

# Enhancing Your Strategic IQ™

## The Systems Thinking Approach®

By Stephen Haines, Founder and CEO of the Haines Centre for Strategic Management®

When a craftsman designs a piece of furniture, he first sits down and designs the object and its purpose, detailing its every curve and nuance. He then utilizes the best tools and the finest woods to make his conception reality. As a leader of planning and change, you are a craftsman/craftswoman of your organization. Your tools are thoughts, plans, people, money, and strategy.

What kind of organization do you want to design? What does it look like? What does it do? Like the craftsman, you must start with the framework. This is the Systems Thinking Approach®.

Systems Thinking is the natural way the world works. It is a simple concept that employs a holistic approach. It is applicable to individuals, one-to-one relationships, work teams and groups, intergroups, the total organization, and the organization in its environment.

Systems are made up of a set of components that work together for the overall objective of the whole. Using the Systems Thinking Approach® you can create an energized and integrated organization that consistently works together to achieve sustained business excellence and system results.

### Your Greatest Tool – Systems Thinking Approach® to Strategic Management

Systems Thinking is a method of thinking backwards to the future. It allows you to craft your vision, mission, and values today so you can develop and sustain a customer-focused high performance organization. Like the craftsman, you design your organization and utilize tools to create it, such as soliciting feedback, utilizing measurements, developing business plans, and setting priorities. One of the most effective tools you should have in your tool box is a yearly Strategic Management System and Process (see Figure 1).

#### THERE ARE THREE MAIN PREMISES IN STRATEGIC MANAGEMENT

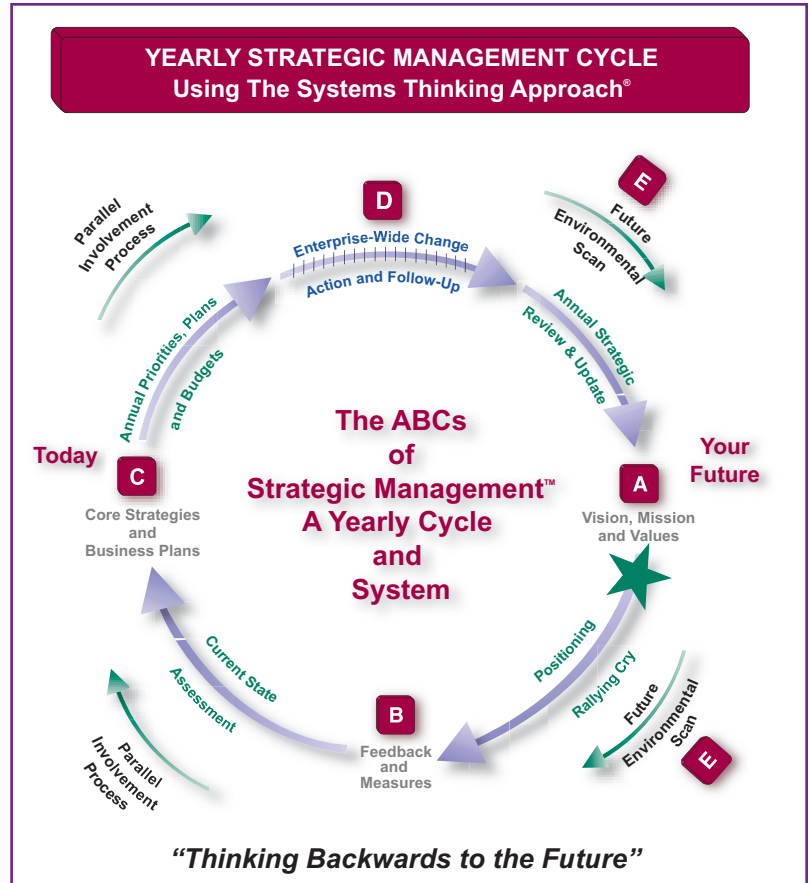
These include:

- #1 Planning and change are the **primary** job of leaders
- #2 People support what they help create
- #3 Utilizing Systems Thinking helps you focus on outcomes and serve your customers better

#### Strategic IQ™ Audit

Every organization conducts a yearly financial audit. Why not conduct a Strategic IQ™ Audit each year also? It is forward looking and predictive, not just a look at the past.

—Stephen Haines



(Figure 1)

The Systems Thinking Approach® to Strategic Management includes strategic planning, strategic (enterprise-wide) change, leadership, management, and people to achieve the desired results. There are

The Strategic IQ Audit is based on the Centre's Systems Thinking Approach®. Strategic IQ™ combines systems thinking with systematic thinking that takes strategic management to a higher level, resulting in sustained business excellence and superior results. The Strategic IQ™ Audit helps your organization identify its positive strategic management processes while pointing out improvement areas. Your return on investment is extremely high as the audit results in priority action items that will lead the way to innovation and increased customer value!

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three primary goals to Strategic Management that every organization needs. These are:

- Goal #1** Develop strategic, business, and annual plans
- Goal #2** Ensure successful implementation and change
- Goal #3** Build and sustain high performance (year after year)

The first goal describes how an organization works on the enterprise and correlates with the beginning of Strategic Management. For example, when you set strategic, business, and annual plans, you design the purpose of your organization. In Goal #2, when you successfully implement your plans and induce enterprise-wide change, you execute the plan throughout the year. Then each year, the third goal comes into play: it involves an Annual Strategic Review and update. In sum, this is a system of managing strategically, day-to-day, month-to-month, year-to-year that results in sustained business excellence and superior results. The long-term key to it all is conducting the Annual Strategic Review each year.

You achieve business excellence by using a Strategic Management System and Yearly Cycle. Consequently, the results of a Strategic Management System and Yearly Cycle are key success measures and core strategies/actions.

**KEY SUCCESS MEASURES SHOULD INCLUDE FIVE AREAS FOR ALL ORGANIZATIONS:**

- Financial results
- Customer satisfaction
- Employee satisfaction
- Contributions to society
- Key operational measures

Many organizations conduct annual strategic reviews where management and boards come together to talk about the current state of the organization, its issues, and outstanding problems. During the discussion, these issues and problems are broken down into their smallest components and analyzed. Each component is solved separately with the final result being the absence of the problem.

This typical annual strategic review employs analytical or piecemeal thinking. This review deals with separate components and inevitably lacks a far-reaching vision and marketplace positioning because it deals with current issues and problems. This standard and traditional approach to Strategic Management is a short-sighted and obsolete method for analyzing and improving your organization. It will not create sustained business excellence or produce superior results anymore, even if it once ever did. If you want to employ a system of thinking

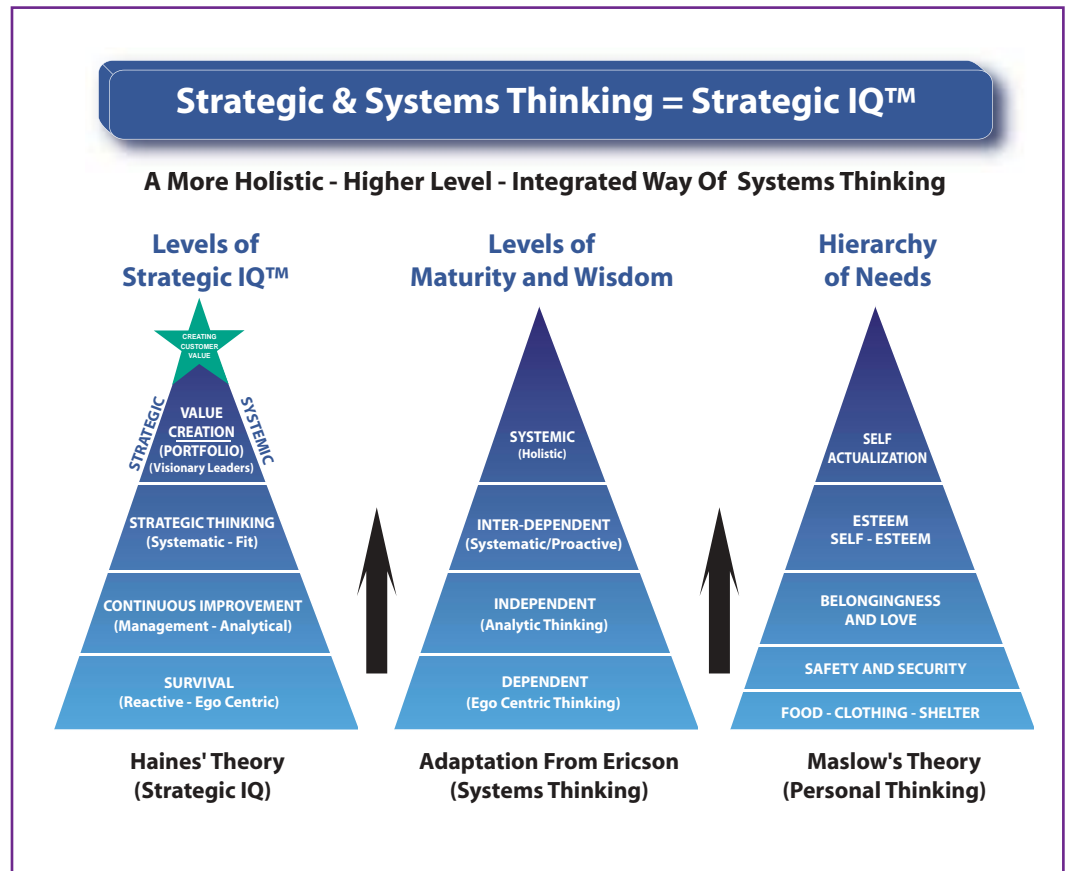
strategically and managing day-to-day, month-to-month, and year-to-year that will achieve the results you want, it will be extremely valuable to use the Strategic IQ Audit™ concept developed by Haines Centre International (see Figure 2).

**Measuring Organizational Effectiveness With the Strategic IQ Audit™**

Each year, your organization conducts a financial audit that reviews all aspects of your financial systems and processes. Why not conduct the same type of audit of your strategic systems and direction?

Utilizing the Systems Thinking Approach®, Strategic IQ™ is the level of an organization's strategic excellence. Unlike the typical analytical thinking that deals with current issues and problems, Strategic IQ™ allows you to think backwards, from the future to today, in order to go forward by asking the following five simple questions and Phases of Systems Thinking:

- Phase A** **Where do we want to be?** What are our ends, outcomes, purposes, goals, and holistic vision?
- Phase B** **How will we know when we get there?** Do we have a quantifiable feedback system for evaluating customer needs and wants?
- Phase C** **Where are we now?** What are today's issues and problems?



(Figure 2)

**Phase D How do we get there?** How can we close the gap between today and the future?

**Phase E What will be changing in our future environment that will affect us?**

The Strategic IQ™ concept is a breakthrough in strategic management! By using strategic and systems thinking, organizations think, plan, and act at a higher level, achieving much better results.

### **Maslow's Hierarchy of Needs**

To understand Strategic IQ™, you can compare it to the widely known hierarchical pyramids of Ericson and Maslow. Looking at Maslow's famous Hierarchy of Needs [see Figure 2], you can see that individuals must first meet basic needs related to food, clothing, and shelter. If these needs are met, they continue up the pyramid until they reach the peak where self-actualization occurs. Self-actualization is the point in the pyramid where individuals are able to look at the big picture, seeing the world in a holistic, emerging, and totally fulfilling way.

### **Ericson's Levels of Maturity**

In Ericson's pyramid, individuals gradually grow and develop as they progress through stages of wisdom and maturity. They start from the dependent (egocentric thinking) stage, progress through the independent (analytic thinking) stage, move upward to the inter-dependent (systematic/proactive) stage, and finally achieve the highest levels of maturity and wisdom when they look at the world systematically (holistically)

### **Haines's Thinking Theory**

If you look at the Thinking Model and Pyramid [see Figure 2] created by Stephen Haines, you can see that each level introduces a different approach to thinking that compares with the Ericson and Maslow pyramid levels. For example, as individuals become more independent, they begin to think more and they begin to **think** more analytically. As they move toward a systemic or systems way of thinking, they begin to think holistically, just as Maslow and Ericson described.

Just like individuals, organizations create customer value when they operate at the highest level of Strategic IQ™. Looking at the Strategic IQ™ model, you can see that the first level is survival. During this level, organizations are reactive and egocentric. This level correlates to the basic needs of the Maslow hierarchy non-thinking model. The next level is continuous improvement. At this level, organizations think analytically – managing problems and current issues separately. This is the level from which most organizations operate their strategic planning process, separate from their change management processes.

As thinking broadens, some organizations begin to think systemATically. At this level, they are more proactive and interdependent. This type of thinking, however, looks at only one side of the Rubik's Cube.

Organizations and Executives need to operate at the highest level in the Strategic IQ™ hierarchy. At this level, organizations think strategically, systemATically, (i.e. in an organized fashion) **and** systEMically (Holism). Using SystEMic Thinking is like hovering in a helicopter 10,000 feet above the ground – you are able to see all the terrain below. This highest level SystEMic Thinking results in value creation and sustained business excellence. It is also the trademark of most visionary leaders.

Do you and your organization operate at the highest level of Strategic IQ™? The Centre has developed the Strategic IQ Audit™ to help you assess your strategic management process and determine at what level of strategic and systemic thinking you are.

The Strategic IQ Audit™ is a formal assessment of both your organization's Strategic Results and its Strategic Management System, structure, and processes.

### **Strategic IQ Audit™ – Part I**

Part I of the Strategic IQ Audit™ includes a forty-question survey titled *Strategic Management: It's Simple* that is broken down into four integrated strategic audit categories:

- #1. SHARED DIRECTION AND CLARITY OF PURPOSE**
  - a. Assesses strategic plan development
  - b. Assesses buy-in and stay-in to the plan
- #2. SHARED CORE STRATEGIES**
  - a. Assesses strategic business assessment and redesign
  - b. Assesses how department work plans, budgets, and accountability cascade down
- #3. SUCCESSFULLY ROLL OUT AND IMPLEMENT ENTERPRISE-WIDE CHANGE**
  - a. Assesses how the leader knows and performs his/her role
  - b. Assesses what follow-up structures and processes are in place
- #4. SUSTAINING CAPACITY AND SIMPLICITY**
  - a. Assesses the capacity for sustaining enterprise-wide change
  - b. Assesses whether leadership has achieved elegant simplicity and clarity of focus

Upon completion of the survey, a total score is produced that indicates the level of strategic management performance within the organization, from Survival which indicates that the organization needs to be overhauled quickly to Outstanding which indicates that the organization is performing at the true strategic level.

Completion and scoring of the instrument leads to a priority action plan that focuses on key strategic action items and defines success measures that will increase the bottom line.

### **Strategic IQ Audit™ - Part II**

Part II of the Strategic IQ Audit™ is an assessment of your strategic results and direction. It includes a more external assessment of your environment (Phase E), including:

1. Your marketplace & brand positioning vs. the competition in the eyes of the customer (Phase A)
2. Your five key success measures/goal areas (Phase B) mentioned earlier
3. Your status of completion of your annual organization-wide top priorities and yearly action items (identified at the beginning of Phase D)

### **Marketplace Positioning**

Positioning is defined as:

- what is unique, different and better about us
- than the competition in the marketplace

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- in the eyes of our customers
- that motivates them to do business with us

Other terms for positioning including value-added, value proposition, customer value, strategy, strategic intent, image, reputation, competitive advantage, brand.

The choices to create and sustain your positioning are in five major areas or group of categories (see Figure 3) including:

- Total Cost
- Quality Products and Services
- Responsiveness and Convenience
- Caring Customer Service
- Individual choice

These Star Positioning categories exist because that is what the consumer/customer demands these days. And, they mentally “grade” each organization on each of these five categories. The grades are three:

1. Do you have a **competitive advantage** on this category?
2. Are you just **competitive** in this category?
3. Are you **noncompetitive** in this category?

### Options For Conducting The Strategic IQ Audit™

There are several options for completing the Strategic IQ Audit™. These include:

- ✓ Annual audit performed by Centre Master Consultants and examiners
- ✓ Joint assessment with the Centre and your trained in-house professionals, certified by the Centre
- ✓ In-house audit conducted by a trained project team, certified by the Centre
- ✓ Part I - Online assessment of the survey instrument on strategic management (available only to graduates of the Centre’s Reinventing Strategic Planning workshop) as well as the external Part II audit, completed by an independent third party

### When To Conduct The Strategic IQ Audit™

You may conduct your Strategic IQ Audit at a number of different times during the year:

- ✓ You may make the Strategic IQ Audit™ part of your Annual Strategic Review process and update (see Goal #3).
- ✓ You can also use the Strategic IQ Audit™ as part of our “Smart Start” to jumpstart your strategic planning process [see Goal #1].
- ✓ It could be part of your strategic planning process during your current state assessment (SWOT-Phase C)

Whichever method you use to implement, make the Strategic IQ Audit™ part of your yearly Strategic Management Cycle. It will create year-to-year comparisons of progress as well as measurable impact and enhanced business results.



(Figure 3)

### Summary

The Strategic IQ Audit™ includes a focus on both (1) your strategic direction and its results versus best practices to help you achieve sustained business excellence and superior results. It also focuses (2) on your yearly Strategic Management System and Cycle to generate these results. It also provides an integrated approach to planning, people, leadership, and change to deliver sustained customer value.

The Strategic IQ Audit™ is a valuable process for determining your organization’s level of strategic excellence. Your organization has a high level of Strategic IQ™ when it operates using strategic and systems thinking – an approach that looks at the whole system first and foremost. With Systems Thinking, you craft your vision and then determine which tools you need to use to make that vision a reality. Just like the craftsman, you create the product and let your tools (thoughts, plans, people, money, and strategy) do the work.

**NOTE:** For more information on Market Place Positioning, see the **FREE** article on [www.systemsthinkingpress.com](http://www.systemsthinkingpress.com)

**NOTE:** To purchase a full copy of the Strategic IQ Assessment Instrument, **Strategic Management: It’s simple**, go to [www.systemsthinkingassessment.com](http://www.systemsthinkingassessment.com)

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