events that might have happened. This prevents the 5

Whys becoming just a process of deductive reasoning, which can generate a number of possible causes and, sometimes, create more confusion.

Keep asking "why" until you feel confident that you have identified the root cause and can go no further. At this point, an appropriate counter-measure should become evident. If you're not sure whether you have uncovered the real root cause, consider using a more in-depth problem-solving technique like Root Cause Analysis.

Key Points

The five whys strategy is an easy tool to use; it's an effective tool for uncovering the root of a problem by entrepreneurial persons. You can use it in troubleshooting, problem solving and quality improvement initiatives.

Start with a problem and ask "why" it is occurring. Make sure that your answer is grounded in fact, and then ask "why" again. Continue the process until you reach the root cause of the problem, and you can identify a counter-measure that prevents it recurring.

Bear in mind that this questioning process is best suited to simple to moderately-difficult problems. Complex problems may benefit from a more detailed approach (although using 5 Whys will still give you useful insights.)

4.2.2 Cause and Effect Analysis in Solving Problem

Identifying the Likely Causes of Problems: Also known as Cause and Effect Diagrams, Fishbone Diagrams, Ishikawa Diagrams, Herringbone Diagrams, and Fishikawa Diagrams

When you have a serious problem, it's important to explore all of the things that could cause it, before you start to think about a solution. That way you can solve the problem completely, first time round, rather than just addressing part of it and having the problem run on and on.

Cause and Effect Analysis gives you a useful way of doing this. This diagram-based technique, which combines Brainstorming with a type of Mind Map, pushes you to consider all possible causes of a problem, rather than just the ones that are most obvious.

Know About the Tool

Cause and Effect Analysis was devised by Professor Kaoru Ishikawa, a pioneer of quality management, in the 1960s. The technique was then published in his 1990 book, "Introduction to Quality Control."

The diagrams that you create with are known as Ishikawa Diagrams or Fishbone Diagrams (because a completed diagram can look like the skeleton of a fish).

Although it was originally developed as a quality control tool, you can use the technique just as well in other ways. For instance, you can use it to:

- Discover the root cause of a problem.
- Uncover bottlenecks in your processes.
- Identify where and why a process isn't working.

How to Use the Tool

Follow these steps to solve a problem with Cause and Effect Analysis:

Step 1: Identify the Problem

First, write down the exact problem you face. Where appropriate, identify who is involved, what the problem is, and when and where it occurs.

Then, write the problem in a box on the left-hand side of a large sheet of paper, and draw a line across the paper horizontally from the box. This arrangement, looking like the head and spine of a fish, gives you space to develop ideas.

Example:

In this simple example, a manager is having problems with an uncooperative branch office.

Figure 1 – Cause and Effect Analysis Example Step 1



Tip 1:

Some people prefer to write the problem on the right-hand side of the piece of paper, and develop ideas in the space to the left. Use whichever approach you feel most comfortable with.

Tip 2:

It's important to define your problem correctly. CATWOE can help you do this – this asks you to look at the problem from the perspective of Customers, Actors in the process, the Transformation process, the overall World view, the process Owner, and Environmental constraints.

By considering all of these, you can develop a comprehensive understanding of the problem.

Step 2: Work Out the Major Factors Involved

Next, identify the factors that may be part of the problem. These may be systems, equipment, materials, external forces, people involved with the problem, and so on. Try to draw out as many of these as possible. As a starting point, you can use models such as the McKinsey 7~S” Framework (which offers you Strategy, Structure, Systems, Shared values, Skills, Style and Staff as factors that you can consider) or the 4Ps of Marketing (which offers Product, Place, Price, and Promotion as possible factors).

Brainstorm any other factors that may affect the situation. Then draw a line off the "spine" of the diagram for each factor, and label each line.

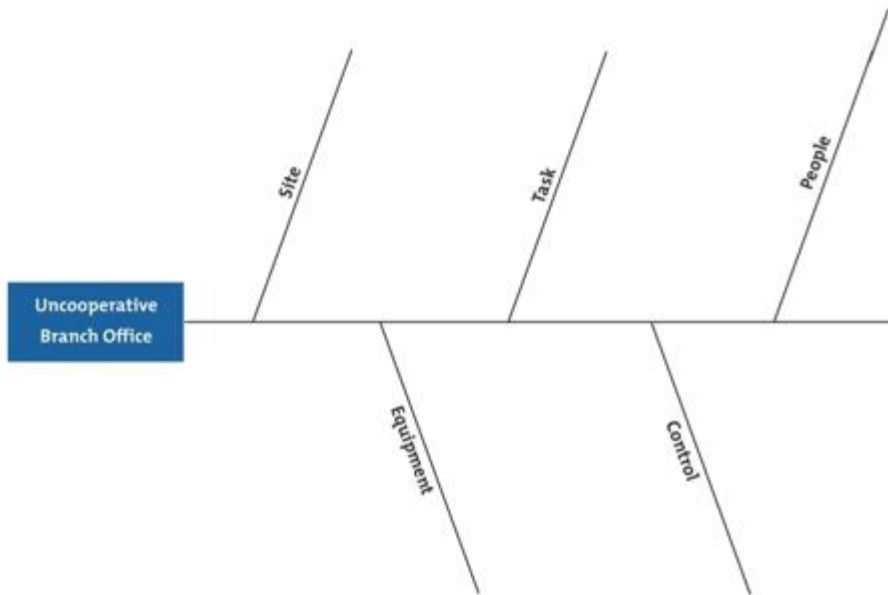
Example:

The entrepreneurial manager identifies the following factors, and adds these to his diagram:

- Site.

- Task.
- People.
- Equipment.
- Control.

Figure 2 – Cause and Effect Analysis Example Step 2



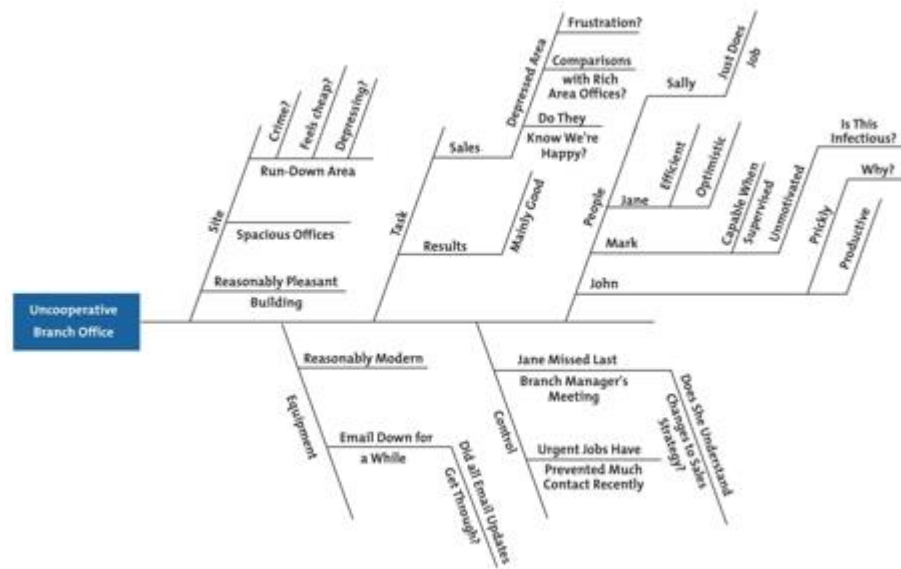
Step 3: Identify Possible Causes

Now, for each of the factors you considered in step 2, brainstorm possible causes of the problem that may be related to the factor. Show these possible causes as shorter lines coming off the "bones" of the diagram. Where a cause is large or complex, then it may be best to break it down into sub-causes. Show these as lines coming off each cause line.

Example:

For each of the factors he identified in step 2, the entrepreneurial manager brainstorms possible causes of the problem, and adds these to his diagram, as shown in figure 3.

Figure 3 – Cause and Effect Analysis Example Step 3



Step 4: Analyze Your Diagram

By this stage you should have a diagram showing all of the possible causes of the problem that you can think of. Depending on the complexity and importance of the problem, you can now investigate the most likely causes further. This may involve setting up investigations, carrying out surveys, and so on. These will be designed to test which of these possible causes is actually contributing to the problem.

Example:

The entrepreneurial manager has now finished his analysis. If he had not looked at the problem this way, he might have dealt with it by assuming that people in the branch office were "being difficult."

Instead he thinks that the best approach is to arrange a meeting with the Branch Manager. This would allow him to brief the manager fully on the new strategy, and talk through any problems that she may be experiencing.

Tip for potential managers;

A useful way to use this technique with a team is to write all of the possible causes of the problem down on sticky notes. You can then group similar ones together on the diagram.

This approach is sometimes called CEDAC (Cause and Effect Diagram with Additional Cards) and was developed by Dr. Ryuji Fukuda, a Japanese expert on continuous improvement.

Key Points

Professor Kaoru Ishikawa created Cause and Effect Analysis in the 1960s. The technique uses a diagram-based approach for thinking through all of the possible causes of a problem. This helps you to carry out a thorough analysis of the situation.

There are four steps to using the tool.

1. Identify the problem.
2. Work out the major factors involved.
3. Identify possible causes.
4. Analyze your diagram.

You will find this method is particularly useful when you're trying to solve complicated problems.

4.2.3 Brainstorming Can Generate Many Radical, Creative Ideas to Solve Problems

Prepare thoroughly for your brainstorming session so that you get the most out of it. How often have you used brainstorming to solve a problem? Chances are, you've used it at least once, even if you didn't realize it.

For decades, people have used brainstorming to generate ideas, and to come up with creative solutions to problems. However, you need to use brainstorming correctly for it to be fully effective. In this portion, we will look at what it is, why it's useful, and how to get the best from it.

What is Brainstorming?

Madison Avenue advertising executive Alex Osborn developed the original approach and published it in his 1953 book, "Applied Imagination." Since then, researchers have made many improvements to his original technique. The approach described here takes this research into account, so it's subtly different from Osborn's approach.

Brainstorming combines a relaxed, informal approach to problem solving with lateral thinking. It encourages people to come up with thoughts and ideas that can, at first, seem a bit crazy. Some of these ideas can be crafted into original, creative solutions to a problem, while others can spark even more ideas. This helps to get people unstuck by "jolting" them out of their normal ways of thinking.

Therefore, during brainstorming sessions, people should avoid criticizing or rewarding ideas. You're trying to open up possibilities and break down incorrect assumptions about the problem's limits. Judgment and analysis at this stage stunts idea generation and limit creativity.

Evaluate ideas at the end of the session – this is the time to explore solutions further, using conventional approaches.

Why Use Brainstorming?

Conventional group problem solving can often be undermined by unhelpful group behavior. And while it's important to start with a structured, analytical process when solving problems, this can lead a group to develop limited and unimaginative ideas.

By contrast, brainstorming provides a free and open environment that encourages everyone to participate. Quirky ideas are welcomed and built upon, and all participants are encouraged to contribute fully, helping them develop a rich array of creative solutions.

When used during problem solving, brainstorming brings team members' diverse experience into play. It increases the richness of ideas explored, which means that you can often find better solutions to the problems that you face.

It can also help you get buy-in from team members for the solution chosen – after all, they're likely to be more committed to an approach if they were involved in developing it. What's more, because brainstorming is fun, it helps team members bond, as they solve problems in a positive, rewarding environment.

While brainstorming can be effective, it's important to approach it with an open mind and a spirit of non-judgment. If you don't do this, people "clam up," the number and quality of ideas plummets, and morale can suffer.

Individual Brainstorming

While group brainstorming is often more effective at generating ideas than normal group problem solving, several studies have shown that individual brainstorming produces more – and often better – ideas than group brainstorming.

This can occur because groups aren't always strict in following the rules of brainstorming, and bad behaviors creep in. Mostly, though, this happens because people pay so much attention to other people that they don't generate ideas of their own – or they forget these ideas while they wait for their turn to speak. This is called "blocking."

When you brainstorm on your own, you don't have to worry about other people's egos or opinions, and you can be freer and more creative. For example, you might find that an idea you'd hesitate to bring up in a group develops into something special when you explore it on your own.

However, you may not develop ideas as fully when you're on your own, because you don't have the wider experience of other group members to draw on.

Tip for potential managers;

To get the most out of your individual brainstorming session, choose a comfortable place to sit and think. Minimize distractions so that you can focus on the problem at hand, and consider using Mind Maps to arrange and develop ideas.

Individual brainstorming is most effective when you need to solve a simple problem, generate a list of ideas, or focus on a broad issue. Group brainstorming is often more effective for solving complex problems.

Group Brainstorming

Here, you can take advantage of the full experience and creativity of all team members. When one member gets stuck with an idea, another member's creativity and experience can take the idea to the next stage. You can develop ideas in greater depth with group brainstorming than you can with individual brainstorming.

Another advantage of group brainstorming is that it helps everyone feel that they've contributed to the solution, and it reminds people that others have creative ideas to offer. It's also fun, so it can be great for team building!

Group brainstorming can be risky for individuals. Unusual suggestions may appear to lack value at first sight – this is where you need to chair sessions tightly, so that the group doesn't crush these ideas and stifle creativity.

Where possible, participants should come from a wide range of disciplines. This cross-section of experience can make the session more creative. However, don't make the group too big: as with other types of teamwork, groups of five to seven people are usually most effective.

How to Use the Tool

You often get the best results by combining individual and group brainstorming, and by managing the process according to the "rules" below. By doing this, you can get people to focus on the issue without interruption, you maximize the number of ideas that you can generate, and you get that great feeling of team bonding that comes with a well-run brainstorming session!

To run a group brainstorming session effectively, follow these steps.

Step 1: Prepare the Group

First, set up a comfortable meeting environment for the session. Make sure that the room is well-lit and that you have the tools, resources, and refreshments that you need.

How much information or preparation does your team need in order to brainstorm solutions to your problem? Remember that prep is important, but too much can limit – or even destroy – the freewheeling nature of a brainstorming session.

Consider who will attend the meeting. A room full of like-minded people won't generate as many creative ideas as a diverse group, so try to include people from a wide range of disciplines, and include people who have a variety of different thinking styles.

When everyone is gathered, appoint one person to record the ideas that come from the session. This person should not necessarily be the team manager – it's hard to record and contribute at the same time. Post notes where everyone can see them, such as on flip charts or whiteboards; or use a computer with a data projector. If people are not used to working together, consider using an appropriate warm-up exercise, or an icebreaker.

Step 2: Present the Problem

Clearly define the problem that you want to solve, and lay out any criteria that you must meet. Make it clear that the meeting's objective is to generate as many ideas as possible.

Give people plenty of quiet time at the start of the session to write down as many of their own ideas as they can. Then, ask them to share their ideas, while giving everyone a fair opportunity to contribute.

Step 3: Guide the Discussion

Once everyone has shared their ideas, start a group discussion to develop other people's ideas, and use them to create new ideas. Building on others' ideas is one of the most valuable aspects of group brainstorming.

Encourage everyone to contribute and to develop ideas, including the quietest people, and discourage anyone from criticizing ideas.

As the group facilitator, you should share ideas if you have them, but spend your time and energy supporting your team and guiding the discussion. Stick to one conversation at a time, and refocus the group if people become sidetracked.

Although you are guiding the discussion, remember to let everyone have fun while brainstorming. Welcome creativity, and encourage your team to come up with as many ideas as possible, regardless of whether they're practical or impractical. Use thought experiments such as Provocation or Random Input to generate some unexpected ideas.

Do not follow one train of thought for too long. Make sure that you generate a good number of different ideas, and explore individual ideas in detail. If a team member needs to "tune out" to explore an idea alone, allow them the freedom to do this.

Also, if the brainstorming session is lengthy, take plenty of breaks so that people can continue to concentrate.

Taking Your Brainstorming Further

If you are not getting enough good quality ideas, try using the approaches below to increase the number of ideas that you generate:

- **The Stepladder Technique**– This improves the contribution of quieter group members by introducing one person at a time.
- **Brain writing**– This is a written approach that you can use to encourage all individuals to generate and develop ideas.
- **Online Brainstorming (also known as Brain-netting)**– An electronic method of brainstorming, this uses a document stored on a central server, or on a Cloud-based system.
- **Crawford's Slip Writing Approach**– You can use this approach to get plenty of ideas from all participants, and to get a view of each idea's popularity.

These techniques help you in specific situations:

- **Reverse Brainstorming**– This is used to improve a product or service.

- **Star bursting**– Starbursting helps you develop questions that you need to ask to evaluate a proposal.
- **Charette Procedure**– This helps you brainstorm with large groups of people. (Conventional brainstorming becomes increasingly ineffective when more than 10 or 12 people are involved.)
- **Round-Robin Brainstorming**– You can use this approach to get people to contribute ideas without being influenced by others.
- **Role storming**– This technique encourages group members to take on other people's identities while brainstorming, thereby reducing their inhibitions.

The Next Step – Taking Action

After your individual or group brainstorming session, you'll have a lot of ideas. Although it might seem hard to sort through these ideas to find the best ones, analyzing these ideas is an important next step, and you can use several tools to do this.

Use Affinity Diagrams to organize ideas and find common themes.

Decision Matrix Analysis and Paired Comparison Analysis will help you choose between different options. You can also use the Six Thinking Hats technique to look at ideas from different perspectives; and the Modified Borda Count and Multi-Voting can help you choose between options as a team, particularly where the differences between options are quite subjective.

Key Points

When managed well, brainstorming can help you generate radical solutions to problems. It can also encourage people to commit to solutions, because they have provided input and played a role in developing them.

The best approach combines individual and group brainstorming. During the process, there should be no criticism of ideas, and creativity should be encouraged.

4.3 How to Make Better Decisions

This decision-making guide is designed to give you a better understanding of what problem-solving and critical thinking entail. Not only will you learn about how to make better decisions in business, these ideas can make you a better problem solver at school or in your personal life when faced with challenges. Additionally, throughout this guide, we will provide you amazing online tools, videos, and resources to help you continue to learn how to make decisions better into your daily activities.

4.3.1 The Importance of Creative Problem Solving in Business and Life

Problem-solving is one of the leadership skills that successful business professionals and entrepreneurs are expected to have, yet many struggle with the simplest of decisions. What makes solving daily problems so natural for one person and such a struggle for the next?

The truth is even experienced decision makers continually hone and perfect their creative problem-solving skills. And, there are many compelling reasons to do so. Not only do those who make better decisions have more job opportunities, get promoted more often, and increase their work productivity, but they are generally happier. In a recent study from the University Of Chicago School Of Business, research found that happiness depends more on opportunities to make decisions (i.e, freedom) rather than money or connections. This means that the ability to make decisions leads to more and better opportunities for success, which improves your quality of life. In other words, the better a decision maker you are, the happier and more successful you will be.

This concept goes against what many business leaders believe – that it’s what and who you know that makes you successful. In fact, how you understand and solve problems that are the key to success.

Fortunately, problem-solving and decision making are skills that can be improved upon, studied, and mastered. By learning specific problem solving and decision-making techniques, you can see problems sooner and make decisions faster. This allows you to make more confident decisions in your job, and gives you more control over the happiness and productivity in every part of your life.

Conflict has never benefitted anyone, instead it adds to one's tensions and anxiety. It is better to discuss things and reach to an alternative benefitting all. Issues must not be dragged unnecessarily and efforts must be made to come to a conclusion involving the interests of all. No point in being adamant and rigid. One should strive hard to negotiate with each other and consider the needs, interests and expectations of all.

Negotiation is essential everywhere. It is not only the corporate where negotiation is important but also in our daily life. We all must try our level best to adopt negotiation skills to avoid misunderstandings and lead a peaceful and a stress free life.

Let us understand how **negotiation is important in daily life:**

Negotiation is essential in everyone's family to maintain peace at home. We all need to compromise with each other to some extent to avoid disagreements at home.

Terren's mother baked one of his favourite cakes but he had to share it with his brother Peter as well.

- **Situation 1**

Terren negotiated with Peter that if Peter gives him the larger share, he would probably finish all his marketing assignments to which Peter gladly agreed as now he could enjoy his weekend with his friends. It was also a win- win situation for Terren as now he could relish his favourite cake.

- **Situation 2**

Terren fought terribly with Peter over the cake and neither Terren nor Peter could enjoy the cake. They spoiled the evening and got a good scolding from their parents as well.

Situation 1 is any day a better option as both Terren as well as Peter could get whatever they wanted. The negotiation benefitted both of them and reduced the chances of disputes between the two brothers.

Negotiation also helps in effective buying. Every individual needs to save money for the rainy days. You just can't spend money like anything. One must try his level best to negotiate with the second party to reduce the costs to the best extent possible. If you do not negotiate well you will end up spending more than required. Always remember the shop owner keeps a profit margin on almost all selected products. Do not go and just pay whatever he asks for. Quote a price little less than what he quotes but do not forget to calculate the shop owner's profits as well. If you intend buying some expensive brand, it is better to check out the prices of its competitors as well.

Negotiation is important but do not forget to be polite and dignified. Convince the shopkeeper as to why the price of a particular item should be a little less than what he has quoted. Discuss with the store owner. He will feel happy after all he needs to sell his products and even he looks forward to a loyal customer. It is better if both the parties negotiate with each other and come to a price which would satisfy both of them. The customer would afford to buy his product at a reasonable price and the store owner would also manage to earn his profits. Ask for discounts when you go out for shopping.

Negotiation reduces conflicts and improves the relation among individuals. We are human beings and unlike animals we live in societies and need people around. How would you feel if your next door neighbours do not talk to you? People cannot stay all alone. They need the company of others to share happiness, sorrows and take each other's help whenever required. Do not always find fault in others. It is okay if your next door neighbour has parked his car in front of your house. Do not go and fight with him. You might even need him some day. Do not get hyper or over react. Try to understand the other person as well.

An individual must learn the skills to an effective negotiation to lead a happy and a peaceful life. Life is short and one must enjoy each and every moment of it. Why to unnecessarily fight with each other and complicate issues? Negotiation is essential for better bonding among individuals, lesser conflicts and a happy life.

4.3.2 Critical Thinking in the Decision Making Process to Solve Problems

Critical thinking is the practice of methodically gathering, analyzing, and evaluating information. It is one of the most vital parts of the problem solving and decision-making process, as it is the

act of clearly thinking through options that will lead to a final choice. While decision making is the process that leads to actionable conclusions, critical thinking is the element that defines whether the choice is sound. Think about it this way: If problem solving is the car that gets your business to its goals, critical thinking skills are the gas.

Although humans have been thinking critically since the first Homo Habilis picked up a stone tool, critical thinking as a process has only become one of the most valuable business skills in the last century. John F. Dewey, the inventor of the Dewey library system and a noted educational philosopher, began touting the importance of teaching critical thinking skills in his 1938 paper, *Logic: The Theory of Inquiry*. This educational reform may have inspired the rising generation to explore the concepts more, as a resurgence of interest in the subject presented within 1950-1970. Many new decision-making strategies (relying heavily on critical thinking career skills), were created over this time period, including CATWOE, PEST, and the Cause and Effect Analysis model.

Since that time, critical thinking and decision making are synonymous business skills that are expected of corporate leaders. Still, many people don't truly understand exactly the underlying concepts that make critical thinking an effective process. There are four key structures that all critical thinking is based on:

Logic – An individual's ability to see direct relationships between causes and effects. This is one of the most important decision-making skills, as logic provides accurate predictions about what kinds of effects a potential solution will have on individuals and systems.

Truth – The unbiased data of an event. Unbiased and unemotional facts are an important part of the problem-solving process. Good critical thinking culls out these biases and focuses on the historical and documented data that will support the final conclusion.

Context – A list of extenuating pressures and factors that will or should be impacted by the final solution. Critical thinking must take into account the historical efficacy of similar solutions, the physical and abstract stressors of the decision maker, and the assumptions or agendas of different shareholders. All of these outside elements must be considered in order to truly engage in a critical decision-making process.

Alternatives – Potential solutions not currently in use. In effective critical thinking, the individual is able to consider new ways of approaching problems that meet real-world goals and are based on accurate, unbiased data. This is the case, even if alternative solutions are not used, or when outside determinants are unexpected.

When you understand each of these underlying factors, you will become more aware of personal biases and be more engaged in the critical thinking process. In addition, improving your critical thinking skills leads to faster, more confident, and more productive decision making. The fuel of critical thinking is the secret ingredient that will drive your business's success.

Are you asking the right Questions?

Thought leader Clayton M. Christensen observed that business leaders often think so much about action that they fail to consider why they are acting in the first place. Unfortunately, good action is not possible without considering the right critical thinking questions. Critical questioning allows you to clearly distinguish facts from biases, stakeholders from observers, and solution from potential solutions. If critical thinking is the lens by which you see solutions, questioning is the telescope that gives that lens shape, structure, and purpose.

Since questioning is the means by which critical thinking and decision making is accomplished, consider whether you truly understand what a good question looks like. A good question will result in an actionable answer, usually one that provides additional information that is helpful in reaching a final solution. But, how can you formulate questions that do this?

There are a few ways to know whether the question you're asking is a good one. If you do not have good question-asking instincts, interrogate your initial question with a few of these.

1. Is Your Purpose Clear?

A good question is carefully designed to meet a particular goal. For example, instead of asking, "When can I meet with you?" a clearer questioner would ask, "Would you prefer to meet on Monday morning or Wednesday morning?" The narrower range of options encourages a quicker, more decisive answer, which can in turn be acted upon. In order to get the most actionable

information possible, you need to have a distinct idea of the kinds of information you are looking for. You can then make your questions more intentional and directed as you come closer to what you are looking to know. Specific purposes of questions may include:

- Definition: What does “work ethic” look like in our organization?
- Comparative: What parts of our marketing strategy are different from our competitor?
- Causal: If we invest in this new technology, what are some potential positive and negative outcomes?
- Evaluative: What about this product is working for our consumer? What isn’t?

By knowing which types of questions to ask in each situation, you’ll have a more targeted discussion that leads to actionable answers.

2. Is The Question Framed Correctly?

Even with a clearly defined purpose, the framing of the question can still help or hinder its overall effectiveness. For example, asking “Why should we invest in a Halloween party when clown costumes are so expensive?” will not be as effective as “Why should we invest in a Halloween party when, historically, they have not improved business culture?” The first question suffers from its poor framing, as it assumes that a Halloween party must include the investment in a clown costume. Poorly framed questions can be identified through various smaller issues, including false comparisons, false dilemmas, and ambiguity. A good question deals with only one issue at a time, and avoids bundling disparate concerns into a single blanket assessment.

3. Is Your Question Closed or Open?

One of the biggest pitfalls of the questioning process is asking questions with a predefined, or “closed,” set of answers. These yes or no questions don’t require synthesis, analysis, or evaluation of facts. They are often asked by leaders who already have an idea of what the answer should be, and have no interest in additional information. While these can be useful when only a handful of acceptable answers exist, they don’t lead to creative thinking or better decision making in management.

In contrast, an open question requires thought and evaluation to answer. These questions can open the door to outside ideas and collaboration and ultimately lead to much more productive conversations than closed questions. These questions are designed to bring additional information to light, and often lead to more in-depth understanding about the problem and potential solutions.

4. Are You Following Up?

Initial questions offer a vital starting point for any critical thinking and decision-making discussion. Unfortunately, some people stop there, and that can be the death knell of effectiveness and efficiency. In order to get the best answers, you must engage in a series of follow-up questions to support your initial inquiry.

Consider this question: “What are some areas we can cut in order to meet our yearly budget?” On its own, it will get you some information, but may miss crucial further discussion. Questions like “Who will be affected if we cut that department?” or “What will the impact of that departmental cut be on our production processes?” will provide additional actionable information and lead to smarter, safer cuts. In fact, the highly effective Five Whys system of problem solving is built solely upon the idea of targeted follow-up questioning.

By incorporating effective questioning into your critical thinking equation, you will get clear answers that will help you to create actionable solutions. And, as you continue to evaluate your progress; effective questioning will become one of your critical things to do.

4.3.3 Methods and Techniques for Problem Solving and Decision Making

Even with good critical thinking and questioning skills in place, it can be difficult to maintain consistency when it comes to problem-solving. Organizations are not individuals, but instead employ an array of people with different personalities, skill sets, and strengths, which can make solving group problems virtually impossible without a clearly defined framework. For that reason, many top-level organizations choose to incorporate a standardized problem-solving methodology. Not only does this provide the consistency a business needs, but it often leads to

more focused and productive discussions. This newfound productiveness in turn leads to more actionable plans and clearly defined goals for success.

Even though these processes have mainly been designed for large organizations, organizations of any size can adapt these concepts to suit their needs. Large businesses, small businesses and individuals can all benefit from these simple problem-solving and decision-making methods. They have proven to be effective at maintaining a structured problem-solving process regardless of the structures in which they see use.

4.3.4 Steps in Problem Solving Method

Although many have made variations on the 6-Step Problem Solving Method, the only research-based version of this methodology was invented by Dr. Sidney J. Parnes and Alex Osborn in the 1950s. After working with and observing high-level advertising employees throughout the brainstorming and implementation process, Parnes and Osborn recognized that creative people go through a series of stages as they create, organize, and choose good solutions for problems. Their findings were published in 1979 under the title, *Applied Imagination: Principles and Procedures of Creative Thinking*. In their original work, the 6-Step model was termed, “The Creative Problem Solving (CPS) Method,” and included these key segments:

1. **Objective Finding**
2. **Fact Finding**
3. **Problem Finding**
4. **Idea Finding**
5. **Solution Finding**
6. **Acceptance Finding**

These six segments were further organized into three key phases of problem solving: Exploring the Challenge, Generating Ideas, and Preparing for Action.

After Parnes and Osborn released these creative problem solving techniques, many different groups and businesses adapted them to fit their needs and organizational culture, providing a consistent framework for making daily decisions. One of these popular adaptations was created

by Yale University, and includes an evaluative segment that provides for continual optimization of the final decision. This model also incorporates some elements from the Soft Stage Management model (SSM), which provides a seven-stage approach to problem solving. The Yale adaptation has been adopted by businesses and organizations worldwide, and includes these six steps of action:

1. **Define the Problem**
2. **Determine the Root Cause of the Problem**
3. **Develop Alternative Solutions**
4. **Select a Solution**
5. **Implement the Solution**
6. **Evaluate the Outcome**

In the updated version of the CPS model, more emphasis is placed on implementation and evaluation rather than simply accepting the results of the inquiry. This provides organizational leaders with an action-based problem-solving method that has been proven through research to be consistent and adaptable for virtually any need. Still, some aspects of business work present better opportunities to use this method than others.

Large Group Decisions – One of the core features of the 6-Step Model is that it relies heavily on brainstorming and group problem solving, which in turn means large groups will benefit the most from the system as presented. The more suggestions, definitions, and root cause determinations offered by participants, the wider the view of the potential problems that need to be solved becomes. In addition, when a group is the impetus for identifying and analyzing the problem at hand, members attain heightened motivation as the process reaches its final step, “Preparing for Action.”

Comparative Decision Making – Another situation in which the 6-Step Model shows its strength comes when comparing the efficacy of your organization’s ideas against a competitor. The group-think structure of the method allows for a logical discussion of potential best-case and worst-case scenarios resulting from each potential course of action. Not only is this a good thing when formulating new ideas or action plans, but it works magnificently when determining

strategies to take in a competitive marketplace. The evaluative phase of the method allows for research and comparison with outside ideas and models, such as those of major competitors, which eventually will lead to a better product or idea.

Long-Term Restructuring – This model deals particularly well with long-term changes or processes in need of consistent evaluation and restructuring. Since the evaluation process leads back into the initial phases of defining problems and developing solutions, the method develops a circular flow that allows the user to tackle even the most daunting decision-making projects. It also adapts to the size of the project or system in which it is use, so as a small project or system gets larger and more complex, the 6-Step model remains effective, and can even be applied to individual components and subsystems as necessary.

4.3.5 PEST – Analysis Political Economic Social Technological

Noted as one of the most widely-used decision-making techniques, the PEST model derives from the concept that several influencing factors can affect an organization, namely Political, Economic, Social, and Technological factors. By carefully analyzing and evaluating these factors, organizations can make more informed decisions and have a better understanding of the long-term implications of those choices.

The PEST model of decision making was introduced by Francis J. Aguilar, a Harvard Business professor. In 1967, he published a book including the PEST model (originally the EPST model) entitled, scanning the Business Environment. Arnold Brown reorganized the acronym as STEP (Strategic Trend Evaluation Process) sometime after the book's publication, and it was adapted further by a number of authors in the 1980s into acronyms including PEST, PESTLE and STEEPLE. It is still well-known by some of these alternative nomenclatures, and each retains the core elements of the system introduced by Aguilar.

Although it was originally designed as a method for understanding the unique layout of the business arena, PEST quickly became a consistent way for leaders to understand both the internal and external pressures that affected their organizational processes and products. It can also be easily adapted for use with acquisitions and mergers, potential investments, and

marketing campaigns. After decades of its use, the PEST model has proven to be especially effective in these specific situations:

Surveying Business Markets – Since this was its initial function, PEST functions best as a market surveying tool. The four key elements of the model can easily be adapted to any market, regardless of size or scope. In addition, permutations of the model like PESTLE include additional pressures that help to further understand the potential marketplace, such as legal and environmental factors. This makes the PEST model perfect for political ventures, building projects, or even human resource concerns.

Evaluating Strategies or Markets – Another area in which the PEST model shines is the evaluation of current strategies for flaws and inconsistencies. Because the model structures itself around rigorous evaluation, it allows all members of the decision-making team to have a clear idea of the potential impacts of the chosen course of action. By adding a weighting system to each of these elements, those in the discussion can clearly see which strategies have the greatest potential for success and will meet the organization's goals. Such a system also figures in strongly when comparing markets or courses of action, as it results in data points to illustrate the projected gains and losses for each potential solution.

Large-Scale Change Including Complex Elements – Finally, the model allows for a methodical consideration of various influences, so that large-scale change can be managed in advanced and intricate detail. The PEST method highlights weaknesses in potential mergers or campaigns, allows for detailed speculation about future partnerships or markets, and gives insight into the regulatory or political drawbacks for each course of action. Through applying the PEST model, it is relatively easy to create a concise checklist of items to be addressed. This makes it one of the most actionable decision-making tools for corporate-level change.

4.3.6 SWOT Analysis – Strengths Weakness Opportunity Threats

The SWOT model of analysis sets out to help businesses analyze their company and better understand the arenas in which they operate. In this method, the Strengths, Weaknesses, Opportunities, and Threats of a company are outlined in a grid fashion, allowing the leadership to quickly identify toxic processes and behaviors.

Albert S. Humphrey usually receives the credit for the creation of the SWOT framework, as he presented it during his work with Stanford. In reality, the concept may have originated earlier than his 1960s presentation of the concept. Several researchers, including George Albert Smith, Jr., C. Roland Christensen, and Kenneth Andrews of the Harvard Business School, reportedly worked with a prototype of the concept during the 1950s. Their model, published in 1965 as *Business Policy, Text and Cases*, had a slightly different set of values: Opportunities, Risks, Environment, and Competition. This research likely held some sway over the Stanford research model, which Humphrey initially referred to as SOFT Analysis (Satisfactory, Opportunity, Fault, and Threat). Researchers Urick and Orr changed this to SWOT by 1964, and the name stuck.

SWOT lets users evaluate potential business risks as well as rewards for business ventures on the basis of environmental pressures. Like other models, SWOT also lends itself to discourse that leads to making better decisions. Though it doesn't work very well as a standalone decision-making model, it makes an excellent supplement to another more action-based system. Some of the situations where SWOT really shines include:

Brainstorming and Strategy Building – SWOT lends itself to sharing and discussing potential benefits and drawbacks of a single idea or course of action. Its simple format also plays well for situations involving big picture ideas and concepts. At the planning stage, it makes large issues readily obvious, as well as illustrating key benefits for each idea. When deciding on the strategy for a particular product, plan, or business, SWOT can make an organization's position and the benefits of each situation acutely obvious. A plan that has a strong strengths-opportunities correlation will support an aggressive strategy, while a plan that has a strong weaknesses-threats connection should be approached defensively.

Business and Product Development – The simplicity of the SWOT matrix is perfect for easily identifying strengths and weaknesses of a business or product. This model helps encourage discussion about the competitive advantages or gaps in capabilities of a specific idea. It also helps bring to light clear threats for a course of action, such as political, technological, or environmental pressures that must be overcome before progress can be made. And, because it is such an adaptable model, it can be used for both large-scale and small-scale problems. This flexibility makes SWOT a good choice as a standardized decision-making tool.

Gathering and Organizing Data – SWOT can be a good choice at the brainstorming level of creative problem solving, but can also prove itself an excellent tool during the researching phase of a task. The simple matrix can help present and organize data in preparation for action. In addition, it can easily show where research is lacking, or where more information needs to be gathered.

4.3.7 FMEA Analysis

As one of the first systematic techniques for observing weaknesses in organizations, the Failure Mode and Effects Analysis (FMEA) system often sees use as a diagnostic tool for companies and other large groups. FMEA puts forth the idea that all of the elements of a structure have inevitable failure modes, which are points at which they will break down under stress or over time. The goal of FMEA, then, is to identify the probable failure mode for each component, and to project the impact that these failures will have on the overall success of the plan.

The US military and surrounding industries began using this method as early as 1949 for the purpose of identifying weaknesses in potential military equipment and weapons. Adopted in the early 1960s by contractors working with the U.S. National Aeronautics and Space Administration (NASA), FMEA helped these organizations produce parts and processes that would guarantee a high success rate for the space shuttle program. In 1967, the Society for Automotive Engineers (SAE) published a version of FMEA which, with revisions, has remained the standard failure mode model for the public aviation industry. Versions of FMEA have been used by the Automotive Industry Action Group, the U.S. Environmental Protection Agency (EPA), and Food and Drug Administration (FDA).

Henry Ford was the first leader to widely incorporate the FMEA model to identify process weaknesses within a business. He adapted the FMEA model into two main areas: Process FMEA (PFMEA) and Design FMEA (DFMEA). PFMEA helps leaders to identify potential breakdowns of production, supply, and market failure for an organization, while engineers and other technical personnel use DFMEA to assess the ramifications of potential weaknesses and safety issues in their designs. The areas in which these two types of FMEA are most effective include:

Manufacturing and Assembly Processes – The initial goal of the FMEA model was to identify problems and potential failures of elements within a manufacturing process. Because of this, the FMEA model is a good choice for businesses that are heavily involved in manufacturing and production. It guides the participant through each point of the production cycle, and allows him or her to foresee potential risks associated with parts, labor, and processes. Often, this results in fewer risks and elimination of unnecessary redundancies, which leads to a safer work environment and a more cost-effective business.

Business Strategy – Another area in which FMEA is highly efficient is in the preparation stages of any major change. This model focuses on potential risks at every point in the new process, which motivates leaders to understand and overcome challenges long before they arise. If a clear goal or emphasis is not established before beginning the FMEA process, however, this can become overwhelming and even paralytic, encouraging stagnation within a company. By assigning a Risk Priority Number (RPN) to each failure mode element, those using this model can make it much more obvious which failure modes require immediate attention.

4.4. Seven Steps Problem Solving Techniques: what's the problem?

The seven step problem solving technique provides a structured basis to help deliver outcomes and solutions to your problems.

Ever heard people say (or perhaps said yourself) things like:” I wished we had not jumped to that solution so quickly.” “I think we may have solved the wrong problem.” “It was only at the end that I realised we had acted too quickly with too little information.” “The solution we went ahead with turned out to be impractical and too expensive.”

A structured process helps ensure you stay on track with what you need to do to solve a problem.

The seven step problem solving technique covers:

1. **Finding the right problem to solve**
2. **Defining the problem**
3. **Analysing the problem**

4. **Developing possibilities**
5. **Selecting the best solution**
6. **Implementing**
7. **Evaluating and learning**

You will find a brief explanation of these points below. Once you have read these, you can find more details, in our comprehensive guide to problem solving: What's the Problem (with a tool for each of our problem solving steps).

1. Find the Right Problems to Solve

Surprised to start with this step? Not many problem solving processes include this step, yet it is absolutely crucial. Think how often we spend time and resources on problems which don't necessarily demand such attention. Ask yourself "Is it the right problem to solve?". This is also one of the most important stages in our seven step problem solving technique. Why?

Well too often our approach to problem solving is reactive; we wait for the problems to arise. So firstly in our seven step problem solving process, we advocate taking a proactive approach, go and find problems to solve; important and valuable problems. The real starting point then for any problem solving process is to find the right problem to solve.

How do you go about finding the right problems to solve?

That's what we set to answer in our problem solving skill article: "Finding the Right problems to Solve". You will find useful management tips in this activity to start the problem solving process by looking firstly at the possibilities in your current issues and then secondly looking to the future.

2. Define the Problem

It is very tempting to gloss over this step and move to analysis and solutions. However, like the first step, it is one of the secrets of effective problem solving and helps to differentiate our seven step problem solving technique. Combining problems that are valuable to solve, with defining exactly what you are trying to solve, can dramatically improve the effectiveness of the problem

solving process. The secret to defining the problem is really about attitude. Try to see every problem as an opportunity.

This is the crucial attitude which will then help you define the problem in a way which focuses on the potential and opportunity in the situation. Peter Drucker advocates that we should starve problems and start feeding opportunities will perhaps because we do not see the right problems to solve or the opportunity in solving them. Essentially Drucker suggests that we should move from a problem focus to an opportunity focus.

Define your problem as an opportunity! Our problem solving activity tool does just that, providing a process to frame your problem as an opportunity and a question checklist to help you define what exactly the problem is, and why it is worth your while solving it. The question checklist, also leads you through a structured set of questions to start the analysis of the problem.

3. Analyse the Problem

Analysis is a process of discovery of the facts, finding out what you know about the situation. The problem solving activity question checklist leads you through a set of questions to identify the nature of the problem and to analyse what it is and what it isn't.

One of the most important aspects of analysing any situation is involving the right people.

In “the best management tools ever: a good question” we suggest using Reg Revans approach of asking three questions:

- **Who knows?** – about the situation/opportunity, or who has the information we need to solve it/realise it
- **Who cares?** – that something is done about it
- **Who can?** – do something about the solution

These questions are fundamental management tips. They help us to identify the people who need to come together, in order to take appropriate action to solve an issue or realise an opportunity.

Analysis often requires a detailed examination of the situation. This is an important element in seven step problem solving.

An excellent approach to detailed examination is adopted in our structured problem solving technique which uses four steps to improve processes in your organisation. This management tool firstly helps you define the **current** situation, and then **challenges** all aspects of that current process. The third and fourth steps are to **develop options** and then seek an **optimal** solution. The tool leads us from analysis to the next two stages in our seven step problem solving technique that is developing options and selecting a solution.

4. Develop Possibilities

The previous steps will have already revealed plenty of possibilities for solving the problem and realising the opportunities. At this stage it is important to give time and space for creative solutions. Placing a high value on the ideas of others is a crucial leadership concept and facilitator skill when generating ideas to solve problems.

We have already suggested that for effective problem solving you need to ensure that you find the right problems to solve and then ask yourself what opportunities are created by solving this problem. But how do you focus on opportunities?

We have developed a tool, the power of positive thinking, which helps you to focus on those opportunities, using 5 questions that create opportunities. A group process is recommended to help get possible solutions from a wide range of people – solutions which can create significant opportunities for the organisation.

A second resource provides a great process to explore new possibilities and potential. In “the best management tools ever: a good question” there is a tool which groups questions to help you:

- focus collective attention on the situation
- connect ideas and deeper insight
- create forward momentum and move to action

A rich range of possible solutions opens up the opportunities. When you consider you have plenty of ideas with potential it's time to make a decision.

5. Select the Best Solution

The next phase in our seven step problem solving technique is to consider the number of solutions found. It's likely that more than one will be viable so how do you decide which solution to select? There will be constraints restricting what you can do, issues about whether solutions fit within what is currently done, and various stakeholders views to consider. Solutions therefore need to be evaluated. A powerful way to do this has been proposed by Peter Drucker. In our business planning tool, "business goal setting", we suggest using Drucker's three criteria as a filter to select ideas to take forward. To screen your ideas apply the three filter tests:

1. **Operational validity** – Can you take action on this idea, or can you only talk about it?
Can you really do something right away to bring about the kind of future you desire?
2. **Economic validity** – Will the idea produce economic result? What would be the early indicators that it was working?
3. **Personal commitment** – Do you really believe in the idea? Do you really want to be that kind of people; do that kind of work, and run that kind of business?

Take your time answering these questions. You may well find that many of the other stages in our business goal setting article can help in the problem solving process. Especially if the problem is of organisational significance and its solution could impact the direction the business or unit takes.

6. Implementing

Implantation of the seven step problem solving technique moves to a project implementation process. But before putting your decision into effect check that you have:

- carefully defined the problem, and the desired outcome
- analysed the problem at length
- collected every available item of information about it

- explored all possible avenues, and generated every conceivable option
- chosen the best alternative after considerable deliberation.

To implement first make sure that you follow project management guidelines, particularly to be clear on the outcomes, ask yourself what will be different when you solve the problem and realise the opportunity.

Secondly what are the objectives; these should clearly demonstrate how you will get to the outcomes. Gaining clarity on these and acceptance from the various stakeholders is crucial to succeeding.

The implementation process can then effectively follow a project management model of:

- Define it
- Design it
- Do it – carry out activities to implement
- Deliver it – test and ensure it has met the outcomes

Make sure that the three “who’s” are with you!

During the seven step problem solving process you should build the commitment of those:

- who care – they want to see a solution,
- who can – they are able to make it happen
- who know – they can help you implement effectively.

7. Evaluate and Learn from the seven step problem solving technique

You will have done some things really well by applying this seven step problem solving technique. It would be all too easy to forget them in rushing to solve the next problem, or to implement the solution. You should evaluate at least two areas:

- How you carried out the seven step problem solving process

- The effectiveness of the solution you implemented. Did it deliver the outcomes you expected?

You should also ask what you are now able to do, or what you could do next, now that you have improved things by solving the problem. What further opportunities can you now realise that you weren't able to before?

This seven step problem solving technique ensures you follow a systematic process but it also emphasises two secrets of effective problem solving:

- Use your problem solving skills to ask: **“is it the right problem to solve?”**
- Then ensure that any problem solving activity asks the question: **“what opportunities are created by this problem?”**

4.5 Five Ways to Enhance Your Problem Solving Skills

Have you ever thought of yourself as a problem solver? I'm guessing not. But in reality we are constantly solving problems. And the better we are at it, the easier our lives are.

Problems arise in many shapes and forms. They can be mundane, everyday problems:

- What to have for dinner tonight?
- Which route to take to work?
- or they can be larger more complex problems;
- How to fix a project that's running behind schedule?
- How to change from an uninspiring job to a career you're really passionate about?

Every day you'll be faced with at least one problem to solve. But it gets easier when you realise that problems are simply choices. There's nothing 'scary' about them other than having to make a decision.

No matter what job you're in, where you live, who you're partner is, how many friends you have; you will be judged on your ability to solve problems. Because problems equal hassles for everyone concerned. And people don't like hassle. So the more problems you can solve the less

hassle all-round, the happier people are with you. Everyone wins.

So what can you do to enhance your problem solving skills?

1. Focus on the solution – not the problem

Neuroscientists have proven that your brain cannot find solutions if you focus on the problem. This is because when you focus on the problem you're effectively feeding 'negativity' which in turn activates negative emotions in the brain. These emotions block potential solutions. I'm not saying you should 'ignore the problem' – instead try and remain calm. It helps to first acknowledge the problem and then move your focus to a solution-oriented mindset where you keep fixed on what the 'answer' could be instead of lingering on 'what went wrong' and 'whose fault it is'.

2. Have an open mind

Try and entertain 'ALL POSSIBLE SOLUTIONS' – even if they seem ridiculous at first. It's important you keep an open mind to boost creative thinking, which can trigger potential solutions. Coming from 10 years in the corporate advertising industry it is drummed into you that 'No idea is a bad idea' and this aids creative thinking in brainstorming and other problem-solving techniques. Whatever you do – do not ridicule yourself for coming up with 'stupid solutions' as it's often the crazy ideas that trigger other more viable solutions.

3. View problems neutrally

Try not to view problems as 'scary' things! If you think about it what is a problem? It's really just feedback on your current situation. All a problem is telling you is that something is not currently working and that you need to find a new way around it. So try and approach problems neutrally – without any judgment. If you get caught up in the label 'problem' this may trigger a bought of negative thoughts and block any potential solutions from popping up!

4. Think laterally

Change the 'direction' of your thoughts by thinking laterally. Pay attention to the saying, 'You

cannot dig a hole in a different place by digging it deeper”. Try to change your approach and look at things in a new way. You can try flipping your objective around and looking for a solution that is the polar opposite! Even if it feels silly, a fresh & unique approach usually stimulates a fresh solution.

5. Use language that creates possibility

Lead your thinking with phrases like ‘what if...’ and ‘imagine if...’ These terms open up our brains to think creatively and encourage solutions. Avoid closed, negative language such as ‘I don’t think...’ or ‘This is not right but...’

6. Simplify things

As human beings we have a tendency to make things more complicated than they need to be! Try simplifying your problem by generalizing it. Remove all the detail and go back to the basics. Try looking for a really easy, obvious solution – you might be surprised at the results! And we all know that it’s often the simple things that are the most productive.

4.6 The Simplest Ways to Improve Your Problem Solving Skills

Have you ever been highly trained for a position only to find that when you actually dive into the job, all kinds of things come up that require quick decisions and problem-solving skills that you weren’t ever trained for?

Problem-solving skills are part of everyday living and are necessary for all aspects of life. They are not just for solving math and science problems. They’re needed for all kinds of positions such as doctors, lawyers, writers, artists, construction workers, and professional drivers.

If you are a creative person, you have the ability to be an excellent problem-solver. Anyone can sharpen problem solving skills using the power of the mind.

1. Have a healthy frame of mind.

Try not to panic or play the victim. Don’t think, “Why me?” Think, “How can I resolve this?”

The two things to always bring into the situation are positive thinking and open-mindedness.

2. Keep emotions out of it.

Don't make a mountain out of a molehill. This is exactly why a stable frame of mind is paramount. Remember that for every problem there is a solution. Don't get tunnel-visioned so that the problem is magnified. Problem-solving skills are one of the traits of successful people.

3. Know when to speak up and when to keep a problem to yourself.

Sometimes, alerting others of a problem that you are experiencing breeds additional drama. However, often times in the business setting, it's wise to alert superiors and co-workers so that they can assist in solving it before the problem escalates. If you're not sure whether to speak up, check office regulations, or perhaps wait until you can make an informed decision.

4. Define the problem clearly.

Before beginning, make sure you completely understand exactly what the problem is. Sometimes it looks like there's a lot of a problem, but it's actually just one with a lot of symptoms. Try to find the root cause of a problem instead of looking at a myriad of symptomatic issues. Ask questions like these:

- What is the real problem?
- What assumptions am I making that could be biased or inaccurate?
- Where's the latest information/research/data on this subject?
- How long do I have before this becomes a bigger issue?
- Can I ignore this problem?
- Who and what can help solve this?

5. Identify causes... especially the root cause.

Consider how and why it happened. Look at the problem from different perspectives. Play the devil's advocate. It wouldn't be considered a 'problem' if you knew how to solve it. This is why it's imperative to consider other views and opinions. Others may see it differently.

6. Gather as many facts as possible.

Collect information based on evidence... not on feelings. It's easier to come up with problem-solving strategies when you're not emotionally charged. An informed mind is much more capable of resolution than an uninformed one. Observe what is going right, or the positive aspects of the subject at hand, and to see if it gives ideas of how to fix what's going wrong. Then, do the same with the negative aspects. Write them down.

7. Brainstorm solutions.

Before brainstorming, make sure you've clearly defined the problem and gathered solid facts. Ask others for input. Often how others view something is completely different than how you viewed it because you might be too close, tunnel-vision, or too emotionally charged to make distinctions between the facts and exaggerations.

8. Make a decision as soon as possible.

Procrastination is not your friend when it comes to problem solving. When a problem is avoided it either becomes a larger problem or splits into many problems. Be diligent about defining the problem and gathering solid information so that you can brainstorm effectively.

9. Assign responsibility for who does what in the resolution.

Know what prompts your abilities and/or the abilities of your team. Use outlines, graphic organizers, color codes, charts, tables, graphs, and spreadsheets. Any of these tools can help organize and plan out the steps required for whatever solution you decide on. They can also ensure that you don't get sidetracked and focus on things that are irrelevant to the original problem.

10. Set standards to measure progress and/or deadlines for completion/resolution.

Establish criteria that proposed solutions must meet. In this way, if you implement a plan of action and monitor the results, you will see before you become frustrated whether it's working or not. If it's not working, you waste less time.

11. Take actions that are focused on a solution.

Select your solution and begin making a step-by-step plan of action to solve the problem. By making a plan, this promotes implementation of the solution. Remember to remain focused on one thing at a time.

12. If you cannot find a solution, go back and define what the problem is.

When problems cannot be solved, it is usually because they were not clearly identified. Anytime you hear someone say they've been dealing with a problem for quite some time, often the reason is because they haven't slowed down long enough to carefully define the actual problem. If problem solving skills are a challenge for you, just follow these steps. Before long, you will become an excellent problem solver and an asset for any team, business, or organization.

4.6 The skills of problem solving

Problem solving requires two distinct types of mental skill, analytical and creative.

Analytical or logical thinking includes skills such as ordering, comparing, contrasting, evaluating and selecting. It provides a logical framework for problem solving and helps to select the best alternative from those available by narrowing down the range of possibilities (a convergent process).. Analytical thinking often predominates in solving closed problems, where the many possible causes have to be identified and analysed to find the real cause.



Creative thinking is a divergent process, using the imagination to create a large range of ideas for solutions. It requires us to look beyond the obvious, creating ideas which may, at first, seem unrealistic or have no logical connection with the problem. There is a large element of creative thinking in solving open problems.

The creative thinking skills can be divided into several key elements:

- fluency - producing many ideas
- flexibility - producing a broad range of ideas
- originality - producing uncommon ideas
- elaboration - developing ideas.

Effective problem solving requires a controlled mixture of analytical and creative thinking.

Research has shown that, in general terms, each side or hemisphere of the brain is specialised to serve one of these groups of skills. The degree of specialisation of each hemisphere varies from person to person, but it has given rise to the terms right-brain thinking and left-brain thinking. Left-brain thinking is more logical and analytical, and is predominantly verbal. Right-brain thinking is more holistic and is concerned with feelings and impressionistic relationships.

To be a good problem solver you need to be able to switch from one group of skills to the other and back again, although this is not always easy. Traditional education gives far greater encouragement to the development and use of left-brain thinking. This is reinforced in the way

we are required to work, where emphasis is placed on rational, logical analysis of data in drawing conclusions.

Some other terms which are often used in discussions of creativity include:

Intuition - the ability to draw conclusions based on impressions and feelings rather than hard facts. It is a characteristic of right-brain thinking and some people rely on it more than others.

Incubation - the period between stopping conscious work on a problem and the time when we become aware of a solution or part solution. People struggling with problems often suddenly become aware of a solution after a period of incubation, during which the mind is occupied by other things.

Invention – this is the creation of new, meaningful ideas or concepts.

Innovation - putting new ideas or concepts to a practical use, as in the development of a new product or service.

4.6.1 Why people fail to solve problems effectively

Solving problems is a complex process and each of us is better at the skills required at some stages than others.

The following is a list of some of the reasons why people fail to find effective solutions include

1. not being methodical
 2. lack of commitment to solving the problem
 3. misinterpreting the problem
 4. lack of knowledge of the techniques and processes involved in problem solving
 5. inability to use the technique effectively
 6. using a method inappropriate to the particular problem
-
7. insufficient or inaccurate information
 8. inability to combine analytical and creative thinking
 9. failure to ensure effective implementation.

Remember:

- A problem exists when an obstacle prevents you reaching an objective.
- Problem solving can be divided into stages, which you must follow methodically. if you want to be sure of finding an effective

4.6.2 The Road to a Solution – Using models to represent a problem

When we face an important problem our eagerness to solve it often leads us to accept the first solution that comes to mind, so that we can implement it without delay. Very often this will not be the most effective solution available. The best approach, particularly with open-ended problems, is to create a range of possible solutions from which we can subsequently select the best.

These examples highlight two very common difficulties in finding the best solution to a problem:

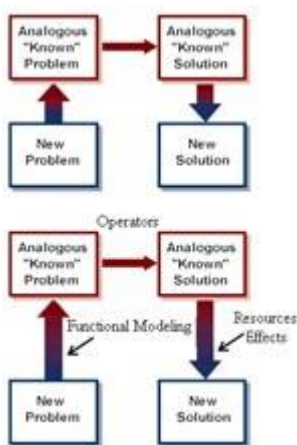
1. *Not seeing all the relationships between different parts of the problem.* The human mind

can focus on only a small amount of information at one time, so that we often find it difficult to hold a complete and detailed mental picture of a problem in our minds. Without this we may overlook important relationships.

It's vital to know how all the parts of a problem are interrelated; otherwise we can waste time and perhaps not find the most effective solution. For example, our solution may aggravate the problem because we overlooked a particular relationship, or there may be a better solution involving two aspects we didn't relate.

2. *Not seeing beyond the most obvious solution.* The way we associate ideas and concepts in our minds, forming patterns which are reinforced by experience, often makes it hard to see common situations in a new light. Relationships between information which are new or seem 'unlikely', and ideas which appear irrelevant, may be either consciously excluded or not triggered from memory because of their weak associations with the situation.

To find creative solutions to our problems we need to escape habitual ways of looking at situations.



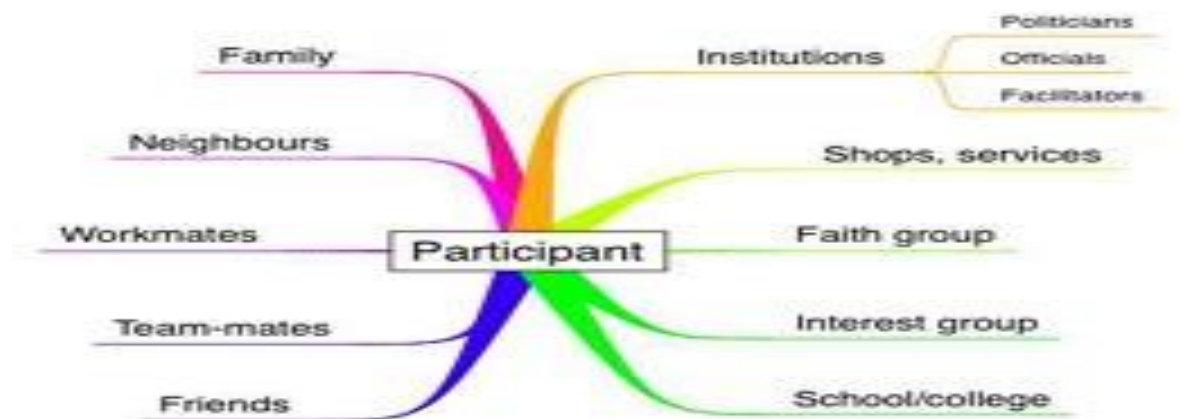
Using models to represent problems

Models give shape and structure to information, making it easier to remember, think about and build on our ideas. They can highlight gaps in our information, help to predict the consequences of our actions and stimulate ideas. Models are also invaluable for communicating problems and ideas for their solution to other people.

In most situations you will find it helpful to use a model to represent the parts of a problem in an appropriate pattern. There are many different types, composed variously of words,

graphics, mathematical formulae, symbols, and so on, as well as physical models.

There are various *standard models* which can be used to represent problems which have common elements linked by the same relationships. These can be applied to any problem which fits the model. Chemical equations and algebraic formulae are examples. So are *business games*, which represent details of a variety of business situations and predict the consequences of our actions according to how aspects of those situations interact in the real world.



Another example is *communication*, where the common elements are the originator, the sender, the message, the medium, and the receiver. Effective communication relies on an efficient flow of information from one end to the other.

This model can be used to analyse a situation and identify exactly what is happening at each stage which may be preventing effective communication.

In addition to standard models, there is a wide range of options for representing problems..

Words as models

Words are the simplest and one of the most popular and flexible ways of representing a problem, either alone or in combination with pictorial or graphical elements.

The easiest way to create a word model is to list the main features of a problem, perhaps including associated ideas that come to mind. This can be updated and expanded as you think of additional relevant information. Word models can be manipulated easily, reordering the words in sequence or classifying them into groups, to highlight the relationships and differences between the information.

Abbreviated notes can be used effectively in the same way although prose, which is often used to describe a problem, is less effective. The more structure that exists in each descriptive unit, the less easy it is to add to and manipulate the information to reveal new relationships.

Words are easy to record and act as potent stimuli to the imagination. They are the most common way of communicating problems to other people. However, *there are some drawbacks*. The choice of a particular word or phrase to describe an idea can obscure its relationship with other relevant information. For example, if you use the word *box* to describe a 'container' you want to redesign it could narrow your thinking about different shapes and materials.

Also it is often difficult to give structure to the information contained in word models. Therefore it's a good idea not to use them alone, but perhaps as a preliminary' to creating other types of model.

Drawings and diagrams

Drawing is an ideal way of beginning to create some kind of structure with your ideas. Unlike words alone, lines can represent relationships more easily and give concrete form to a problem.

In making a drawing to represent a problem you are not trying to create a work of art. It should be spontaneous, like doodling, allowing your thoughts to evolve in a visual way. Drawings can suggest new relationships between ideas, new ways of structuring a problem and new routes to a solution. A more structured form of drawing is to create a diagram.

Mind maps

This is a visual method of structuring ideas which can take on almost any form. The main idea or concept is written at the centre of a page and then any related ideas that spring to mind are added as branches off this central point. As each one triggers more ideas they are added as connecting lines, branching outwards in all directions.

Ideas are written in block capitals along a line as it is added, so that each one acts as a clear trigger to the recall of associated ideas. The method capitalises on the brain's power of association, subsequent branches becoming more and more remote from the central idea.

The process should be spontaneous. You must not consciously think about where to place branches, whether to exclude an idea, or try to think of ways of extending a particular branch if nothing springs to mind. The aim is to record everything you can recall which may have the remotest relationship with the central idea.

Chain diagrams

These are created in a more logical way than mind maps and show clearly how the main elements of a problem are related. For example, it could show the stages in the manufacture of a product or the supply of a service, with the labour, time or cost improvement at each stage.

Chain diagrams can be very complicated, with feedback loops and so on, showing the different kinds of relationships between information. The direction of 'flow' of the process can be represented by arrows and numbers can be added to quantify what is happening at each stage.

These diagrams can also be used to show the alternative choices that can be made in the system and the influence of chance events. This forms what is sometimes called a tree diagram. When numbers are added to show the value of alternative choices and the probability of chance events a decision tree is created, which can be used to evaluate alternative courses of action.

Force field diagrams

These are analytical tools for representing the dynamics of situations and suggesting ways of

influencing the forces and pressures which create and maintain them. Creating a force field diagram involves identifying and representing graphically the equilibrium between two opposing sets of forces. The driving forces are those which would push the equilibrium in the direction needed to achieve the objective. The opposing or restraining forces are those which act against the desired change - the obstacles to achieving the objective.

To push the equilibrium in the direction needed to achieve the objective you need to find ways of overcoming or neutralising the restraining or opposing forces, and/or strengthening the driving forces. Force field analysis can be divided into simple stages:

- Describe the current situation.
- Describe the objective or desired outcome.
- Describe the least desired outcome (a worsening of the problem).
- Draw the basic diagram.
- Identify the driving forces (those acting to push equilibrium towards-the objective).
- Identify the opposing or restraining forces.
- Add these to the diagram.
- Identify neutral forces (these are not active now but could become driving or opposing forces' when action is taken or the equilibrium is disturbed).
- Describe individual forces in detail and rate their relative importance/strength.
- Rate the ease of changing each force.
- Select the forces to be changed.
- Look for ways of influencing these forces in the ways required.

This technique is useful particularly where human factors are important, such as in behavioural problems and changes to working practices or systems.

Mathematical models

Problems which involve quantitative information need to be represented in mathematical terms, even if it is only to record the data. Mathematical models can represent the relationships between elements of a problem and provide a means of manipulating the information, eg $a + b$

= c. *In some situations they may be essential* in finding an effective solution, eg in deciding what stress would be put on a newly designed turbine, before you can select an appropriate material for its manufacture.

Constructing simple mathematical models is within everyone's ability, but some highly complex models are available now to the non-mathematician through personal computers. These can help to solve a large range of problems by analysing a situation and forecasting how various actions, changes or forces will affect it, eg financial modeling.

Representing problems and their possible solutions in quantitative terms is also a powerful way to persuade people, particularly those who think in an analytical way and favour 'hard facts'.

Using an appropriate model to represent a problem will often suggest some ideas for a solution. However, there are more powerful techniques for generating ideas to solve problems.

4.6.3 How to Become a Better Problem Solver

A good entrepreneurial manager should be able to solve problems. He should be in a position to holds the elements as mentioned below:

- have confidence in your ability to learn
- practice being methodical and using the appropriate techniques
- be patient with your progress
- analyse your mistakes and learn from them
- if your working environment is not conducive to effective problem solving, either try to change it or learn how to avoid its effects
- don't be afraid to ask for help in the form of advice or training

KEY POINTS

Improving your problem solving skills requires

- a methodical approach
- continuous practice

- perseverance
- confidence in being able to succeed.

4.6.4 Guidelines to Problem Solving and Decision Making

Much of what people do is solve problems and make decisions. Often, they are "under the gun", stressed and very short for time. Consequently, when they encounter a new problem or decision they must make, they react with a decision that seemed to work before. It's easy with this approach to get stuck in a circle of solving the same problem over and over again. Therefore, it's often useful to get used to an organized approach to problem solving and decision making. Not all problems can be solved and decisions made by the following, rather rational approach. However, the following basic guidelines will get you started. Don't be intimidated by the length of the list of guidelines. After you've practiced them a few times, they'll become second nature to you -- enough that you can deepen and enrich them to suit your own needs and nature.

(Note that it might be more your nature to view a "problem" as an "opportunity". Therefore, you might substitute "problem" for "opportunity" in the following guidelines.)

1. Define the problem

This is often where people struggle. They react to what they think the problem is. Instead, seek to understand more about why you think there's a problem.

Define the problem: (with input from yourself and others). Ask yourself and others, the following questions:

1. What can you see that causes you to think there's a problem?
2. Where is it happening?
3. How is it happening?
4. When is it happening?
5. With whom is it happening? (HINT: Don't jump to "Who is causing the problem?"

When we're stressed, blaming is often one of our first reactions. To be an effective

manager, you need to address issues more than people.)

6. Why is it happening?
7. Write down a five-sentence description of the problem in terms of "The following should be happening, but isn't ..." or "The following is happening and should be: ..." As much as possible, be specific in your description, including what is happening, where, how, with whom and why. (It may be helpful at this point to use a variety of research methods.

Defining complex problems:

If the problem still seems overwhelming, break it down by repeating steps 1-7 until you have descriptions of several related problems.

Verifying your understanding of the problems:

It helps a great deal to verify your problem analysis for conferring with a peer or someone else.

Prioritize the problems:

If you discover that you are looking at several related problems, then prioritize which ones you should address first.

Note the difference between "important" and "urgent" problems. Often, what we consider to be important problems to consider are really just urgent problems. Important problems deserve more attention. For example, if you're continually answering "urgent" phone calls, then you've probably got a more "important" problem and that's to design a system that screens and prioritizes your phone calls.

Understand your role in the problem:

Your role in the problem can greatly influence how you perceive the role of others. For example, if you are very stressed out, it'll probably look like others are, too, or, you may resort too quickly to blaming and reprimanding others. Or, you are feeling very guilty about your role in the problem; you may ignore the accountabilities of others.

2. Look at potential causes for the problem

- It's amazing how much you don't know about what you don't know. Therefore, in this phase, it's critical to get input from other people who notice the problem and who are affected by it.
- It's often useful to collect input from other individuals one at a time (at least at first). Otherwise, people tend to be inhibited about offering their impressions of the real causes of problems.
- Write down what your opinions and what you've heard from others.
- Regarding what you think might be performance problems associated with an employee, it's often useful to seek advice from a peer or your supervisor in order to verify your impression of the problem.
- Write down a description of the cause of the problem and in terms of what is happening, where, when, how, with whom and why.

3. Identify alternatives for approaches to resolve the problem

At this point, it's useful to keep others involved (unless you're facing a personal and/or employee performance problem). Brainstorm for solutions to the problem. Very simply put, brainstorming is collecting as many ideas as possible, then screening them to find the best idea. It's critical when collecting the ideas to not pass any judgment on the ideas -- just write them down as you hear them. (A wonderful set of skills used to identify the underlying cause of issues is Systems Thinking.)

4. Select an approach to resolve the problem

- When selecting the best approach, consider:
- Which approach is the most likely to solve the problem for the long term?
- Which approach is the most realistic to accomplish for now? Do you have the resources? Are they affordable? Do you have enough time to implement the approach?
- What is the extent of risk associated with each alternative?

(The nature of this step, in particular, in the problem solving process is why problem solving

and decision making are highly integrated.)

5. Plan the implementation of the best alternative (this is your action plan)

1. Carefully consider "What will the situation look like when the problem is solved?"
2. What steps should be taken to implement the best alternative to solving the problem?
What systems or processes should be changed in your organization, for example, a new policy or procedure? Don't resort to solutions where someone is "just going to try harder".
3. How will you know if the steps are being followed or not? (these are your indicators of the success of your plan)
4. What resources will you need in terms of people, money and facilities?
5. How much time will you need to implement the solution? Write a schedule that includes the start and stop times, and when you expect to see certain indicators of success.
6. Who will primarily be responsible for ensuring implementation of the plan?
7. Write down the answers to the above questions and consider this as your action plan.
8. Communicate the plan to those who will be involved in implementing it and, at least, to your immediate supervisor.

(An important aspect of this step in the problem-solving process is continually observation and feedback.)

6. Monitor implementation of the plan

Monitor the indicators of success:

1. Are you seeing what you would expect from the indicators?
2. Will the plan be done according to schedule?
3. If the plan is not being followed as expected, then consider: Was the plan realistic? Are there sufficient resources to accomplish the plan on schedule? Should more priority be placed on various aspects of the plan? Should the plan be changed?

7. Verify if the problem has been resolved or not

One of the best ways to verify if a problem has been solved or not is to resume normal operations in the organization. Still, you should consider:

1. What changes should be made to avoid this type of problem in the future? Consider changes to policies and procedures, training, etc.
2. Lastly, consider "What did you learn from this problem solving?" Consider new knowledge, understanding and/or skills.
3. Consider writing a brief memo that highlights the success of the problem solving effort, and what you learned as a result. Share it with your supervisor, peers and subordinates.

Rational Versus Organic Approach to Problem Solving

Rational

A person with this preference often prefers using a comprehensive and logical approach similar to the guidelines in the above section. For example, the rational approach, described below, is often used when addressing large, complex matters in strategic planning.

1. Define the problem.
2. Examine all potential causes for the problem.
3. Identify all alternatives to resolve the problem.
4. Carefully select an alternative.
5. Develop an orderly implementation plan to implement that best alternative.
6. Carefully monitor implementation of the plan.
7. Verify if the problem has been resolved or not.

A major advantage of this approach is that it gives a strong sense of order in an otherwise chaotic situation and provides a common frame of reference from which people can communicate in the situation. A major disadvantage of this approach is that it can take a long time to finish. Some people might argue, too, that the world is much too chaotic for the rational approach to be useful.

Organic

Some people assert that the dynamics of organizations and people are not nearly so mechanistic as to be improved by solving one problem after another. Often, the quality of an organization or life comes from how one handles being “on the road” itself, rather than the “arriving at the destination.” The quality comes from the ongoing process of trying, rather than from having fixed a lot of problems. For many people it is an approach to organizational consulting. The following quote is often used when explaining the organic (or holistic) approach to problem solving.

“All the greatest and most important problems in life are fundamentally insoluble ... They can never be solved, but only outgrown. This “outgrowing” proves on further investigation to require a new level of consciousness. Some higher or wider interest appeared on the horizon and through this broadening of outlook; the insoluble lost its urgency. It was not solved logically in its own terms, but faded when confronted with a new and stronger life urge.”
From Jung, Carl, *Psychological Types* (Pantheon Books, 1923).

A major advantage of the organic approach is that it is highly adaptable to understanding and explaining the chaotic changes that occur in projects and everyday life. It also suits the nature of people who shun linear and mechanistic approaches to projects. The major disadvantage is that the approach often provides no clear frame of reference around which people can communicate, feel comfortable and measure progress toward solutions to problems.

4.7 Various Tools and Methods for Problem Solving and Decision Making

(Many people would agree that the following methods and tools are also for decision-making.)

- Cost Benefit Analysis (for deciding based on costs)
- De Bono Hats (for looking at a situation from many perspectives)
- Decision Trees (for clarifying and depicting which alternative are derived from which)
- Delphi Decision Making (to collect the views of experts and distill expert-based solutions)

1. Cost-Benefit Analysis

A cost-benefit analysis is done to determine how well, or how poorly, a planned action will turn out. Although a cost-benefit analysis can be used for almost anything, it is most commonly done on financial questions. Since the cost-benefit analysis relies on the addition of positive factors and the subtraction of negative ones to determine a net result, it is also known as running the numbers.

Cost Benefit Analysis--A cost-benefit analysis finds, quantifies, and adds all the positive factors.

These are the benefits. Then it identifies, quantifies, and subtracts all the negatives, the costs. The difference between the two indicates whether the planned action is advisable. The real trick to doing a cost-benefit analysis well is making sure you include all the costs and all the benefits and properly quantify them.

Should we hire an additional sales person or assign overtime? Is it a good idea to purchase the new stamping machine? Will we be better off putting our free cash flow into securities rather than investing in additional capital equipment? Each of these questions can be answered by doing a proper cost-benefit analysis.

Example Cost Benefit Analysis; As a Production Manager, you are proposing the purchase of a \$1 Million stamping machine to increase output. Before you can present the proposal to the Vice President, you know you need some facts to support your suggestion, so you decide to run the numbers and do a cost-benefit analysis.

You itemize the benefits. With the new machine, you can produce 100 more units per hour. The three workers currently doing the stamping by hand can be replaced. The units will be higher quality because they will be more uniform. You are convinced these outweigh the costs.

There is a cost to purchase the machine and it will consume some electricity. Any other costs would be insignificant.

You calculate the selling price of the 100 additional units per hour multiplied by the number of production hours per month. Add to that two percent for the units that aren't rejected because of the quality of the machine output. You also add the monthly salaries of the three workers. That's a pretty good total benefit.

Then you calculate the monthly cost of the machine, by dividing the purchase price by 12 months per year and divide that by the 10 years the machine should last. The manufacturer's specs tell you what the power consumption of the machine are and you can get power cost numbers from accounting so you figure the cost of electricity to run the machine and add the purchase cost to get a total cost figure.

You subtract your total cost figure from your total benefit value and your analysis shows a healthy profit. All you have to do now is present it to the VP, right? Wrong. You have got the right idea, but you left out a lot of detail.

Let's look at the benefits first.

Do not use the selling price of the units to calculate the value. Sales price includes many additional factors that will unnecessarily complicate your analysis if you include them, not the least of which is a profit margin. Instead, get the activity based value of the units from accounting and use that. You remembered to add the value of the increased quality by factoring in the average reject rate, but you may want to reduce that a little because even the machine won't always be perfect. Finally, when calculating the value of replacing three employees, in addition to their salaries, are sure to add their overhead costs, the costs of their benefits, etc., which can run 75%-100% of their salary. Accounting can give you the exact number of the workers' "fully burdened" labor rates.

In addition to properly quantifying the benefits, make sure you included all of them. For instance, you may be able to buy feedstock for the machine in large rolls instead of the individual sheets needed when the work is done by hand. This should lower the cost of material, another benefit.

As for the cost of the machine, in addition to its purchase price and any taxes you will have to pay on it, you must add the cost of interest on the money spent to purchase it. The company may purchase it on credit and incur interest charges, or it may buy it outright. However, even if it buys the machine outright, you will have to include interest charges equivalent to what the company could have collected in interest if it had not spent the money.

Check with finance on the amortization period. Just because the machine may last 10 years, doesn't mean the company will keep it on the books that long. It may amortize the purchase over as little as 4 years if it is considered capital equipment. If the cost of the machine is not enough to qualify as capital, the full cost will be expensed in one year. Adjust your monthly purchase cost of the machine to reflect these issues. You have the electricity cost figured out but there are some costs you missed too.

More Costs

The typical failure of a cost-benefit analysis is not including all the costs. In the case of the stamping machine, here are some of the overlooked costs:

- Floor Space

Will the machine fit in the same space currently occupied by the three workers?

- Installation

What will it cost to remove the manual stampers and install the new machine? Will you have to cut a hole in a wall to get it in or will it fit through the door? Will you need special rollers or machinists with special skills to install it?

- Operator?

Somebody has to operate the machine. Does this person need special training? What will the operator's salary, including overhead, cost?

- Environment

Will the new machine be so noisy that you have to build soundproofing around it? Will the new machine increase the insurance premiums for the company?

2. Six Thinking Hats

Used with well-defined and explicit Return on Investment success in corporations worldwide, Six Thinking Hats is a simple, effective parallel thinking process that helps people be more productive, focused, and mindfully involved. A powerful tool set, which once learned can be applied immediately!

You and your team members can learn how to separate thinking into six clear functions and roles. Each thinking role is identified with a colored symbolic "thinking hat." By mentally wearing and switching "hats," you can easily focus or redirect thoughts, the conversation, or the meeting.



The White Hat calls for information known or needed. "The facts, just the facts."



The Yellow Hat symbolizes brightness and optimism. Under this hat you explore the positives and probe for value and benefit.



The Black Hat is judgment - the devil's advocate or why something may not work. Spot the difficulties and dangers; where things might go wrong. Probably the most powerful and useful of the Hats but a problem if overused.



The Red Hat signifies feelings, hunches and intuition. When using this hat you can express emotions and feelings and share fears, likes, dislikes, loves, and hates.



The Green Hat focuses on creativity; the possibilities, alternatives, and new ideas. It's an opportunity to express new concepts and new perceptions.



The Blue Hat is used to manage the thinking process. It's the control mechanism that ensures the Six Thinking Hats® guidelines are observed.

Using Six Thinking Hats®, you and your team will learn how to use a disciplined process which will...

- **Maximize** productive collaboration and minimize counterproductive interaction/behavior
- **Consider** issues, problems, decisions, and opportunities systematically
- **Use** Parallel Thinking as a group or team to generate more, better ideas and solutions
- **Make** meetings much shorter and more productive
- **Reduce** conflict among team members or meeting participants
- **Stimulate** innovation by generating more and better ideas quickly
- **Create** dynamic, results oriented meetings that make people want to participate
- **Go** beyond the obvious to discover effective alternate solutions
- **Spot** opportunities where others see only problems
- **Think** clearly and objectively
- **View** problems from new and unusual angles
- **Make** thorough evaluations
- **See** all sides of a situation
- **Keep** egos and "turf protection" in check
- **Achieve** significant and meaningful results in a less time

Significant Applications for the Parallel Thinking Process of Six Thinking Hats

- Leadership Development
- Team Productivity, Alignment and Communication
- Creative and innovative thinking

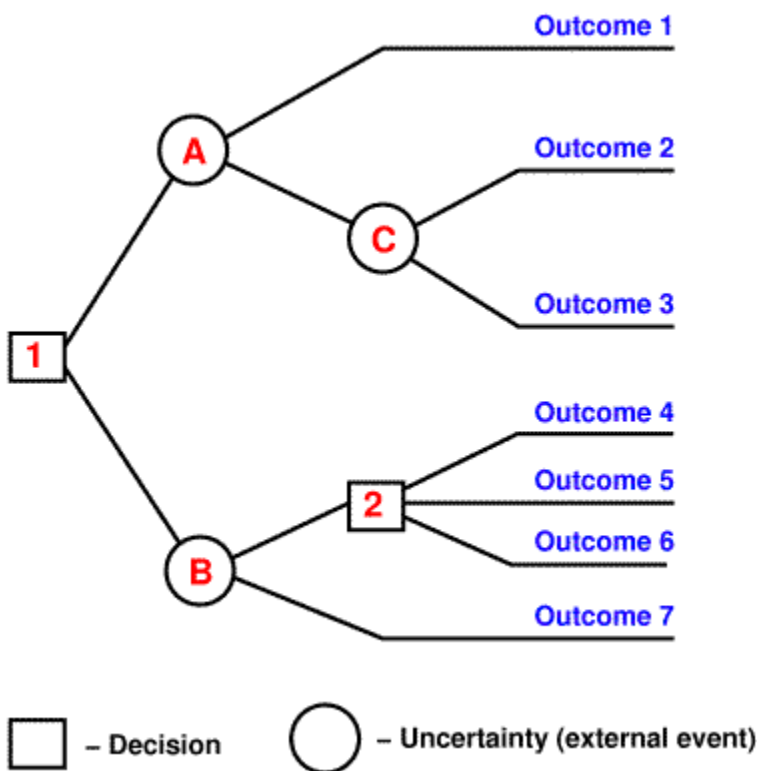
- Meeting leadership and decision making
- Product and Process Improvement, and Project Management
- Critical, Analytical Thinking and Problem-Solving
- Organizational Change/Performance
- Wherever High Performance Thinking and Action is needed

3. Use a decision tree analysis to systematically arrive at your smartest choice

A decision tree is one of the most systematic tools of decision-making theory and practice. Such trees are particularly helpful in situations of complex multistage decision problems. For example, when you need to plan and organize a sequence of decisions and take into account how the choices made at earlier stages and the outcomes of possible external events determine the types of decisions and events at later stages of that sequence.

A decision making tree is essentially a diagram that represents, in a specially organized way, the decisions, the main external or other events that introduce uncertainty, as well as possible outcomes of all those decisions and events.

Here is a schematic example that illustrates the basic elements of decision trees.



Squares represent decisions you can make. The lines that come out of each square on its right show all the available distinct options that can be selected at that decision analysis point.

Circles show various circumstances that have uncertain outcomes (For example, some types of events that may affect you on a given path). The lines that come out of each circle denote possible outcomes of that uncontrollable circumstance. Write down above each such line in the decision tree your best guesses for probabilities (for example, “80%” or “0.8”) of those different outcomes.

Each path that can be followed along the decision tree, from left to right, leads to some specific outcome. You need to describe those end results in terms of your main criteria for judging the results of your decisions. Ideally, you will assign each end outcome a quantitative measure of the overall total benefit you will receive from that outcome (you can express it as a perceived monetary value).

Now you have a complete decision making tree with specific numbers for both the probabilities of the uncertain events and the benefit measures (desirability) of each end result. At this stage the tree can give you more specific recommendation on what would be your best choices.

In particular, for each choice that you control (at the decision points shown by squares), you can calculate the overall desirability of that choice. Just sum the benefit measures of all the end outcomes that can be traced back to that choice (via one path or another), weighted by the probabilities of the corresponding paths. This will show you the preferred choice (the one with the highest overall desirability).

If you have more than one decision point, you need to do that calculation for the decisions that are at the latest stages first. Identify the choice that gives the highest overall desirability and leave only that branch (removing the decision point). Do the same with the remaining squares, working your way to the left (to the first decision point in the sequence).

Complement your decision tree analysis with the power of your intuition

Intuition can greatly enhance the effectiveness of your decision making, especially when combined with rational analysis. Get a better idea of where intuition fits best and how to use it properly.

Decision making skills and techniques guide

Good decision making skills is the foundation for life and time management skills. Information on decision making skills and techniques with links to related decision making articles and resources is important.

Personal time management and goal setting guide main page

Practical information and advice on various personal time management and goal setting topics.

4. Delphi Decision Making Process

The Delphi method was originally developed in the early 1950s at the RAND Corporation by Olaf Helmer and Norman Dalkey to systematically solicit the view of experts related to national defense and later in controversial sociopolitical areas of discourse (Custer, Scarcella, Stewart, 1999).

The term originates from Greek mythology. Delphi was the site of the Delphic oracle, the most important oracle in the classical Greek world. Thus, the Delphi method may think of as an **expert** brainstorm.

In Delphi decision groups, a series of questionnaires, surveys, etc. are sent to selected respondents (the Delphi group) through a facilitator who oversees responses of their panel of experts. The group does not meet face-to-face. All communication is normally in writing (letters or email). Members of the groups are selected because they are experts or they have relevant information.

The responses are collected and analyzed to determine conflicting viewpoints on each point. The process continues in order to work towards synthesis and building consensus.

The process works as follows:

- Members are selected for the Delphi panel due to their expertise.
- They are kept separated and answer through an open-ended questionnaires, surveys, etc. in order to solicit specific information about a subject or content area. Keeping them separated avoids the negative effects of face-to-face discussions and avoids problems associated with group dynamics.
- Members are asked to share their assessment and explanation of a problem or predict a future state of affairs.
- The facilitator (panel director) controls the interactions among the participants by processing the information and filtering out irrelevant content.
- Replies are gathered, summarized, and then fed back to all the group members.
- Members then make another decision based upon the new information.
- The process is repeated until the the responses converge satisfactory, that is, it yields consensus.

The success of this process depends upon the member's expertise and communication skill. Also, each response requires adequate time for reflection and analysis. The major merits of the Delphi process are:

- Elimination of interpersonal problems.

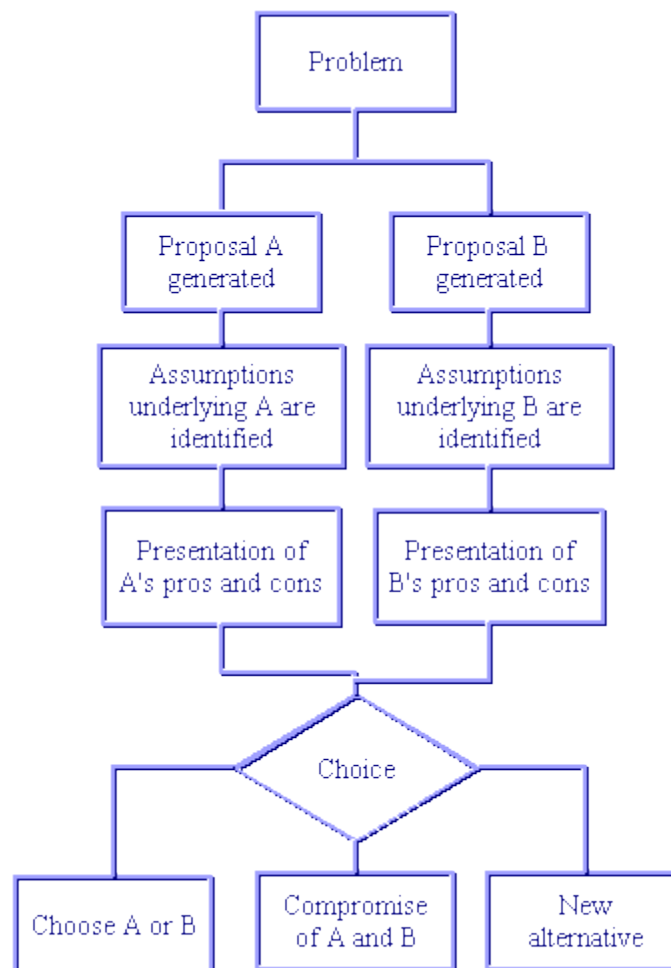
- Efficient use of expert's time.
- Diversity of ideals.
- Accuracy of solutions and predictions.

5. Dialectics Decision Making (Socratic Method)

The dielectrics decision method (DDM) or Socratic Method traces its roots back to Socrates and Plato. It helps to overcome such problems as converging too quickly one solution while overlooking others, participants dislike of meetings, incomplete evaluations, and the failure to confront tough issues. The steps of DDM are:

- Issue a clear statement of the problem to be solved.
- Two or more competing proposals are generated.
- Members identify the explicit or implicit assumptions that underlie each proposal.
- The team then breaks into advocacy sub, which examine and argue the relative merits of their positions.
- The group reassembles and makes a decision:
 - embrace one of the alternatives
 - forge a compromise
 - generate a new proposal

The process looks like this:



This process helps the members to better understand the proposals along with their pros and cons. The main disadvantage is the tendency to forge a compromise in order to avoid choosing sides.

6. Pareto Analysis Step by Step

Pareto Analysis is a statistical technique in decision-making used for the selection of a limited number of tasks that produce significant overall effect. It uses the Pareto Principle (also known as the 80/20 rule) the idea that by doing 20% of the work you can generate 80% of the benefit of doing the entire job. Take quality improvement, for example, a vast majority of problems (80%) are produced by a few key causes (20%). This technique is also called the vital few and the trivial many.

In the late 1940s Romanian-born American engineer and management consultant, Joseph M. Juran suggested the principle and named it after Italian economist Vilfredo Pareto, who observed that 80% of income in Italy went to 20% of the population. Pareto later carried out surveys in some other countries and found to his surprise that a similar distribution applied.

We can apply the 80/20 rule to almost anything:

- 80% of customer complaints arise from 20% of your products and services.
- 80% of delays in the schedule result from 20% of the possible causes of the delays.
- 20% of your products and services account for 80% of your profit.
- 20% of your sales force produces 80% of your company revenues.
- 20% of a systems defects cause 80% of its problems.

The Pareto Principle has many applications in quality control. It is the basis for the Pareto diagram, one of the key tools used in total quality control and Six Sigma.

In PMBOK, Pareto ordering is used to guide corrective action and to help the project team take steps to fix the problems that are causing the greatest number of defects first.

Pareto Analysis

Here are eight steps to identifying the principal causes you should focus on, using Pareto Analysis:

1. Create a vertical bar chart with causes on the x-axis and count (number of occurrences) on the y-axis.

2. Arrange the bar chart in descending order of cause importance that is, the cause with the highest count first.
3. Calculate the cumulative count for each cause in descending order.
4. Calculate the cumulative count percentage for each cause in descending order. Percentage calculation: $\{\text{Individual Cause Count}\} / \{\text{Total Causes Count}\} * 100$
5. Create a second y-axis with percentages descending in increments of 10 from 100% to 0%.
6. Plot the cumulative count percentage of each cause on the x-axis.
7. Join the points to form a curve.
8. Draw a line at 80% on the y-axis running parallel to the x-axis. Then drop the line at the point of intersection with the curve on the x-axis. This point on the x-axis separates the important causes on the left (vital few) from the less important causes on the right (trivial many).

It enables you to see what 20% of cases are causing 80% of the problems and where efforts should be focused to achieve the greatest improvement. In this case, we can see that broken links, spelling errors and missing title tags should be the focus.

The value of the Pareto Principle for a project manager is that it reminds you to focus on the 20% of things that matter. Of the things you do for your project, only 20% are crucial. That 20% produces 80% of your results. Identify, and focus on those things first, but don't entirely ignore the remaining 80% of the causes.

4.8 Solving Problems using a group - advantages and disadvantages

During our study and work life we will often be expected to work as a part of a group. Group work often leaves many feeling frustrated. I have at many times heard the complaint "It would have been quicker if I had just done it myself". So when should we use a group to address a particular problem and what are the major advantages and disadvantages of using groups to solve a problem..

A large amount of problem solving takes place in group settings. Meetings and informal discussions are often used to air different ideas and points of view to help solve problems for which the participants have either shared responsibility or a contribution to make.

However, most of the time we do not take full advantage of these situations.

Used at the right time and in the right way, group problem solving can be the most effective way of solving some problems.

When to use group problem solving

There are advantages to solving certain kind of problems as a group; others can be solved more effectively by an individual. It's important to know when and when not to work in a group. Using a checklist to decide when to use group problem solving entails the followings:

- Can the problem be defined in many different ways?
- Is information from many different sources required?
- Is it a much specialised problem, where the expert' might be biased or not see the wider implications?
- Does the problem have implications for many people?
- Are there likely to be many possible solutions?
- Is it a complex problem with many different aspects?
- Will a solution need to be agreed by others before it can be implemented?

The more questions you answer 'yes', the more appropriate it is to use group problem solving. However, the deciding question is always: *'Are suitable and relevant people available to work together in solving this problem'.*

When people are working together it's inevitable that they will be influenced by each other. This can have a significant effect on the efficiency of group problem solving.

Advantages and Disadvantages of using a group to solve a problem:

The advantages of group problem solving can include:

Greater output

Simply because of the number of people involved, each with differing experience, knowledge, points of view and values, a larger number and variety of ideas for solving a problem can be produced.

Cross fertilisation

The exchange of ideas can act as a stimulus to the imagination, encouraging individuals to explore ideas they would not otherwise consider.

Reduced bias

The shared responsibility of a group in arriving at decisions can encourage individuals to explore seemingly unrealistic ideas and to challenge accepted ways of doing things. Individual biases and prejudices can be challenged by the group, forcing the individual to recognise them. Group pressure can also encourage individuals to accept that change is needed.

Increased risk taking

Shared responsibility makes individuals more willing to take risks. The discussion of different points of view also helps the group to be more realistic in assessing the risks associated with particular courses of action.

Higher commitment

When goals are agreed it gives a common purpose to the group, within which individuals can gain a feeling of self-determination and recognition through their contribution. Individuals who have contributed to finding a solution feel a greater commitment to its successful implementation.

Improved communication

When people who are affected by a problem or who will be involved in implementation are involved in finding a solution, they will know how and why that particular solution was chosen. Also, people with knowledge relevant to the problem can communicate that knowledge directly if they participate in solving the problem.

Better solutions

Groups of individuals can bring a broad range of ideas, knowledge and skills to bear on a problem. This creates a stimulating interaction of diverse ideas which results in a wider range and better quality of solutions.

The **disadvantages** of group problem solving can include:-

Competition

Most people working in a group unconsciously perceive the situation as competitive. This generates behaviour which is destructive and drains the creative energy of the group. For example, we often perceive disagreement with our ideas as a put-down. The natural reaction is to regain our self-esteem, often by trying to sabotage the ideas of those who disagreed with us. Instead of looking for ways to improve on their ideas we choose to destroy them.

Eager to express our own ideas, we may totally ignore what others are suggesting. Power-seekers may use ploys such as highlighting flaws in others' arguments, barbed questions and displays of expertise to show their supremacy. These types of behaviour create an atmosphere which is incompatible with effective problem solving.

Conformity

There is a strong tendency for individuals in a group to want to conform to the consensus. This can be for a variety of reasons, including the need to feel liked, valued or respected, and tends to make people censor their ideas accordingly. The comparative status of the individuals present also has an important influence. Senior members often want to maintain their image of being knowledgeable, while junior members want to avoid appearing the inexperienced 'upstart'. Because agreement on ideas can be gained quickly in a group setting, groups tend to select and approve solutions quickly, without exploring all the possibilities.

Lack of objective direction

Most traditional meetings and group discussions convened to solve problems are ineffectively directed. Sometimes there is no effective leader to give direction to the discussion, with the result that it wanders aimlessly. Even when there is strong leadership, the group leader or chairman often exerts undue pressure on the direction and content of the discussion. In addition, the ideas aired during a meeting are not usually recorded, apart from the minutes and individual note-taking, with the result that many ideas are forgotten and cannot act as a constant stimulus to the discussion.

Time constraints

Group problem solving is a relatively slow process compared with working alone. It requires individuals to come together at an agreed time, usually for about one hour, and this can cause organisational problems as well as impatience amongst participants to 'get it over with' as quickly as possible.

4.9 Creative Problem Solving Leads to Organisational Innovation

The words "creative problem solving" has almost become more like buzzwords tossed around the workplace and never really landing anywhere. Everyone knows intuitively that creative problem solving can work, and it's the "thing to do" in a participatory organisation, but exactly what does it mean and what benefits can be obtained?

Creative problem solving is a method of approaching change within the organisation. It usually involves a team approach, because people within the workplace are empowered to participate in the change process when looking for creative solutions. An effective organisation recognises that its own personnel often hold the keys to innovation within themselves and only need the right outlet to share their experience based ideas.

A Creative Change Agent

In other words, creative problem solving is a method of finding innovative approaches for problem resolution. The problem may be any of a number of situations or needs. For example, the problem may be stated in terms of the need to resolve interdepartmental conflict which is reducing efficiency. On the other hand, the problem may be a need for a product innovation in order to improve the company's competitive standing within its industry.

No matter what the problem or need the business may be addressing, creative ideas and fresh approaches can often make the difference between a successful company and one that is unable to remain efficient and competitive. It also offers a way to introduce change into an organisation that minimises the normal fear that usually accompanies change. The creative problem solving process becomes a change agent that can turn resistance into action.

Seeing a Problem as an Opportunity

One of the most important features of the creative problem solving process is the fact it turns a problem into an opportunity to improve the organisation. Instead of just relying on traditional ideas or past practices to resolve a problem, the creative approach encourages people to participate in a dynamic setting which encourages new ideas and approaches.

The fact is that most organisations have the creative power within their own setting among the staff. The creative process brings together various people including managers, office personnel, line workers or supervisors, and many others. The people chosen to participate depend on the problem being solved.

The creative process follows a format which takes the group up to the moment when creative thinking is unleashed. In the initial stages, the process first accomplishes the following:

- Identifies the problem in traditional terms
- Establishes goals
- Empowers participants
- Develops criteria for choosing ideas
- Focuses on how to "sell" the creative idea

Popular creative problem solving strategies which have been developed include brainstorming, mind mapping, and even role or team game playing. In every situation, the goal is to empower people to feel comfortable enough to freely generate ideas without fear of criticism.

The Path of Creativity

In both brainstorming and mind mapping, ideas are suggested which may or may not seem reasonable on the surface. But no idea is eliminated and all ideas are welcomed. One idea is mapped or associated with another idea and a path of ideas leads to one or more creative solutions to a problem. The solution chosen depends on the criteria established at the beginning of the process.

In creative problem solving, organisational members are encouraged to participate and the process provides recognition to the people who are major contributors to the success of the business to date. It promotes teamwork, unity, creative approaches, and positive energy. However, possibly the most important success factor in creative problem solving is ensuring that time is dedicated regularly to the creativity process.

4.10 Conclusion

In this unit, we learnt that the word problem is to describe a wide range of situations of different importance. Entrepreneurial person need to be open minded and open to possibilities of all forms and be inquisitive. The key to a good problem definition is ensuring that you deal with the real problem-not its symptoms. The CATWOE checklist provides a powerful reminder to look at many elements that may contribute to the problem, and expand your thinking around your problem. Reading through this unit, we must have seen that brainstorming is conventional group problem which provides a free and open environment that encourages everyone to participate Creative problem solving (CPS) with six step model which included key segments to solve problem. It's important to note in this unit that SWOT model analysis sets to help you analyse your organisation and better understand the arenas in which they operate. Six thinking hats of De Bono was explained to be simple, effective parallel thinking process that helps people to be more productive, focused, and mindfully involved.

4.11 Assignment File

1. What is problem solving?
2. Discuss steps in problem solving known to you.
3. a. What is Brainstorming?
b. Why do managers use Brainstorming?

4.12 Tutor-Marked Assignment

1. How do you see creative problem solving as issues leading to organisational innovation?

2. Explain in detail, ways to enhance your problem solving skills as an entrepreneur.

4.13. References/Suggestion for Further Reading

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MODULE 5

Module Objectives

At the end of these units, you should be able to:

- Understand definition of negotiation and its elements
- Understand the importance of negotiation and its techniques in corporate organisations
- Understand conditions for negotiation and why parties choose to or refuse to negotiate
- Understand negotiation skills for managers and role of communication in negotiation

5. O Introduction to Negotiation

Let us first go through a real life situation to understand negotiation better. Your friends want you to come for a late night movie with them. However, you know very well that your parents will never appreciate your staying away from house at late nights and you do not even want to miss the movie as well as the company of your friends.

What would you do? Will you fight with every one?

Another situation

Kamal went to a nearby Shopping Mall and after a day of extensive shopping came across a CD player which he instantly liked. The cost of the CD player was around #300.00, but unfortunately he was not left with much cash. There was no way he could leave the CD player as it was an exclusive model and Kamal was eyeing the product for quite some time.

What would Kamal do in such a situation?

The answer to all the above questions lies in a simple word “**Negotiation**”. You negotiate so that you achieve whatever you want without the fear of conflicts or misunderstandings. It is a peaceful way of accomplishing things without making anyone angry.

We all will agree that nobody has ever gained anything out of conflicts and disagreements. Disputes in turn increase our stress and we feel restless always. One loses focus and eventually his interest in the organization goes down. It is always wise to discuss among yourselves and reach to an alternative best suited to all through negotiations.

What is negotiation?

Negotiation is a technique of discussing issues among one selves and reaching to a conclusion benefiting all involved in the discussion. It is one of the most effective ways to avoid conflicts and tensions. When individuals do not agree with each other, they sit together, discuss issues on an open forum, negotiate with each other and come to an alternative which satisfies all. In a layman’s language it is also termed as bargaining.

Please go through the above two real life situations once again. You want to go for a movie but you know that your parents will never agree to your decision. Will you fight with your parents? Obviously NO, instead you will sit with them and try your best to convince them and negotiate with them without fighting and spoiling everyone’s mood. Probably you will spend the coming weekend with your parents if they allow you today for the movie else you will negotiate with your friends so that they agree for a noon show. **Negotiation helps you to achieve your goal without hurting anyone.** Your goal in this case is to go for a movie and you negotiate either with your parents or friends to achieve the same.

In the second situation, Kamal could not afford to lose the CD player as it was an exclusive one, thus he tries to negotiate with the store owner to lower the price so that it suits his pocket and even the store owner earns his profit as well. Negotiation is essential in corporate as well as personal lives to ensure peace and happiness.

Your boss asks you to submit a report within two working days and you know that the report is a little critical one and needs more time. Will you say a yes to your boss just to please him? Your yes might make the boss happy then, but later you will land yourself in big trouble if you fail to submit it within the desired time frame. It's always better to negotiate with your boss rather than accepting something which you know it's difficult. Ask for some more time from your boss or probably do not make an exhaustive report. Negotiation is better as it would prevent spoiling your relation with your superiors later.

Negotiator-An individual representing an organization or a position that listens to all the parties carefully and comes to a conclusion which is willingly acceptable to all is called the negotiator.

Skills of a negotiator--A negotiator ideally should be impartial and neutral and should not favour any one. He needs to understand the situation and the parties well and decide something which will benefit all.

It is not always that people will easily accept the negotiator's decision; they may counter it if they feel their personal interests are not satisfied. In such a situation, where the negotiator is left with no choice, he must use his power to impose his ideas on all, after all one cannot please everyone. A negotiator has to be a little tactful and smart enough to handle all situations and reach to a conclusion.

5.1 Definition of Negotiation

Negotiation is one of the most common approaches used to make decisions and manage disputes. It is also the major building block for many other alternative dispute resolution procedures.

Negotiation occurs between spouses, parents and children, managers and staff, employers and employees, professionals and clients, within and between organizations and between agencies and the public. Negotiation is a problem-solving process in which two or more people voluntarily discuss their differences and attempt to reach a joint decision on their common concerns. Negotiation requires participants to identify issues about which they differ, educate each other about their needs and interests, generate possible settlement options and bargain over the terms of the final agreement. Successful negotiations generally result in some kind of exchange or promise being made by the negotiators to each other. The exchange may be tangible (such as money, a commitment of time or a particular behavior) or intangible (such as an agreement to change an attitude or expectation, or make an apology).

Negotiation is the principal way that people redefine an old relationship that is not working to their satisfaction or establish a new relationship where none existed before. Because negotiation is such a common problem-solving process, it is in everyone's interest to become

familiar with negotiating dynamics and skills. This section is designed to introduce basic concepts of negotiation and to present procedures and strategies that generally produce more efficient and productive problem solving.

The greatest misunderstanding about the negotiation process is that it is adversarial in nature. In actuality, it is not designed for those with a trial and debate mentality. It is a problem solving process in which each party may look across the table and regard its counterparts as [potential] advocates.

Negotiation is a process whereby two persons or groups strive to reach agreement on issues or courses of action where there is some degree of difference in interest, goals, values or beliefs. The job of the negotiator is to build credibility with the "other side," find some *common ground* (shared interests), learn the opposing position, and share information that will persuade the "other side" to agree to an outcome.

One element of common ground advantageous to a negotiator is a common culture. Those belonging to a culture (team, family, military organization, race, nation, religion, etc.), have common values, beliefs and goals. We consider them to be on the "same sheet of music." Members of groups such as this have shared expectations that reduce conflict and facilitate collective effort. These cultural "norms" evolve from the storming and norming phases in the life of a group. Thus, the process used to arrive at these norms is a bargaining process- negotiation.

Negotiation is different from arbitration and other forms of decision making. Unlike an arbitrator, a mediator or an adjudicator, the power to determine the facts, define the process and to make the decision in negotiations rests with the participants, not with a third party. In adjudication processes the objective is to create doubt in a third party's mind (judge, arbitrator) about the "facts" presented by the opposite side, with the goal of winning. In negotiations there is no third party; the party you must convince is your opponent.

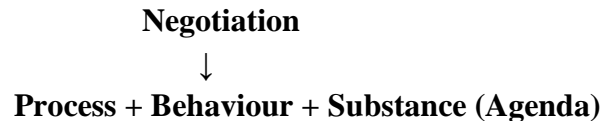
Many failures in negotiations result from misunderstanding the basic fact that right and wrong are defined by the parties themselves, not by a third party; and decisions can be implemented and perpetuated in direct proportion to the relationship and reasoning of the participants.

Negotiation is defined as a discussion among individuals, each one trying to present his best idea to come to a conclusion benefiting all. An individual gains nothing out of conflict and misunderstanding; instead it leads to stress and anxiety. It is always advisable to compromise to the best extent possible and try to find out an alternative which satisfies all.

5.2 Elements of Negotiation

A negotiator has to be a little tactful and smart enough to handle all situations and reach to a conclusion.

Elements of Negotiation



- **Process-** The way individuals negotiate with each other is called the process of negotiation. The process includes the various techniques and strategies employed to negotiate and reach to a solution.
- **Behaviour-** How two parties behave with each other during the process of negotiation is referred to as behaviour. The way they interact with each other, the way they communicate with each other to make their points clear all come under behaviour.
- **Substance-** There has to be an agenda on which individuals negotiate. A topic is important for negotiation. In the first situation, going for the late night movie was the agenda on which you wanted to negotiate with your parents as well as your friends.

To conclude, negotiation is simply a technique, a discussion among individuals to reach to a mutual agreement where everyone gains something or the other and conflicts are avoided.

5.3 Importance of Negotiation in Corporate Organisation

Negotiation is nothing but a discussion among individuals to find out an alternative which takes into account the interest of all and nobody is at loss. In a win- win negotiation people try their level best to come to a solution where everyone is benefited and nobody is at loss. Negotiation is essential in corporate to avoid conflicts and improve the relations among the employees. Do not be too rigid and adamant in the office.

Let us understand how negotiation is important at the work place:

The process of negotiation starts the moment an employee gets a selection call from an organization. It is essential that the individual responsible for hiring employees negotiates well with the candidate and offers him the best salary. Every organization runs for earning profits and thus the HR Professional must try to make the person join at the lowest possible salary but make sure you do not offer him anything less than his previous salary. He will never be interested to join. Even if he joins, he will not take his work seriously and the results would be zero. Discussions are important. Make him realize that money is not the only criteria for selecting a job. Other things like one's job responsibilities, job security as well as the brand name should also be considered.

The negotiation style plays an important role in corporate. Do not offer anything exceptionally high as it would again create a problem among the existing employees. Ensure that you are little tactful and do flash your trillion dollar smile. It helps. No way can you annoy the individual.

Negotiation is also important when you are dealing with vendors. An organization needs money to survive and take care of the employees as well. It can't afford to spend money as it is. A single penny saved will help you and the organization later. **The person dealing with the external parties must be a good negotiator else he will end up paying more amount than required.** Always sit with the vendor and quote a price little lower than you intend to pay. He will definitely ask you to increase it and probably then you will reach to a figure well within your organization's budget. Do not be rude with your vendor but be very confident and convincing. Remember you are not dealing with him just once; you need to maintain a healthy relationship with him for future business as well. Try to convince the vendor at such a rate which would benefit your organization and save money. Quote realistic figures and do take care of the vendor's profits as well. Try your level best to close the deal.

One should never accept terms and conditions verbally, it's always better to have something in black and white probably a contract as it is more reliable. The terms and conditions must be discussed on an open forum and should be signed in presence of both the parties so that no body backs out later.

One should also learn to negotiate with one's superiors. Remember negotiation does not mean you have to shout on others, you need to be polite. Do not accept responsibilities just because your boss wants it. If you are not comfortable with any role, it's better to decline it, rather than accepting something you are not familiar with and losing interest later. After all there are other employees as well, they can accept the same and you can do something else which suits your profile. If you know you will not be able to submit the project within the stipulated time frame, tell your boss. Never hide things from him. Be straightforward. If you want to go for a leave, try to negotiate with him that probably you will attend office the coming weekend or sit for some more time in the coming days to compensate for the loss. Be a little patient.

Conflict must be avoided at the work place as it only leads to negativity all around. Negotiations help to reduce conflicts at the work place. Conflicts arise when individuals are too rigid and are just not willing to compromise with each other. Negotiations help in finding an alternative which benefits all.

Let us understand the **importance of negotiation in corporate with the help of a simple example:**

Kamal was working with a leading organization. He was a smart negotiator. He always negotiated well with his superiors as well as his fellow workers and thus a enjoyed his work. He

only accepted those responsibilities he knew he was capable of doing. No doubts his work was error free, and he was his boss's favourite. He was always well informed before going for any negotiation with vendors, never lost his temper and always closed the deal in favour of the organization. Good negotiation skills helped Ted be the most appreciated employee among all.

Importance of Negotiation in Daily Life

Conflict has never benefitted anyone, instead it adds to one's tensions and anxiety. It is better to discuss things and reach to an alternative benefitting all. Issues must not be dragged unnecessarily and efforts must be made to come to a conclusion involving the interests of all. No point in being adamant and rigid. One should strive hard to negotiate with each other and consider the needs, interests and expectations of all.

Negotiation is essential everywhere. It is not only the corporate where negotiation is important but also in our daily life. We all must try our level best to adopt negotiation skills to avoid misunderstandings and lead a peaceful and a stress free life.

Let us understand how **negotiation is important in daily life:**

Negotiation is essential in everyone's family to maintain peace at home. We all need to compromise with each other to some extent to avoid disagreements at home.

Kamal's mother baked one of his favourite cakes but he had to share it with his brother Peter as well.

- **Situation 1**

Kamal negotiated with Peter that if Peter gives him the larger share, he would probably finish all his marketing assignments to which Peter gladly agreed as now he could enjoy his weekend with his friends. It was also a win win situation for Terren as now he could relish his favourite cake.

- **Situation 2**

Kamal fought terribly with Peter over the cake and neither Terren nor Peter could enjoy the cake. They spoiled the evening and got a good scolding from their parents as well.

Situation 1 is any day a better option as both Kamal as well as Peter could get whatever they wanted. The negotiation benefitted both of them and reduced the chances of disputes between the two brothers.

Negotiation also helps in effective buying. Every individual needs to save money for the rainy days. You just cannot spend money like anything. One must try his level best to negotiate with the second party to reduce the costs to the best extent possible. If you do not negotiate well you will end up spending more than required. Always remember the shop owner keeps a profit margin on almost all selected products. Do not go and just pay whatever he asks for. Quote a price little less than what he quotes but do not forget to calculate the shop owner's profits as well. If you intend buying some expensive brand, it is better to check out the prices of its competitors as well.

Negotiation is important but do not forget to be polite and dignified. Convince the shopkeeper as to why the price of a particular item should be a little less than what he has quoted. Discuss with the store owner. He will feel happy after all he needs to sell his products and even he looks forward to a loyal customer. It is better if both the parties negotiate with each other and come to a price which would satisfy both of them. (The customer as well as the store owner). The customer would afford to buy his product at a reasonable price and the store owner would also manage to earn his profits. Ask for discounts when you go out for shopping.

Negotiation reduces conflicts and improves the relation among individuals. We are human beings and unlike animals we live in societies and need people around. How would you feel if your next door neighbors' do not talk to you? People cannot stay all alone. They need the company of others to share happiness, sorrows and take each other's help whenever required. Do not always find fault in others. It is okay if your next door neighbour has parked his car in front of your house. Do not go and fight with him. You might even need him some day. Do not get hyper or over react. Try to understand the other person as well.

An individual must learn the skills to an effective negotiation to lead a happy and a peaceful life. Life is short and one must enjoy each and every moment of it. Why to unnecessarily fight with each other and complicate issues? Negotiation is essential for better bonding among individuals, lesser conflicts and a happy life.

5.4 Techniques of Negotiation

Negotiation is referred to as the style of discussing things among individuals in an effort to come to a conclusion satisfying all the parties involved. Discussions should be on an open forum for everyone to not only participate but also express their views and reach to an alternative acceptable to all.

It is important how we negotiate with each other. One must know the difference between negotiating and begging. Do not stoop too low to get a deal closed. Negotiation must be in a dignified way. One has to be extremely patient and also understand the second party's needs and

interests as well. Never impose your ideas on anyone. Let everyone speak their mind and decide something which would favour one and all.

Let us go through some negotiation techniques in detail:

- The first and the foremost technique for an effective negotiation is one should be well informed with everything related to the deal. Find out even the minutest detail you think is important and you might require at the time of negotiation. Be prepared for everything. Remember the second party might ask you anything.

Janet wanted to purchase a new laptop. She checked out the prices of almost all the leading brands along with their features before going to the outlet. She went well prepared and thus managed to crack the best deal and took the best quality laptop with the maximum possible discount.

- Take good care of your posture as well as your body movements. Look confident. While speaking, don't look around or play with things. It's just a discussion; no one will kill you if you are not able to close the deal. Don't stammer in between or start sweating in front of others. The second party will take undue advantage if they find you nervous. Take care of your dressing as well. Don't wear anything which is too casual. If you dress casually people will not take you seriously.
- **Be much focused.** One should be very specific what he wants. First ask yourself what is the purpose of this negotiation? What do you actually want? What is the affordable price for you? Be firm and stick to it. Be very specific and clear.
- **Never keep things to yourself and crib later.** Do not assume that the other person can read your mind on his own. One needs to ask for what he wants. A mother will not feed her child unless and until he cries. Speak your heart out. If you are not satisfied with the deal, show your displeasure to others. Express them that you are not very happy with the price and it needs to be revised.
- **Be a patient listener.** Listen to others as well. Think about their interest and needs as well. Do not ask for anything which would not benefit the second party. Don't jump to conclusions and never interfere when the other person is speaking. Listen to the other party's proposal as well; he might come up with something unique which you could not even think.
- **Be realistic.** Do not ask for something you yourself know is not possible. Don't quote anything just for the sake of it. One should be a little practical in his approach. Don't ask for irrational discounts. Be logical. It's nothing bad to think about your personal interests, but one should not be mad for it. If you want to purchase something, also remember that the store owner has to earn his profits as well.
- **Do not be in a hurry to close the deal.** Take your time to discuss things among yourselves. Make sure you are deciding something which would be a win win situation

for all. Never drag any discussion and make the conversation too long. Too much of pleading and persuasion result in a big zero and no conclusion can be drawn out of it.

- **Know where to compromise.** An individual has to compromise sometimes to come to an output. If you feel that if you accept some terms and conditions, things would be better and it would not harm you much, go ahead. Everyone needs to compromise sometimes or the other. Even in marriages, one partner needs to negotiate with the other for better understanding.
- **Communication is also important in negotiation.** Speak clearly and precisely. One should not confuse others. Playing with words is one of the biggest threats to negotiation. Don't use derogatory or lewd remarks against anyone.
- **For a third party it's always better to sign a contract or have something in black and white so that no body backs out later.** It's always better to sign agreements in the presence of both the parties for better transparency. At workplace after every discussion and negotiation, emails or minutes of the meeting must be circulated among all the team members for everyone to get a clear and the same picture.

5.5 CONDITIONS FOR NEGOTIATION

A variety of conditions can affect the success or failure of negotiations. The following conditions make success in negotiations more likely.

Identifiable parties who are willing to participate; the people or groups who have a stake in the outcome must be identifiable and willing to sit down at the bargaining table if productive negotiations are to occur. If a critical party is either absent or is not willing to commit to good faith bargaining, the potential for agreement will decline.

Interdependence; for productive negotiations to occur, the participants must be dependent upon each other to have their needs met or interests satisfied. The participants need either each other's assistance or restraint from negative action for their interests to be satisfied. If one party can get his/her needs met without the cooperation of the other, there will be little impetus to negotiate.

Readiness to negotiate; People must be ready to negotiate for dialogue to begin. When participants are not psychologically prepared to talk with the other parties, when adequate information is not available, or when a negotiation strategy has not been prepared, people may be reluctant to begin the process.

Means of influence or leverage; for people to reach an agreement over issues about which they disagree, they must have some means to influence the attitudes and/or behavior of other negotiators. Often influence is seen as the power to threaten or inflict pain or undesirable costs, but this is only one way to encourage another to change. Asking thought-provoking

questions, providing needed information, seeking the advice of experts, appealing to influential associates of a party, exercising legitimate authority or providing rewards are all means of exerting influence in negotiations.

Agreement on some issues and interests; People must be able to agree upon some common issues and interests for progress to be made in negotiations. Generally, participants will have some issues and interests in common and others that are of concern to only one party. The number and importance of the common issues and interests influence whether negotiations occur and whether they terminate in agreement. Parties must have enough issues and interests in common to commit themselves to a joint decision-making process.

Will to settle; for negotiations to succeed, participants have to want to settle. If continuing a conflict is more important than settlement, then negotiations are doomed to failure. Often parties want to keep conflicts going to preserve a relationship (a negative one may be better than no relationship at all), to mobilize public opinion or support in their favor, or because the conflict relationship gives meaning to their life. These factors promote continued division and work against settlement. The negative consequences of not settling must be more significant and greater than those of settling for an agreement to be reached.

Unpredictability of outcome; People negotiate because they need something from another person. They also negotiate because the outcome of not negotiating is unpredictable. For example: If, by going to court, a person has a 50/50 chance of winning, s/he may decide to negotiate rather than take the risk of losing as a result of a judicial decision. Negotiation is more predictable than court because if negotiation is successful, the party will at least win something. Chances for a decisive and one-sided victory need to be unpredictable for parties to enter into negotiations.

A sense of urgency and deadline; Negotiations generally occur when there is pressure or it is urgent to reach a decision. Urgency may be imposed by either external or internal time constraints or by potential negative or positive consequences to a negotiation outcome. External constraints include: court dates, imminent executive or administrative decisions, or predictable changes in the environment. Internal constraints may be artificial deadlines selected by a negotiator to enhance the motivation of another to settle. For negotiations to be successful, the participants must jointly feel a sense of urgency and be aware that they are vulnerable to adverse action or loss of benefits if a timely decision is not reached. If procrastination is advantageous to one side, negotiations are less likely to occur, and, if they do, there is less impetus to settle.

No major psychological barriers to settlement; Strong expressed or unexpressed feelings about another party can sharply affect a person's psychological readiness to bargain. Psychological barriers to settlement must be lowered if successful negotiations are to occur.

Issues must be negotiable; for successful negotiation to occur, negotiators must believe that there are acceptable settlement options that are possible as a result of participation in the process. If it appears that negotiations will have only win/lose settlement possibilities and that a party's needs may not be met as a result of participation, parties will be reluctant to enter into dialogue.

The people must have the authority to decide for a successful outcome; participants must have the authority to make a decision. If they do not have a legitimate and recognized right to decide, or if a clear ratification process has not been established, negotiations will be limited to an information exchange between the parties.

Willingness to compromise; not all negotiations require compromise. On occasion, an agreement can be reached which meets all the participants' needs and does not require a sacrifice on any party's part. However, in other disputes, compromise--willingness to have less than 100 percent of needs or interests satisfied--may be necessary for the parties to reach a satisfactory conclusion. Where the physical division of assets, strong values or principles preclude compromise, negotiations are not possible.

The agreement must be reasonable and implementable; some settlements may be substantively acceptable but may be impossible to implement. Participants in negotiations must be able to establish a realistic and workable plan to carry out their agreement if the final settlement is to be acceptable and hold over time.

External factors favorable to settlement; Often factors external to negotiations inhibit or encourage settlement. Views of associates or friends, the political climate of public opinion or economic conditions may foster agreement or continued turmoil. Some external conditions can be managed by negotiators while others cannot. Favorable external conditions for settlement should be developed whenever possible.

Resources to negotiate; Participants in negotiations must have the interpersonal skills necessary for bargaining and, where appropriate, the money and time to engage fully in dialogue procedures. Inadequate or unequal resources may block the initiation of negotiations or hinder settlement.

5.6 Why Parties Choose to Negotiate

The list of reasons for choosing to negotiate is long. Some of the most common reasons are to:

- Gain recognition of either issues or parties;

- Test the strength of other parties;
- Obtain information about issues, interests and positions of other parties;
- Educate all sides about a particular view of an issue or concern;
- Ventilate emotions about issues or people;
- Change perceptions;
- Mobilize public support;
- Buy time;
- Bring about a desired change in a relationship;
- Develop new procedures for handling problems;
- Make substantive gains;
- Solve a problem.

5.6.1 Why Parties Refuse to Negotiate

Even when many of the preconditions for negotiation are present, parties often choose not to negotiate. Their reasons may include:

- Negotiating confers sense and legitimacy to an adversary, their goals and needs;
- Parties are fearful of being perceived as weak by a constituency, by their adversary or by the public;
- Discussions are premature. There may be other alternatives available--informal communications, small private meetings, policy revision, decree, elections;
- Meeting could provide false hope to an adversary or to one's own constituency;
- Meeting could increase the visibility of the dispute;
- Negotiating could intensify the dispute;

- Parties lack confidence in the process;
- There is a lack of jurisdictional authority;
- Authoritative powers are unavailable or reluctant to meet;
- Meeting is too time-consuming;
- Parties need additional time to prepare;
- Parties want to avoid locking themselves into a position; there is still time to escalate demands and to intensify conflict to their advantage.

5.7 Dynamics of Negotiation

Examining the approaches to negotiation only gives us a static view of what is normally a dynamic process of change. Let us now look at the stages of negotiation most bargaining sessions follow.

Negotiators have developed many schemes to describe the sequential development of negotiations. Some of them are descriptive--detailing the progress made in each stage--while others are prescriptive--suggesting what a negotiator should do. We prefer a twelve-stage process that combines the two approaches.

Stages of Negotiation

Stage 1: Evaluate and Select a Strategy to Guide Problem Solving

- Assess various approaches or procedures--negotiation, facilitation, mediation, arbitration, court, etc.--available for problem solving.
- Select an approach.

Stage 2: Make Contact with Other Party or Parties

- Make initial contact(s) in person, by telephone, or by mail.
- Explain your desire to negotiate and coordinate approaches.
- Build rapport and expand relationship
- Build personal or organization's credibility.
- Promote commitment to the procedure.
- Educate and obtain input from the parties about the process that is to be used.

Stage 3: Collect and Analyze Background Information

- Collect and analyze relevant data about the people, dynamics and substance involved in the problem.
- Verify accuracy of data.
- Minimize the impact of inaccurate or unavailable data.
- Identify all parties' substantive, procedural and psychological interests.

Stage 4: Design a Detailed Plan for Negotiation

- Identify strategies and tactics that will enable the parties to move toward agreement.
- Identify tactics to respond to situations peculiar to the specific issues to be negotiated.

Stage 5: Build Trust and Cooperation

- Prepare psychologically to participate in negotiations on substantive issues. Develop a strategy to handle strong emotions.
- Check perceptions and minimize effects of stereotypes.
- Build recognition of the legitimacy of the parties and issues.
- Build trust.
- Clarify communications.

Stage 6: Beginning the Negotiation Session

- Introduce all parties.
- Exchange statements which demonstrate willingness to listen, share ideas, show openness to reason and demonstrate desire to bargain in good faith.
- Establish guidelines for behavior.
- State mutual expectations for the negotiations.
- Describe history of problem and explain why there is a need for change or agreement.
- Identify interests and/or positions.

Stage 7: Define Issues and Set an Agenda

- Together identify broad topic areas of concern to people.
- Identify specific issues to be discussed.
- Frame issues in a non-judgmental neutral manner.
- Obtain an agreement on issues to be discussed.
- Determine the sequence to discuss issues.
- Start with an issue in which there is high investment on the part of all participants, where there is not serious disagreement and where there is a strong likelihood of agreement.

- Take turns describing how you see the situation. Participants should be encouraged to tell their story in enough detail that all people understand the viewpoint presented.
- Use active listening, open-ended questions and focusing questions to gain additional information.

Stage 8: Uncover Hidden Interests

- Probe each issue either one at a time or together to identify interests, needs and concerns of the principal participants in the dispute.
- Define and elaborate interests so that all participants understand the needs of others as well as their own.

Stage 9: Generate Options for Settlement

- Develop awareness about the need for options from which to select or create the final settlement.
- Review needs of parties which relate to the issue.
- Generate criteria or objective standards that can guide settlement discussions.
- Look for agreements in principle.
- Consider breaking issue into smaller, more manageable issues and generating solutions for sub-issues.
- Generate options either individually or through joint discussions.
- Use one or more of the following procedures:
- Expand the pie so that benefits are increased for all parties.
- Alternate satisfaction so that each party has his/her interests satisfied but at different times.
- Trade items that are valued differently by parties.
- Look for integrative or win/win options.
- Brainstorm.
- Use trial and error generation of multiple solutions.
- Try silent generation in which each individual develops privately a list of options and then presents his/her ideas to other negotiators.
- Use a caucus to develop options.
- Conduct position/counter position option generation.
- Separate generation of possible solutions from evaluation.

Stage 10: Assess Options for Settlement

- Review the interests of the parties.
- Assess how interests can be met by available options.
- Assess the costs and benefits of selecting options.

Stage 11: Final Bargaining

- Final problem solving occurs when:
- One of the alternatives is selected.
- Incremental concessions are made and parties move closer together.
- Alternatives are combined or tailored into a superior solution.
- Package settlements are developed.
- Parties establish a procedural means to reach a substantive agreement.

Stage 12: Achieving Formal Settlement

- Agreement may be a written memorandum of understanding or a legal contract. Detail how settlement is to be implemented--who, what, where, when, how--and write it into the agreement.
- Identify "what ifs" and conduct problem solving to overcome blocks.
- Establish an evaluation and monitoring procedure.
- Formalize the settlement and create enforcement and commitment mechanisms: Legal contract
- Performance bond
- Judicial review
- Administrative/executive approval

5.8 Building negotiation capability in an organisation.

Companies should view negotiation as a critical capability in building success

If you were to ask senior corporate managers for the critical factors that contribute to the success of their organisations, chances are they will mention one or more of the following: leadership; innovation; customer mindset; supply chain management, etc. **Michael Benoliel** of Singapore Management University (SMU) believes an important success factor has been constantly overlooked: negotiation capability.

In a recent working paper titled “*Building Organizational Negotiation Capability*”, Benoliel (2014) argues for the need for organisations to invest in developing individual as well organisational negotiation capabilities.

In most organisations, “negotiation is unstructured, improvised, sporadic, not well-recorded, and rarely analysed in the post-deal stage,” says Benoliel. The idea is to develop a negotiation ecosystem – a set of processes and structures that are designed to support negotiators in achieving superior results.

One way of doing this is by creating a negotiation information system where details of each deal that has been negotiated will be recorded: the planning and preparation; with whom the negotiation was done; the issues and interests covered; the outcome etc. Over time, a library of negotiation cases will be accumulated, and these cases will be the basis of “lessons learnt” and for developing best practices in negotiation.

5.8.1 Negotiation as a core competency

Benoliel believes that “building excellent core capabilities begins with a deliberate managerial decision to elevate a particular task to the level of a strategic thrust and allocating to it the necessary resources”. This explains the excellence of Amazon and Wal-Mart in supply chain management, as well as the product and service innovation of Apple and Google.

Benoliel describes a four-stage development model for building negotiation capabilities within an organisation:

Stage One: Ground Zero – organisation does not recognise the value of negotiation, and does not invest at all in building negotiation ability within the organization. Thus, training and development in negotiation is not offered;

Stage Two: Embryonic – organisation sees negotiation as a somewhat important skill, but only for a select group of employees, typically sales and procurement personnel who get opportunities to develop negotiation skills;

Stage Three: Growth – organisation recognises negotiation as an important skill and offers training to employees in many different functions. However, post-training implementation, coaching and mentoring, are limited to a few high performers who have been identified to have high potential;

State Four: Core Competency – organisation recognises the value of negotiations capabilities, and allocate significant resources to making it a source of competitive advantage.

At the core competency level, organizations focus on two levels: Individual and organisational. Benoliel wrote in his paper:

“At the individual level, extensive training in basic and advanced negotiation is offered not just to those who negotiate directly with customers or suppliers, but to all the members of the organisation. The training is designed to develop individuals’ tactical and strategic capability in negotiating and influencing. In addition to building skills via training, further development is offered through mentoring and coaching by internal or external experts in negotiation.”

However, it is at the organisational level where companies need to focus their attention to build what Benoliel describes as a negotiation *ecosystem*, which consists of eleven elements. One of them, for example, is building a core negotiating team; something that companies such as *Nestle* has done well.

For companies that have reached a specific size, having such a team is crucial.

“Let’s take a company that makes shoes and sells shoes for example,” Benoliel explains, “and this organisation has 5,000 stores around the world, then this is a very large organisation. This company will distribute the shoes via shopping malls, and therefore they’ll have to negotiate hundreds and hundreds of commercial leases. Who negotiates those commercial leases? Usually it’s the country manager or the regional manager; they might not be the best people to do this.

“For such an organisation, if you have a few expert negotiators who specialise in commercial real estate and leasing commercial space, they can work with the country managers and add value there.”

The other ten elements of building organisational negotiation capability are:

- Senior Management Support;
- Culture of Negotiation Excellence;
- Reward System;
- Performance-Based Metrics;
- Efficient Negotiation Process;
- Deal Formulation and Implementation;
- Organisational Policies and Procedures;
- Research Unit;
- Information System; and
- Negotiation Portal.

5.9 Negotiation Skills for Managers

Negotiation is an essential skill for managers in today's workforce. In fact, the art of negotiation has become a cornerstone of leadership and is taught not only in corporate settings, but is often a part of a college curriculum. We negotiate daily whether, we realize it or not. Understanding the skills necessary to negotiate effectively will assist managers in getting the most out of the people they supervise.

Plan

- Plan your strategy ahead of time whenever possible.

Assess the Situation

- Learn what you can about the issues being negotiated. Understand the point of views and positions of the people you are negotiating with.

Build Relationship

- Build a rapport with the individual you are negotiating with. Assess how cooperative the individual will be in reaching an agreement and Promoted by.

Be Flexible

- Negotiation is a give-and-take process, so be prepared to be flexible. Know what concessions you are willing to make.

Bargain

- As you work to come to an agreement, place more focus on the issue rather than the differing positions.

Compromise

- Always look for an acceptable compromise that is mutually beneficial or acceptable to all parties.

5.10 Role of Communication in Negotiation

Communication plays an important role in negotiation.

Negotiation is nothing but a discussion among individuals to reach to an alternative which would satisfy all.

How is an effective discussion possible? Only through communication

An effective communication is directly proportional to an effective negotiation. The better the communication is the better the negotiation would be. Discussion does not mean fighting and shouting, instead it is simply the exchange of one's ideas, thoughts and opinions with each other. One needs to have excellent communication skills for a healthy and an effective discussion. Communication is an art and one should master it to excel in all kinds of negotiation. The other person will never come to know about your thoughts and ideas unless and until you share it with them. One can't see your grey matter. Lot depends on how you speak.

One should very sensibly convert his thoughts into a speech by carefully selecting relevant words. Be careful about your words. One should never use derogatory sentences or fowl words in his speech. Understand the power of speech. Do not speak just for the sake of it. Haphazard thoughts and abstract ideas only lead to confusions. One must speak clearly what he expects from the other person. Do not eat your words and try to confuse others. Your thoughts and ideas must be expressed clearly for others to understand well. Be crisp and precise in your speech.

Ben wanted to purchase a pen for himself. He was not very convinced with the price the shopkeeper quoted and found it a little too high. Ben wanted him to reduce the price of the pen. Unfortunately Ben lacked good communication skills and whatever he spoke only confused the shopkeeper. He kept on cribbing and pleading which further irritated the shopkeeper and he refused to further entertain Ben.

What was Ben's mistake?

Ben wanted to buy the pen, but his only mistake was he did not speak in a convincing manner. Had he spoken clearly and explained the shopkeeper as to why the price of the pen should be a little lesser than what he had quoted, the pen would have been his. In this case the negotiation was not a fruitful one as nobody gained anything.

Effective communication is important in salary negotiations as well. Express your salary expectations clearly in front of the recruiter. If you want your salary to be more than what he has quoted, mention it very clearly but politely. Try your level best to convince the recruiter why you need salary hike and probably how will you justify it once you join the organization. There is nothing to be afraid of; even the organization needs talented people like you. Learn to be a bit tactful. Your style, your accent, your pronunciations are also important. Do lay emphasis on words that you feel are important. If you are not satisfied with the offer, it's better to decline it but in a very polite way. Remember we all belong to good families and must behave like educated and cultured people.

An effective communication is of prime importance in business deals also. The terms and conditions must be mentioned clearly for better transparency and do not try to hide anything from the second party. It's always better to depend on written modes of communication like emails, letters, documents or agreements for better reliability. Use corporate terminologies, professional jargons and never use irrelevant statements in your speech. It is considered highly unprofessional.

One should also be very careful with his pitch and tone. Always remember battles can be won just by being decent and polite. Do not be rude and harsh on others. Speak slowly and convincingly in a tone audible to one and all. Do not speak either too fast or too slow. The other

person must understand your speech. Never be loud or shout on anyone. It's unethical to speak ill or insult anyone just for a deal. Relationships are more important and must be valued.

Non verbal communication also plays an important role in an effective negotiation. Our facial expressions hand movements, posture matter a lot and must never be ignored. Please go through the below example for a better clarity:

If you come across a person who is nervous, sweating unnecessarily and fiddling with things around, will you entertain such a person? Obviously No

The same happens with the other party also. If they come to know that you are nervous, they would definitely try to sit on your head and the deal would never be in your favour. Do not express your helplessness to anyone. You might need the job badly but do not let the other person know about it. Be very confident and show a positive attitude. Whenever you are going for a negotiation, do not forget to carry your smile. Flash your million dollar smile but do not laugh unnecessarily or crack silly jokes in between. Exchange greetings and compliments to break the ice. Sit straight, do not lean on the chair and do make an eye contact with the person sitting on the other side of the table. It shows your confidence and strong will power. Do not play with things kept on the table. Concentrate on the negotiation and don't look here and there.

Negotiation is no rocket science. You just have to be very clear about your expectations and interests; express the same clearly, convince the other party and come to something acceptable to both. Do not speak anything which might hurt the other person. Be very polite in your speech, involve everyone in the discussion and decide in the favour of all the participants for an effective negotiation.

5.10.1 Role of Personality in Negotiation

An impressive personality goes hand in hand with good communication for an effective negotiation. A charming personality is the key to an effective negotiation.

Let us understand how one's personality traits help in an effective negotiation.

During negotiations an individual must try to be himself. One should not fake things or pretend to be good. If you are not satisfied with the deal, do not pretend that you are happy. It's better to raise a concern then and there, rather than crib later. Be normal and relax, things will automatically fall into place.

It's important to be sincere rather than just being serious. Sincerity is one of the most important personality traits required in negotiation. One has to be sincere for an effective negotiation. Do not take things casually. Go well prepared for your negotiation. For a business deal, try to study everything related to the deal beforehand. The agenda of the negotiation must

be very clear to you. Carry all the related documents which you might require at the time of negotiation. Do not go just for the sake of it.

Be honest. Do not fake things. During negotiations, honesty plays an important role. One should never manipulate his salary to get a hike in the next organization. Do not speak unnecessary lies just for some money. The fear to get caught would always be there and somehow it would reflect on your face as well. Do not worry; you will definitely get what you deserve.

If you know the laptop costs you xyz amount, do not go and lie to the shopkeeper that it is much cheaper in the next shop. He is not a fool doing business. Remember even he keeps a check on the price what his fellow shopkeeper is offering. It's better if you ask for some discounts or probably some additional accessories rather than reducing the price which you know is little difficult for the shopkeeper.

One should go smartly dressed for a negotiation. Our dressing plays an important role in enhancing our personality. A shabbily dressed person will find it very difficult to convince the other person.

Remember the first impression is the last impression and one has to be very careful about it. Let us suppose if you go to a shop where the shopkeeper is not smartly dressed, has a very casual approach and is almost half asleep, will you feel interacting with him? You will obviously not bother to even listen to him.

Jack went in a t shirt and denims for a business deal. The other person assumed that Jack himself is not serious about the deal and thus did not take much interest in the negotiation. Smart dressing does not mean wearing expensive clothes; instead it is dressing appropriately according to the occasion. Prefer wearing formals for business deals and do not forget to polish your shoes for the desired impact. People do look at your shoes.

Be Patient. It has been observed that impatient individuals are poor negotiators. Do not think that if you want that, the price of a particular item should be #4, the shopkeeper will agree to it immediately and gladly give it to you. You need to convince him and that requires patience. You cannot lose your temper and shout on him.

Be flexible and learn to compromise. Its okay to give priority to one's personal interests but one should not be selfish. If you are the first one to accept something, you will not become unimportant or lose anything, instead the other person would look up to you and both of you will gain whatever you want.

One has to trust the second party for a better negotiation. Don't always find faults in others. Not all people are bad; there are people who are really good and helpful. One should not always

think that the other person would do harm to him. The second party is there just to do business; he is absolutely not your enemy. Don't just come to the point, start the conversation with a warm smile. If he is wearing a nice shirt, do take the initiative to give him a compliment. Treat him as a friend. One should never be arrogant. He is also representing his company just like you. Order coffee and some snacks; It will help in breaking the ice and strengthening the bond between the two parties. Do remember that one should not be too casual and over friendly.

Be professional in your approach. Once your deal is closed, do sign a contract in presence of both the parties. The minutes of the meeting must be circulated among all the participants for better clarity. Do not forget to collect your bills from the shopkeeper after you are done with your shopping. Do not only rely on verbal communication.

Enhance your listening skills for a better negotiation. Listen to the other party as well. He might come up with something interesting and beneficial to you as well. Do not think that the other person does not know anything; even he has come well prepared. One should never underestimate the second party. If you go for a shopping, do not ignore the shop keeper, listen to him and then only decide what to purchase and what not to.

Be a little tactful and diplomatic. Being diplomatic does not mean being clever; There is a difference between the two. One needs to be intelligent and should know what to speak and what not to speak. Analyze the situation and respond accordingly. Don't speak something because your boss has asked you to do the same. Apply your brains and react in an appropriate manner. If you feel your statements would sound foolish in the particular situation, it is better not to speak.

5.10.2 Role of Emotions in Negotiation

Negotiation is defined as a discussion among individuals where everyone contributes equally to reach to a conclusion benefiting all. Lot of factors influences the process of negotiation, our emotions being one of the major factors. Our mood decides a lot many things.

If one is in a happy mood, everything seems perfect and good to him. Individuals with a positive attitude tend to trust each other better. They take keen interest in the negotiation and actively participate in discussions. They try their level best to come up with a suggestion and contribute effectively in the discussion. They do not unnecessarily find faults in other people and always try to take things in a positive way. A happy and a positive person would always look forward towards a concrete solution which would benefit him as well as the other party involved. Try to be cheerful always. One looks his best when he smiles.

Anger is one of the most negative emotions acting as a hurdle to an effective negotiation. A person loses control on his mind and is not in a position to think constructively in a state of anger. One's anger must be kept under control for an effective negotiation. Do not overreact on

petty issues. Anger only leads to conflicts and misunderstandings and does not solve any problem. An individual should learn to keep a control on his tongue. Do not say anything which might hurt the other person. If you are getting angry on someone, it's always better to think something pleasant; your anger would soon disappear. Take a pause and think will this anger benefit you?

One needs to be friendly with the second party. Learn to trust him but do not get too involved in friendships. Everything has a limit and same goes with friendship as well. The other person might expect unnecessary favours from your side.

Nadia knew Mac since childhood; Mac was working with a retail outlet. Nadia wanted to purchase some clothes for herself and went straight to Mac's outlet. Nadia and Mac were childhood friends and thus Nadia asked for more discounts as compared to what originally is offered to the other customers. Mac was bound by the store policies but he could not even refuse Nadia. He was really helpless and could not manage to offer Nadia the discounts she had quoted. Nadia went back empty handed, the negotiation was not at all fruitful and nobody gained anything out of it.

Friendship should be within a limit, otherwise unrealistic expectations arise which is a little difficult to fulfill.

Negotiations must be with a clear and a tension free mind. A mind clouded with tensions cannot concentrate on anything and eventually one loses focus. An individual's mind is unable to take any decisions and he finds it difficult to develop an interest in the negotiation. We all know that tensions come uninvited, but it would be wise, if you keep the tensions on the back burner for some time when you are involved in negotiation.

One should be calm and composed. Never lose your cool and shout on the second party. Always ensure that you are comfortable with the second party. Do not take rash decisions and one should not interfere while the other person is speaking. Always analyze the situation well and then only come to any conclusion. One should try and adopt a step by step approach. Do not expect the result to come out within a second. Take your time to convince the other party but do not drag the conversation too long. It becomes monotonous and one tends to lose interest.

Do not stress yourself at the time of negotiation. Relax. Whatever has to happen will definitely happen. Taking stress does not help. It's better to relax and let things happen on their own; No one will kill you, if you are not able to close the deal, there is always another opportunity. Unnecessary stress makes you feel nervous and you tend to lose your confidence as well.

Take interest in the discussion. Do not develop a laid back attitude. Be active and participate willingly in the discussion. Do not sit in the negotiation just because your boss has asked you to

do the same. It's better to express your opinion at the time of negotiation rather than cribbing later. If you are not satisfied with anything, express your displeasure. If you feel you are not prepared for the negotiation; it's better to postpone it, rather than attending it half-heartedly and messing up things.

Avoid being clever. Do not try to fool the other person. One should not fake things or manipulate the truth. Tampering data would only add to confusions. Be honest in your dealings. Never underestimate anyone. The second party is also aware of what is happening around you and is well prepared just like you. Learn to compromise sometimes. An individual must not be too rigid. At times it's good to take the initiative and be the first one to accept things. One should avoid being adamant.

Being positive always helps. Negative emotions only lead to negativity around and trigger conflicts and misunderstandings among individuals. Fighting till date has never benefited anyone; it simply adds on to one's tensions and nullifies the effect of negotiation.

Whenever you are going for any negotiation make sure you are not in a foul mood, otherwise you will definitely end up fighting with the other person. One should not let his emotions come in between negotiations. Avoid being partial. A deal is a deal whether it is with a friend or with a stranger. Don't ignore things just because you know the other person well. It is always better to be safe from the beginning than suffer later. Paper work is important and the documents must be signed in the presence of both the parties. Don't skip agreements if you are dealing with your friend. He will not feel bad; instead appreciate your professional approach. Don't mix your personal interests with your professional life. Negotiation is just a mere discussion to reach to a common solution, nothing more. Don't treat it as a battle field. Keep your emotions under control and just be normal.

5.10.3 Tips for Professionals for a Successful Negotiation

Negotiation is a technique employed to avoid conflicts and decide something which would benefit all. Individuals negotiate with each other and try to reach to a solution satisfying all. Negotiation is not possible unless and until individuals learn to compromise to some extent and stop finding faults in each other.

Professionals must know how to negotiate well to successfully close deals, avoid conflicts, better relations among the employees and making the organization a better place to work. An individual spends his maximum time at his workplace and thus it is important that he is relaxed and tension free here for better concentration and output. If you do not agree with your team members, do not fight with them, it is always better to negotiate and find out a solution which

would make you as well as them happy. One can't afford to have enemies in his organization, thus negotiation is really essential in corporate.

Let us go through some handy tips for professionals for a successful negotiation.

- **Preparation** - It is essential that an individual prepares well for negotiation. Remember if your company has chosen you for the negotiation with an external party; they must have noticed some spark in you. No way you can let them down and must try hard to live up to the expectations of your superiors as well as your organization. Accept the challenge willingly; don't accept anything out of fear. You will never be able to do anything great. Go through all the relevant details carefully. If you are not clear with anything, do clarify with your superiors beforehand rather than going for a negotiation with a doubt in your mind. If you yourself are not clear with the details and facts, you would never be able to convince the other party.
- **Stay alert** - Keep your eyes and ears open during negotiation. Remember the other party would try hard to convince you and impose their decisions on you. You don't have to fall a prey to the other party. If you are not in a mood to negotiate, it is always better to postpone it rather than messing up things.
- **Confidence** - Confidence is the key to an effective negotiation. A professional needs to be confident enough to make his points clear in front of the other party. The other person can ask you anything and you can't afford to be nervous in front of him. Be intelligent enough to answer all his questions. A confident person always leaves his impression on others and people look up to him.
- **Be cautious** - Be very careful with your paper work. Study the papers carefully and do take all the necessary documents along with you when you are going for any negotiation. Prepare the necessary agreements and contracts well in advance and leave space for the terms and conditions as well as signatures of both the parties. These formalities ought to be done once the negotiation is complete.
- **Avoid delays** - One should always reach for business meetings on time. Do not keep the other party waiting. If the time for the negotiation is 10 am make sure that you are there at 9.45 am. Time is precious for everyone and one should make the best use of it.
- **Understand the other person well** - For an effective negotiation, it is important that you understand the needs and expectations of the other person as well. It is natural to be more concerned for one's own things, but one must not also ignore the other person's interests as well. Remember he has also come for business. It is important that both the parties are involved in a healthy discussion on an open forum and evaluate the pros and cons of the plans carefully to decide something which would be beneficial to all. Never underestimate anyone. Make sure that everyone is happy after the negotiation. No one should complain.
- **Do not cheat anyone** - One should be honest during negotiation. One should speak only when he is sure about it. Do not depend on guess works or assumptions. They don't work

in professional scenarios. It is unethical to fake things or manipulate truth. One should be honest in his dealings for a fair negotiation and to avoid confusions later. You will not gain much out of lies and dishonesty.

- **Always have alternate plans with you** - If your plans 'A' fails make sure you are ready to present your plan B. An option is important. You should not rely on a single plan. You never know which plan would click with others.
- **One must know the purpose of negotiation** - Why do you think you need the negotiation? One should be clear about his expectations from the negotiation. The agenda of the negotiation must be clear. Make sure you have realistic expectations. Do not ask for something which would incur a loss to the other party. Please do not expect impossible things to happen.
- **Do not get too involved in the negotiation** – Do learn to keep a control on your emotions. One should not take any decision out of emotion. Do not tend to ignore things just because you are dealing with your friend. Professional life must be kept separate from your personal interests. Give more priority to your work.
- **Maintain the decorum of the place** - Don't use foul words or abusive language against anyone. Never insult anyone. If the second party is not convinced, discuss with him but never stoop to derogatory acts. That is absolutely unacceptable.
- **Be a good communicator** - Clarity in thoughts is important and ideas must be communicated clearly to the other person. Don't try to confuse others. Make sure you do not adopt a casual approach. Use relevant words. Add professional jargons and corporate terminologies in your speech. One should be careful about his pitch and tone as well. Pitch should neither be too high nor too low. It must be audible to everyone.
- **Be patient** - Negotiation needs time and one ought to be patient enough to interact, understand the second party and make his points clear. Do not try to wind up the negotiation quickly. Never impose your decisions on others or rush for conclusions.
- **Do not drag the conversation too long** - Once the conclusion is reached, it's better to close the deal. Do not wait for some more miracles to happen. Make sure you do not make the negotiation too monotonous otherwise the parties will lose interest in the discussion. The discussion should be interesting and everyone should participate in it. Express your opinions at the time of discussion, rather than cribbing later.
- **One should not act pricy or pretend things** - Be yourself and try to react in a normal way. Do not be rude to anyone. Be at ease and things will automatically fall in place. One should be comfortable with the second party for a better negotiation.
- No one would hang you if you are unable to close the deal, so avoid fighting with anyone unnecessarily. It's better to ignore minor things. Do not make issues out of petty things. One should learn to compromise sometimes and strive hard to come to a conclusion.
- **Chose a proper room for business negotiations** - A conference room, a meeting room or probably the board room is the ideal choice. Opt for a noise free place. Do not make the discussion too formal. You can order some snacks as well. Always carry a pen and a

notepad to jot down important points for future reference. If you have to deliver any presentation, make sure it is properly downloaded in your laptop. Do check once before going for the negotiation. It might embarrass you in front of others. Dress appropriately for the deal. Prefer formals for the desired impact.

5.11 Conclusion

In this unit, we learnt how you could negotiate with your friend and your parents would not be in disagreement with your arrangements. Kamal negotiated with the shopping Mall is another situation for your experience. Successful negotiations generally result in some kind of exchange or promise being made by the negotiators to each other. The process plus behaviour plus substance will lead to an agenda. This is what was seen as negotiation elements. Negotiation is important in corporate organisations to avoid conflicts and improve the relations among the employees. We also learnt that to be too rigid and adamant in the office is not a good option. It is vital to note that conditions for negotiation must be identified and the role of communication should not be undermined by managers.

5.12 References/Suggestion for Further Reading

1. MindTools (2016) what is problem solving? Essential skills for an excellent career, <http://www.mindtools.com>
2. Ryans Tutorials (2017) Problem solving skills; fixing that is broken and making everything else
Awesome: ryanstutorials.net/problem-solving
3. Zoe, B, (2016) Ways to Enhance your problem solving skills. www.lifehack.org

5.13 Assignment File

1. What is negotiation?
2. Explain elements of negotiation skills.
3. Mention reasons that will lead to negotiation.

5.14 Tutor-Marked Assignment

1. How do you build negotiation capability in an organisation?
2. Discuss role of personality in negotiation.

