

Strategic Thinking and Leadership: Comparing Business Leaders and MBA Students in Western Australia

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Abstract

The persistent high rate of business failures suggests that while strategic thinking is widely acknowledged, it may not be widely practiced. MBA students and business leaders in Western Australia were surveyed using a questionnaire posing clear business choices. The students and leaders were equally proficient at strategic thinking although the level of practice could be improved somewhat. While strategic thinking profiles were similar, it was found that the two groups differed in their choices on 21% of the items. In order to increase the level of strategic thinking among potential and current business leaders in Western Australia, a number of practical suggestions are made. Many of these reiterate calls to business leaders made by other authors.

Introduction

For an organization to perform as well as it can, all the elements (individuals and groups) of that organization must be working together and heading in the same direction. It is the responsibility of the leader of the organization to ensure that such a strategic focus is maintained. This means that the leader of that organization must direct this effort with consistency; a task requiring strategic thinking in an instinctive way.

Smith and Marcum (2003, p. 37) have written that “almost 95 percent of new products fail . . . Sixty percent of all new businesses fail within the first six years of operation.” In addition, almost 90 percent of management consulting firms fail in their first 5 years of existence as a study conducted by Kumar, Simon, and Kimberley (2000) found. A paper focusing on the Australian business environment cited a federal government study which showed that 75% of all small businesses failed in the first 5 years of operation (Lawson, 2004). There are many reasons for failures of businesses and products. Surely these alarmingly high statistics cannot be attributed to environmental factors entirely. Rather they may suggest that strategic thinking is deficient or even lacking completely among today’s business leaders. In short, understanding the thought processes of business leaders may be critical to understanding the factors that lead to success or failure in contemporary organizations.

There is a plethora of published literature which suggests a relationship between strategic thinking about the long-term on the part of individual leaders and organizational performance (See, for example, Fisher, Sonka and Westgren 2004, Lippitt 2003, Sarros and Santora 2001, Suutari 2001, and Walker 2001). Kavanaugh (2003, p. 60) writing about the success of specific Australian car and wine makers has observed “that exporters in other industries need to adopt the same long-term strategic thinking as car and wine makers. Too many Australian companies approach export in an opportunistic way.” Hogan (2003, p. 15) contends that business leaders need to focus on “sustained momentum rather than surviving until the economy improves.” Moutinho and Phillips (2002, p. 102), writing about Scottish banks, feel that “the overall performance of the branch depends highly on both long term thinking and innovation.” Schermerhorn et al (2004) take this a step further by arguing that today’s business leaders need to be both long and short-term oriented simultaneously. More will be said about this in the conclusion to this paper.

It seems plausible that one of the reasons for business failures is that strategic thinking is not uniformly practiced among the leadership. If business leaders today lack the propensity to think strategically, how is this deficiency created? Is it possible that educational programs are not sufficiently effective in preparing students for business leadership? This would especially be observed among MBA students, whose programs of study are aimed at developing business leaders. A second explanation is that, with the emphasis on immediate returns for shareholders, business executives are forced into favoring short-term gains over long-term performance. This research seeks to answer this question by examining the thought processes of a sample of business leaders and MBA students in Western Australia.

Basis for the Survey Instrument

Thought processes of business leaders may differ depending upon whether the decisions are perceived to be strategic or not. Decisions can be considered to be strategic when they:

- involve the commitment of significant resources;
- have the potential of moving the organization into new domains not in its prior experience;
- involve long cycle feedback (some time is needed to see if decisions were wise and if the intended benefits are occurring); or
- have lasting impact (Bennett and Brown, 1995, citing Peter Vaill).

Each of the above items identifies decisions that can put at risk the organization’s very survival. Decisions known to satisfy the above clearly would command the attention of top decision-makers, and most likely, the people making these decisions would be guided by the strategic focus of the organization.

The trouble is that there may be strategic decisions that are not subjected to strategic thinking. Some of these decisions are not perceived to be strategic decisions. Mintzberg (1994) quotes Richard Rumelt, "what is strategic depends on where you sit." He then goes on to write, "It also depends on *when* you sit, because what seemed tactical yesterday might prove strategic tomorrow" (p. 27).

So, while the above suggests that all decisions should be treated as strategic, some most likely will not be. It is on these seemingly nonstrategic decisions that deficiencies in strategic thinking will be exposed. Therefore, for purposes of this research, a questionnaire consisting of such seemingly nonstrategic decision problems was developed to elicit responses from subjects.

The Components of Strategic Thinking

As a result of extensive interviews with business, government, and educational leaders in the state of Idaho, Napier and LaCava (1990) identified characteristics of thought processes that are strategic. This simple framework delineates the critical elements making the concept of strategic thinking operational. "Operational" here means that it would be possible to observe strategic thinking (and the lack of it). A brief description of their findings and rationale is given below.

A strategic focus charts an organization's future. To develop one satisfactorily, an environmental assessment must be made (Andrews, 1996, Barney, 2002 and Viljoen and Dann 2003). The more comprehensive the environmental assessment is, the more useful the focus will be. Briefly, then, strategic thinking requires of the individual (or strategic thinker) that a sufficiently broad view of the environment be held and that long-term effects be appropriately incorporated. Many authors have pointed out the critical nature of these elements; a sampling of them is cited below.

Broad View of the Environment. It is critical that the strategic thinker understand the "big picture." This incorporates at least the following four elements: (1) focusing on the entity as a whole rather than its separate parts, (Andrews, 1987, Collins, 2001, and Mintzberg, 1994); (2) identifying and analysing a multiplicity of variables relevant in the decision-making environment, (Crowther, Kaagan, Ferguson, and Hann, 2002, Jasman, 1996, and Lucas and Markessini, 1993.); (3) recognizing a broad array of consequences in that environment, including second, third, and higher order effects, and (4) assimilating the pieces (the multiplicity of variables and the higher-order consequences) to guide actions, such as, creating solutions or achieving innovations (Bennis, 1989a, Mintzberg 1996, Phelps, 1977, Pitcher 1996 and Shanteau, 1992). The strategic thinker would also recognize that most, if not all, of the people in the organization should have these capabilities. As a result, this issue is related to leadership. For Davidson et al (2006), good leadership assures that an organization is correctly aligned with its environment. In addition, Hubbard et al (2003) go so far as to say that a good leader of what they term a "winning organization" will align all the elements in a business with each other and with the environment perfectly. Therefore this paper often refers to the relationship between leadership and strategic thinking.

Appropriately Incorporating Long-Term Effects. The word, "strategic," has been traditionally seen in the management literature to refer to activities that should ensure that an organization survives and thrives well into the future (Andrews, 1987). Three aspects comprise this dimension of strategic thinking: (1) grounding decision-making in the history of the environment and organization, (Bennis, 1989a, Mintzberg, 1999, and Weick and Sutcliffe, 2001); (2) envisioning the future, (Bennis, 1989b, Crowther, Kaagan, Ferguson, and Hann, 2002, Howard 1974, Omae, 1982 and Weick and Sutcliffe, 2001); and (3) a capacity for making trade-offs between short-term and long-term goals (Collins 2001, Hamel and Prahalad, 1996, Jaques, 1976, Lucas and Markessini, 1993 and Wrapp, 1996).

Research Method

Several approaches exist for uncovering how people think about problems and environments. The principal issue to be addressed in this regard is whether the researcher is receiving a considered, truthful response, either by word or by deed. To explore this adequately, it is necessary to examine both the response given by the subject and the "response" received or understood by the researcher.

Decision-making simulations are used to observe the decisions that subjects make in a simulated decision-making environment. Very often a computer game environment is used to enhance the experience for the subject and increase subject interest. They can be coupled with interviews, usually after the experiment, to help clarify some of the reasons for the decisions made during the game.

The environment is simulated, and one might question whether the subjects are acting as they would were the environment real. Incentives that may be provided can be a factor in stimulating the subject's interest. If competitive games are used, subjects may be genuinely interested in performing as well as possible because of the competition. If that is the case, those subjects' decisions might truly reflect their thought processes and mental models.

Another major concern is what is known as the guinea pig (or Hawthorne) effect (Fernald, 2000). Subjects provide responses that they believe are expected by the researcher. This effect is sometimes a result of the subject's believing that there is a correct or appropriate response. It can also occur when subjects try to help researchers get the results they seek.

In terms of what the researcher can take from subject responses in decision-making simulations, the principal concern revolves around getting consistent interpretations of subjects' choices. This is particularly true with complex decision-making simulations because the researcher is never sure what alternatives the subject considered.

A questionnaire that presents subjects with decision choices can be considered as a group of decision-making simulations. It is appropriate, then, to question subject motivation as well as whether the guinea pig effect is being observed. However, since the questionnaire can present simple choices among specified alternatives, there is no question about what alternatives the subjects are considering at the time. Such a questionnaire was developed for this study.

Questionnaire Development Process. Based on interviews of people in top administrative positions in the Boise, Idaho, area, a questionnaire was constructed. Many of the propositions given in the management literature seemed to be supported by the leaders who were interviewed.

The original version of the questionnaire was developed in 1990 and contained 40 items. Over the years, it has been modified several times as a result of trials with students at various levels—lower division undergraduate through MBA students. Part of that development process were two separate tests comparing responses from a time-constrained survey environment (questionnaires given in class with a five-minute time limit) and an unconstrained environment (students took the questionnaire home). No differences in scores were found. In addition, reliability of the two segments of the questionnaire (big picture items and long-term items) produced Cronbach alpha values in the .55 range.

The present questionnaire is a further modification aimed at better reflecting strategic thinking in the Western Australian business climate of late 2004.

The questionnaire uses choices between two options. Some choices are driven by preferences between payoffs, while some focus on alternative courses of action. Each item can be linked to one or more of the components of strategic thinking discussed above.

To minimize the impact of the guinea pig effect, the questionnaire uses decisions which are likely not perceived to be strategic. This should reduce the tendency on the part of respondents to seek the “right” answer. It is possible, however, that this strategy may lead to the questions not being taken sufficiently seriously, although it is not entirely clear that that is a bad thing, when one is seeking intuitive or instinctual responses.

To eliminate the problems of interpreting subjects’ responses as discussed earlier, all the questions in the questionnaire, other than two in the business leaders’ questionnaire, were closed-ended. This is particularly helpful when subjects are selecting between alternative courses of action. The list of questions (Items #1 through #33, down from 40) appears in the Appendix.

Method

The final questionnaire, assessing the propensity for strategic thinking, was administered to MBA students and business leaders in Western Australia in the last quarter of 2004. The questionnaire sent to the business leaders also included two open-ended questions. These were included to learn their perceptions of the prevalence and the importance of strategic thinking in Western Australia.

First, a sample of MBA students at all four Western Australian universities were handed questionnaires. Lecturers in core MBA units at the four universities were approached in person or by telephone and their permission was gained to administer the questionnaires. The questionnaires were completed by the students just after the class ended. In all, 162 questionnaires were returned.

Second, the questionnaire was mailed to the top 300 senior business leaders in Western Australia. The database was obtained from a commercial organization and leaders of companies with annual revenues of at least AU\$20million were sent questionnaires. Forty-seven (16%) replied. Seventeen of these responses were obtained after reminders were mailed. Because of the low response rate, not unusual in Australia currently (see, for example, Simon and Power, 2004), a comparative analysis of responses was conducted between respondents who replied before and after the reminders were mailed. This analysis showed that responses to questions were essentially the same. (Hypothesis testing rejected only one null hypothesis, with a p -value = .075. However, for another four of the 33 items, it could be argued that the conclusions could more reasonably be attributed to the small sample sizes.)

In both phases of the study, (assessing strategic thinking and comparing students and business leaders on this dimension) the data were used to produce descriptive statistics. All inferences were drawn using tests of a single proportion, tests of two proportions, or tests of two means. These simple statistical procedures were completed with spreadsheet software.

Results

The analysis was undertaken to effect comparisons between the MBA students and the business leaders on three items. First, the performances of each group were examined on the basis of the selection of responses consistent with strategic thinking. Two issues were explored here: the first, how often each group, as a whole, selected the response more indicative of strategic thinking, and the second, determining if there was a difference in strategic thinking propensities between the MBA students and the business leaders. This latter comparison would be effected by analyzing the average scores of the students and of the leaders. The first issue was analyzed by tests of two proportions. The test of two population means was used for the second issue.

The second segment of the analysis focused on the agreement observed between the students and the leaders. These comparisons examined the propensity of each group to select the first of the two alternative responses. Simple tests of two proportions were used for each comparison.

Finally, the analysis compared profiles of each group by scoring each respondent on the questionnaire items which reflect “big picture” thinking and on the questionnaire items which reflect long-term thinking. Average scores for the MBA students and for the business leaders were compared using tests of two means.

Thinking Strategically. The percentages of each group’s selections of the responses more indicative of strategic thinking are given in Table 1.

Table 1:

MBA Students			Business Leaders	
Item Number	Proportion Strategic	H ₀ : $\pi=.50$ p-value	Proportion Strategic	H ₀ : $\pi=.50$ p-value
1	.84	.00	.78	.00
2	.70	.00	.85	.00
3	.51	.60	.11	.00
4	.74	.00	.79	.00
5	.64	.00	.43	.34
6	.91	.00	.98	.00
7	.78	.00	.89	.00
8	.16	.00	.09	.00
9	.62	.00	.60	.17
10	.63	.00	.77	.00
11	.64	.00	.62	.10
12	.47	.45	.43	.34
13	.70	.00	.81	.00
14	.84	.00	.79	.00
15	.85	.00	.83	.00
16	.94	.00	.98	.00
17	.34	.00	.32	.00
18	.64	.00	.70	.00
19	.60	.00	.57	.34
22	.05	.00	.00	.00
23	.22	.00	.06	.00
24	.89	.00	.94	.00
28	.88	.00	.98	.00
29	.90	.00	.96	.00
30	.40	.01	.45	.47
31	.90	.00	.98	.00
32	.87	.00	.89	.00
33	.63	.00	.60	.19

Five of the original questionnaire items were removed from this portion of the analysis because they may have been ambiguous. Responses by subjects called into question what the more strategic choice on items 20, 21, 25, 26 and 27 was for Western Australia. Recall that the original questionnaire had been developed on the basis of interviews with leaders from Idaho.

Each sample was tested to determine if the true population proportions were equal to .50. The p-values for each of these tests are also given in Table 1. For the MBA student sample, in 26 (all but two) of the 28 items, the null hypothesis is rejected. No conclusions could be reached on student majorities: for preference for market share over profit (Item #3), nor for faster development of increased functionality of existing products over improving quality of existing products (Item #12). In 21 of the 26 remaining items, student majorities could be inferred for the more strategic alternative.

The sample of business leaders allowed the rejection of the null hypothesis in 22 (all but six) of the 28 items. The other six items sought preferences for: (a) training employees vs. buying equipment, (b) tradeoffs between selling price and product quality, (c) improving quality vs. faster development of new products, (d) the benefits of more meaningful jobs for employees vs. a smaller workforce, (e) when to admit mistakes, and (f) counselling for an employee with a drinking problem. In 17 of the 22 tests leading to rejection of the null hypothesis, business leader majorities could be inferred for the more strategic alternative.

Student majorities could be inferred for choosing the less strategic alternative on five items. Business leaders could also be inferred to prefer the less strategic alternative on six items. Four of the five were common to both the students and the business leaders: (a) preference for an in-house task force over outside consultants, (b) borrowing to maintain ongoing charitable contributions, and preferences among (c) dividends and (d) investment over charitable contributions. The students also would choose to wait to be confronted before admitting a mistake. Business leaders prefer profit over long-term market share.

The other comparison of the MBA students and the business leaders focused on the total scores for each respondent on the unambiguous items of the questionnaire. Out of a total score of 28, the MBA students averaged 18.19 ($s = 3.10$) with scores ranging from a low of 10 to a high of 25. The business leaders averaged 18.13 ($s = 2.29$) with scores ranging from a low of 12 to a high of 23.

Equal variances could not be assumed for these data ($p\text{-value} = .018$). From the test of two means assuming unequal variances, the null hypothesis of equal means could not be rejected ($p\text{-value} = .890$). On average, MBA students and business leaders have similar propensities for strategic thinking, although not at a particularly high level. This will be discussed in more detail later.

Comparing Responses. This portion of the analysis focuses on how often students and business leaders chose the same option. Table 2 shows the percentages of the MBA students and of the business leaders selecting the same alternatives on each item.

Table 2:
Proportion Choosing (a)

Item Number	MBA Students	Business Leaders	p-value ($H_0: \pi_1 = \pi_2$)
1	.84	.78	n.s.
2	.30	.15	.046
3	.51	.11	.000
4	.26	.21	n.s.
5	.36	.57	.011
6	.09	.02	n.s.
7	.22	.11	n.s.
8	.84	.91	n.s.
9	.62	.60	n.s.
10	.63	.77	.073
11	.36	.38	n.s.
12	.53	.57	n.s.
13	.70	.81	n.s.
14	.16	.21	n.s.
15	.85	.83	n.s.
16	.94	.98	n.s.
17	.66	.68	n.s.
18	.36	.30	n.s.
19	.60	.57	n.s.
20	.57	.77	.015
21	.49	.55	n.s.
22	.05	.00	n.s.
23	.22	.06	n.s.
24	.89	.94	n.s.
25	.57	.36	.013
26	.44	.32	n.s.
27	.10	.04	n.s.
28	.88	.98	.054
29	.90	.96	n.s.
30	.60	.55	n.s.
31	.10	.02	.078
32	.13	.11	n.s.
33	.37	.40	n.s.

n.s. – not significant

The numbers reflect the proportions of each group which selected the first of the two options. All 33 items are included for analysis here, and tests of two proportions were employed.

Selections of the MBA students differed from those of the business leaders on seven of the items. The business leaders were less likely to change their choices in response to information on company goals (Item #2, p-value = .046). MBA students were more likely to accept the lower initial profit for higher initial market share (Item #3, p-value = .000). When choosing between investing in the plant or training employees, business leaders were more likely to invest in the plant with excess funds than the students were (Item #5, p-value = .011). Business leaders were also more inclined to invest in the plant than the students were when the alternative was to increase advertising (Item #10, p-value = .073), although this latter conclusion was only marginally supported. Business leaders are more likely to favor independent profit centers over one centralized organization (Item #20, p-value = .015). In comparison to the business leaders, the MBA students were more inclined toward upward salary adjustments rather than increasing commissions (Item #25, p-value = .013). Business leaders were more supportive of admitting mistakes immediately (Item #28, p-value = .054). Finally, MBA students were not so averse to terminating an employee with a drinking problem (Item #31, p-value = .078).

Profiles. The final comparison between the samples of MBA students and business leaders required partitioning the questionnaire into those items which explored the breadth of the respondent's view of the environment (16 items) and those which sought the respondent's preferences for long-term payoffs (12 items).

The average score for the breadth profile (possible 16 points) for the MBA student sample was 9.82, ($s = 2.09$). For the business leaders, the average breadth profile score was 9.98 ($s = 1.61$). The two variances could not be assumed to be equal (p-value = .04). The test of two means, assuming that the variances were not equal, produced a p-value of .58; no difference could be inferred between the students and the business leaders.

Profiling preferences for long-term payoffs led to similar results. Student scores averaged 8.36 out of 12, with a standard deviation of 1.71. For the sample of business leaders, the average was 8.15, with a standard deviation of 1.55. Assuming that the variances were equal (p-value = .22) in the test of two means, the null hypothesis could not be rejected (p-value = .44).

Lastly, analysis of the responses by business leaders to the two open-ended questions add weight to the overall thrust of our argument and findings. This is because the leaders feel that strategic thinking is limited in Western Australia, despite acknowledging its importance. The responses to the open-ended questions are provided below:

Open-ended question 1: the extent of long-term strategic thinking among business leaders in WA:

- a) It is limited (16, or 34%, said this)
- b) It is more pronounced in the better companies (12 or 26%)
- c) It is reduced because of pressure from shareholders for short-term results (9 or 19%)

Open-ended question 2: the way(s) in which long-term strategic thinking is related to organizational performance:

- a) It leads to success (28, or 60%, said this)
- b) It provides direction (15 or 32%)
- c) It leads to sustainable growth (8 or 17%)
- d) It helps companies cope with change (5 or 11%).

Conclusion

At the outset of this paper, a question was posed on the state of strategic thinking in Western Australia. Observing an average score of 18.13 out of a possible 28, it is hard to accept the premise that the state of strategic thinking in Western Australian businesses is at the highest level. This may take some time to achieve because MBA students scored a similar average of 18.19 out of the possible 28.

Two possible explanations for the deficiency were suggested. By examining a sample of MBA students, the study sought to determine if the educational system was not sufficiently effective in ingraining strategic thinking in students. Currently, the typical MBA program in Western Australian universities might consist of leadership, management, and organizational behavior; finance; marketing; ethical and environmental issues; quantitative methods; entrepreneurship and innovation; and, of course, strategy.

Students' perspectives of the business environment should theoretically be broadened by this coursework. In particular, classes in management and organizational behavior, finance, and marketing expand student awareness of the various aspects of these disciplines and how they impact on business performance. Quantitative methods would assist in developing skills of assimilating multiple dimensions of decision problems.

The remaining courses in the typical MBA program also broaden students' perspectives. Entrepreneurship, leadership, and strategy focus primarily on long-term consequences. Issues often discussed in ethics' classes not only highlight how broad the manager's perspective has to be, but they comprise elements believed to be critical to long-term stability and productivity.

Have business leaders been directed away from strategic thinking by the need for quick, positive returns on shareholders' investments? In the open-ended question which addressed this issue, nine of the business leaders, 19% of the sample, offered the opinion that strategic thinking was impeded by such considerations. Not long after assuming the position of Chief Executive Officer at General Motors (GM), much to the delight of the shareholder community, Robert Stempel announced that he intended to cut 75,000 jobs at GM (Maynard, 2004). However, in March of 1996, in response to General Motors' proposed outsourcing of jobs, workers at the Dayton, Ohio, brake parts plants went on strike. Since these plants supplied 90% of brake parts for General Motors' domestic production at the time (Ward's Auto World, 2004), the strike closed 26 of 29 vehicle assembly facilities in the United States (Cable News Network, 2004). Recently in Australia, news leaked that the major telecommunications company, Telstra, has been pursuing a short-term strategy of "borrowing billions of dollars from its reserves to pay dividends" (Spencer 2005, p. 4). Obviously this led to a plunge in its share price. These examples clearly make a case for the efficacy of broad and long-term thinking.

It should be noted that shareholder interests present the business leader with an interesting situation. By acting in ways that produce short-term gains, even at the expense of the long-term prospects, the business leader may actually be acting quite strategically, not strategically for the firm necessarily, but definitely for himself or herself. Under these circumstances, leaders who would otherwise know better would act in a less-than-strategic manner.

Returning to the MBA students, it should be noted that over 75% (122 out of 162) of them reported holding a variety of responsible positions in local companies. Another 17 reported their involvement in consulting. With such experience, could it be that the message from education falls on deaf ears. Can one be educated against his or her own experience?

Should shareholders care about strategic thinking in the organization? They should. But many of them will be hard to persuade. Many have become convinced that they can unload shares of faltering companies in a timely manner. If they continue to believe that these sell transactions can take place well before share prices plummet, there is no real incentive for these investors to buy into the need for strategic thinking on the part of business leaders. These investors would do well to remember that timely selling is not always possible. Millions of dollars were lost in funds managed by otherwise successful professionals as a result of the Enron scandal, for instance (AFSCME Florida, 2004, Turtle Trader, 2004).

For the buy-and-hold investors, strategic thinking in the organization is critical. In Australia, as well as in the United States, many people invest in shares either directly or indirectly, through pension funds, for example, for retirement purposes. It is likely that these funds are placed under a buy-and-hold rubric. Such investments, when they turn sour, are particularly painful for aging individuals and their governments.

In conclusion the responses to our open-ended questions suggest that most of the current business leaders acknowledge that long-term strategic thinking leads to success, provides direction and assists growth but its usage is limited in Western Australia due to company stature or pressure from shareholders for short-term financial gains.

Because of this and the fact that the strategic thinking scores are not as high as they could have been, it behoves us to offer Western Australian's potential and current business leaders some practical, operationalizable suggestions for the future. To begin with, Hubbard (2004)

suggests that in university courses, students need to be taught that the principles and concepts of strategy and strategic thinking are not the exclusive, sometimes even confidential, preserve of leaders. As we have seen, poor leaders can fall prey to overemphasizing short-term gains for shareholders. Graduates from such MBA programmes, who are headed towards senior leadership positions, could balance an over-emphasis on short-term profits by embracing the factors that enhance the long-term, big picture. In this way, it is argued, value is created for all stakeholders. "Shareholder value creation is clearly important, but shareholders are only one stakeholder group and many shareholders do not have a long-term interest or orientation to the company" (Hubbard, 2004, p. 129). What are these factors? Here we agree strongly with Hubbard's view that a winning organization will align all elements to one another (internal business processes) and to the environment perfectly and will also measure the efficacy of strategic thinking from the share-holder's perspective (financial performance) as well as other stakeholders (eg., customers and staff and even society at large – see for example Davidson et al 2006 , p. 57 for a description of how a company can assess its impact on society) over the long term. Schmidt (2005) has described an approach currently being tested at Hewlett-Packard that emphasizes the long-term benefits of relationship-building when communicating with customers. Viljoen and Dann (2003) have added learning (see also for example, Senge 1992) and innovation (see also for example, Davidson et al 2006, pp. 218-226) to financial, customer-related and internal process performance over the long term. If Western Australian business leaders implement these suggestions then we believe that their scores for strategic thinking in the future will be higher than those we obtained from our research in late 2004. A **good reputation** (so important for Waytiuk 2005) for being a solid company, focused not only on short-term financial gains but also for thinking strategically over the long-term about business processes, relationship-building with customers, the staff, learning and innovation and society at large, should be the result.

APPENDIX

1. In a new product introduction, which outcome would you prefer?
 - ___a. 30% chance of achieving 19% of the market with a complementary 70% chance of achieving 16% of the market.
 - ___b. 30% chance of achieving 22% of the market with a complementary 70% chance of achieving 6% of the market.
2. In the scenario of #1, would your decision change if the company's goal for new product introductions was 20% of the market?
 - ___Yes ___No
3. In a new product introduction, which outcome would you prefer?
 - ___a. \$50,000 profit and 15% of the market
 - ___b. \$200,000 profit and 5% of the market
4. You have a problem on the production floor stemming from people issues. Which group is more likely to be the source of the problem?
 - ___a. production line employees
 - ___b. managers
5. For a small manufacturer with considerable funds to invest, which would you recommend?
 - ___a. buying equipment
 - ___b. training employees
6. You have made changes which have reduced production costs. Which would you implement?
 - ___a. lowering selling prices
 - ___b. investing the savings to improve quality
7. Creating a task force of managers involves little or no cost to the firm.
 - ___True ___False
8. You have a problem on the production floor. Which would you prefer?
 - ___a. creating a task force of your managers
 - ___b. hiring outside consultants
9. Your competitors are lowering prices. Which would you prefer?
 - ___a. freezing prices and improving quality
 - ___b. lowering prices and maintaining quality
10. For a small manufacturer with considerable funds to invest, which would you recommend?
 - ___a. investing in the plant
 - ___b. investing in an increased advertising program
11. A company should strive for:
 - ___a. faster development of new products.
 - ___b. improving the quality of existing products.
12. A company should strive for:
 - ___a. faster development of increased functionality of existing products.
 - ___b. improving the quality of existing products.

13. One of your suppliers is having difficulty responding to your new needs for higher quality components. Which would you prefer?
 - ___a. help the supplier improve the quality of the components
 - ___b. change suppliers
14. For a small retailer with considerable funds to invest, which would you recommend?
 - ___a. adding more inventory
 - ___b. adding more capacity to the service department
15. Would you rather have managers whom:
 - ___a. employees go to for help?
 - ___b. employees admire?
16. Would you rather have employees who are:
 - ___a. proud of the job they do?
 - ___b. happy with their pay rates?
17. To deal with a severe, but short-term, cash restriction, which would you prefer?
 - ___a. cutting back on charitable contribution
 - ___b. borrowing from a lending institution
18. To deal with a severe, but short-term, cash restriction, which would you prefer?
 - ___a. cutting back on employee training
 - ___b. borrowing from a lending institution
19. The use of robotics is good because:
 - ___a. it allows employees to have more meaningful jobs.
 - ___b. it allows reductions in the work force.
20. In structuring a company, which would you recommend?
 - ___a. independent profit centres
 - ___b. one centralized organization
21. Which of the following would you prefer as a new employee?
 - ___a. a graduate with a specific major in the areas of the position
 - ___b. a graduate from a general management programme
22. Your firm has experienced extraordinary profits for one period. Rank the alternatives given below from 1, for the most desirable, to 3, for the least.
 - ___ Make a charitable contribution. (Corresponds to Item 22)
 - ___ Reinvest in the company. (Corresponds to Item 23)
 - ___ Declare a sizable dividend. (Corresponds to Item 24)
23. You are changing your employee compensation programme consisting of salary schedules and commissions. Rank the alternatives given below from 1, for the most preferred, to 3 for the least.
 - ___ Increase commission rates. (Corresponds to Item 25)
 - ___ Increase salary schedules. (Corresponds to Item 26)
 - ___ Increase bonuses. (Corresponds to Item 27)
24. You are responsible for a major problem in your division, and you are taking steps to correct it. Three options available to you appear below. Rank them from 1, for most desirable, to 3 for least desirable.
 - ___ Admit your mistake now. (Corresponds to Item 28)
 - ___ Admit your mistake if you are confronted about the problem. (Corresponds to Item 29)
 - ___ Admit your mistake when the problem is solved. (Corresponds to Item 30).
25. You have an employee whose spouse has a drinking problem which causes the employee to be absent frequently. Rank the alternatives below from 1, for the most effective, to 3 for the least.
 - ___ Terminate the employee. (Corresponds to Item 31)
 - ___ Arrange for counselling the employee about absenteeism. (Corresponds to Item 32)
 - ___ Arrange for counselling the employee about the drinking problem. (Corresponds to Item 33)

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