

# The Effect of Strategic Thinking on Organization's Core Competencies: A Case Study of Omani Industrial Companies

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**Abstract-** This study aimed to examine the relationship between strategic thinking and the level of achieving core competencies in one hand, and the impact of strategic thinking in accomplishing core competencies in other hand. The research population for this study comprised all Oman's Industrial companies listed in Oman Stock Exchange. Convenience sampling technique was employed .Data were collected from 285 Omani industrial companies industrial companies. The research used descriptive and inferential statistical tools in analyzing the collected data. Pearson correlation analysis found positive significant relationship between all components of strategic thinking namely System Thinking, Intent Focus, intelligent opportunism, thinking in time, and hypothesis driven and core competence These influences, however, were not all at the same level., Also Multiple Regression Analysis found strategic thinking is significantly impact core competence accomplishment.

Key Words:., Strategic Thinking, Core Competencies, Omani industrial companies.

## INTRODUCTION

Strategic thinking is the process of collecting, interpreting, generating, and assessing information and ideas to shape organizational sustainability and competitive advantages (Hughes & Beatty, 2005). Whereas an organizational core competency is an organization's strategic strength. It is what the organization does greatest and what it should never market. Successful strategic thinkers have a holistic view of their business and remain intelligently opportunistic about their ability to solve problems in the future (Liedtka, 1998). Strategic thinking results in a strong planning process that analyses every idea and leads to the implementation of a comprehensive strategy (Abraham 2005). Studying the impact of strategic thinking on the core competency will be of a great significance to business top management. This study shows the importance of strategic thinking, how you can apply it, and how it leads to accomplish competitive advantage for organizations. Top management must focus on strategic thinking due to its great significance to them since it represents a superior strategy outsource (Johnson, Scholes & Wittington, 2010). Organizations use strategic thinking to ensure the longevity of their operation, while others use it to become or remain number one in their to ensure the organizational survive.

This study is an attempt to measure strategic thinking levels for manager in Industrial companies and to shed light on some of the strategic thinking dimensions that affect core competence achievement. In addition, the study can be contributed a pioneering effort in this direction due to the very limited research that was carried out on strategic thinking in the Oman.

## REVIEW OF LITERATURE

### Strategic thinking

Strategic thinking is vital to all organizations yet it is barely understood, rarely recognized and unfairly quashed. To recognize and understand it, people are driven to create models of it, but unfortunately strategic thinking is one thing which cannot adequately be modeled because as soon as it is it loses its very essence – the struggle, the complexity, the paradox and the intuitive elements. Strategic thinking is an individual thinking activity that benefits organizations. Its purpose is to discover competitive strategies to position the organization significantly differently from the present. Thinking strategically is not the same as preparing a strategic plan, which details tactics to be taken to achieve goals and objectives. Strategic thinking is thinking that

contributes to broad, general, overarching concepts that focus the future direction of an organization based on anticipated environmental conditions. The notion of strategic thinking has been highly emphasized in the realm of strategic management and in a great number of researches it's been referred to as a crucial characteristic for managers (Johnson, Scholes & Wittington, 2010). Strategic thinking began to thrive in the 1960s and picked up momentum by 1990 (Allio, 2006). Strategic thinking is about to develop unique opportunities to create value. This value could be a transaction profit, received aid from government or other organization, a good authentic trade mark or having a promoted organization (Lawrence, 1999). Finding opportunities is one of duties by a manager who thinks strategically (Liedtka, 1998). Some scholars have also decided to conceptualize strategic thinking and to submit models to help us better understand this issue.

Strategic thinking is a mindset that allows you to

- 1--Anticipate future events and issues
- 2--Create alternative scenarios-
- 3-Understand your options
- 4-Decide on your objectives
- 5-Determine the direction to achieve those objectives on a winning basis (Herrmann-Nehdi, 1998).

Different samples have been suggested by the thinkers of strategic management so as to model the concept of strategic thinking.

**Bonn framework(2005):** is based on the argument that strategic thinking should take place at two different levels: the individual level and the organizational level. Bonn argues "strategic thinking requires a dual-level approach that investigates the characteristics of an individual strategic thinker as well as the dynamics and processes that take place within the organizational context in which the individual operates". Strategic thinking at the individual level consists of three main elements:-

- 1-A holistic understanding of the organization and its environment
- 2- Creativity.
- 3- A vision for the future of the organization .

The organization level provides the context in which individual strategic thinking can occur. Organization

need to create the structures, processes and systems that:

- 1- Foster ongoing strategic dialogue among the top team.
- 2-Take advantage of the inventiveness and creativity of every individual employee.(Bonn, 2005)

### **The Framework of Liedtka**

Liedtka developed a model which defines strategic thinking as a particular way of thinking, with very specific and clearly identifiable features.

**1-System Perspective:** Strategic thinker has a mental model of the complete system of value creation from beginning to end, and comprehends the interdependencies within the chain.... The mental model of how the world works must incorporate an understanding of both the external and internal context of the organization". There is a need to understand the external business ecosystem in which a firm operates, strategic thinkers must also appreciate the inter-relationships among the individual internal parts that together, constitute the whole, as well as the fact that the whole is greater than the sum of its parts.

The system perspective enables individuals to clarify their role within the larger system and the impact of their behavior on other parts of the system, as well as on the final outcome. This approach addresses, and functional levels of strategy, but very importantly, the person level(Lawrence, 1999).

**2-Intent Focus:** Strategic intent indicates a particular point of view about the long-term market of competitive position that a firm hopes to build over the coming decade or so. "Hence, it conveys a sense of direction. A strategic intent is differentiated; it implies a competitively unique point of view about the future. It hold out to employees the promise of exploring new competitive territory. Hence, it conveys a sense of discovery. Strategic intent has an emotional edge to it; it is a goal that employees perceive as inherently worthwhile. Hence, it implies a sense of destiny. Path, discovery, and destiny are the trait of strategic intent. According to Liedtka strategic intent provides the focus that agrees individuals within 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.

**3-Intelligent opportunism:** The heart of the intelligent opportunism is the idea of openness to new experience which allows one to take advantage of alternative strategies that may emerge as more relevant to a rapidly changing business environment.

“In practicing intelligent opportunism, it is important that organizations seriously consider the input from lower level employees or more innovative employees who may be instrumental in embracing or identifying substitute strategies that may be more appropriate for the environment.

**4-Thinking in time:** Strategy is not solely driven by the future. But by the gap between the current reality and the intent for the future. It implies a sizeable stretch for an organization. Current capabilities and resources will not serve. This forces the organization to be more inventive, to make the most of limited resources. Whereas the traditional view of strategy focuses on the degree of fit between existing resources and current opportunities, strategic intent creates an extreme misfit between resources and ambitions. Hence, strategic thinking connects the past, present, and future and in this way uses both an institution’s memory and its broad historical context as critical inputs into the creation of its future. This oscillation between the past, present, and future is essential for both strategy formulation and implementation.

**5- Hypothesis driven:** embraces hypothesis generation and testing as core activities. According to Liedtka this approach is somewhat foreign to most managers: “yet in an environment of ever increasing information availability and decreasing time to think, the ability to develop good hypotheses and test them efficiently is critical. Because strategic thinking is hypothesis driven, it avoids the analytical-intuitive opposition that has dominated much of the debate on the value of formal planning. Strategic thinking is both creative and critical, although accomplishing both types of thinking simultaneously is difficult, because of the requirement to suspend critical judgment in order to think more creatively.(Liedtka,1998).

**Mintzberg framework(2005):**According to Mintzberg's theories, effective strategy is a creative phenomenon formulated by human beings not by planning processes, so instead of planning one should create and develop strategic thinking. In his opinion, reinforcing strategic thinking leads to arranging better strategies . He believes that managers who are able to think in a strategic way should persuade other staff to find creative approaches to maximize organization success (Mintzberg , 1994) . Therefore, Strategic thinking could be a foreword to the organization's future designing.

**Napier and Albert framework ( 1990)**have also suggested 3 aspects for strategic thinking:

1-The extension of person's focused domain while thinking of organizational issues

2--The horizon of time in decisions

3-Key persons who are able to think strategically and the extent of their appointment in formal planning systems (Napier and Albert, 1990).

Strategic thinking requires both critical and creative thinking to be effective. In order to think strategically, managers and their staffs must develop innovative strategic options and then evaluate these ideas through effective critical thinking. In order to contend with the question (Are the organization’s vision and the ends/ways/means devised to attain it aligned with the anticipated future environment?) and grow insight into future direction, strategic thinking requires critical, creative, and systems thinking to be effective (Waters, 2011)

### **Core competence**

The concept of core competency has received more attention by managers and decision makers (Javidan, 1998).The central message is for the core competence that companies should develop strategy and structure around their core competences (Nicolai and Dautwiz, 2010).According to Wheelen& Hunger (2010), a competency is a cross-functional integration and coordination of capabilities, and the concept core competency defined as a collection of competencies that cross divisional boundaries, is wide-spread throughout the corporation and is something the corporation does exceedingly well. When core competencies are superior to those of the competition, they called distinctive competency. An organizational core competency is an organization’s strategic strength. It is what the organization does best and what it should never outsource (Johnson, Scholes & Wittington, 2008).Competencies are integration of skills and technologies, providing superior customer value, deployable in multiple markets and rare among competitors. They also are not assets, as much as they are knowledge and skills (Onyeiwu, 2003).The idea spread from core competencies to core everything—core processes, core businesses—everything that constituted the essence of what a company was and did. Management consultants encouraged companies to focus on their core as a source of untapped potential in a time of rapid change and unpredictability (Qingdong,2009).Competencies are the crown jewels of a company and, therefore, should be carefully nurtured and developed. Companies can determine their future business directions based on the strengths of competencies. (Prahalad, Hamel, 1990).

### **Research Question.**

1-This study examines if there is a causal relationship between strategic thinking and core competencies in Omani industrial companies.

### **Research Hypotheses:**

The following hypotheses are investigated:

H1: There is a causal relationship between strategic thinking and core competencies in Omani Industrial companies.

The sub-hypotheses that can be derived from the previous hypothesis are:

H1a: Systems Perspective has a positive influence in the achievement of core competencies in Omani industrial companies.

H1b: Intelligent Opportunism has a positive influence in the achievement of core competencies in Omani industrial companies.

H1c: Intent Focus has a positive influence in the achievement of core competencies in Omani industrial companies.

H1d: Thinking in Time has a positive influence in the achievement of core competencies in Omani industrial companies

H1e: Hypothesis Driven has a positive influence in the achievement of core competencies in Omani industrial companies.

H1f: Thinking Skills has a positive influence on the achievement of core competencies in Omani industrial companies.

### **METHODOLOGY**

This research was design to utilize quantitative approach (positivism). Quantitative approach refers to empirical and rational principles of study because before conducting the research, it must be initialized by finding the occurring problems with some predetermined research criteria. Quantitative research deals with numbers; the data are numerical and analyzed by using statistical tools to answer research question or to examine the research hypothesis. It is specific for predicting that particular variable(s) affects other variable(s) (Cooper and chandler,2011).

Population of the study comprised all Oman's Industrial companies listed in Oman Stock Exchange .Data were collected by means of a mail survey questionnaire completed by owner/managers of

Omani Industrial companies. Convenience sampling technique was employed. The sampling frame represents a listing of all the owner/managers of Omani Industrial companies and is highly representative of the industry as a whole.

A total of 285 the owner/managers from the sampling frame were sent with the questionnaires and 65 usable responses were returned giving a response rate of 82 percent.

### **Measures.**

Measuring Independent & Dependent the variables:- Independent variable Strategic Thinking uses six dimensions.

- 1-Systems Perspective
- 2- Intelligent Opportunism
- 3-Intent Focus
- 4-Thinking in Time
- 5-Hypothesis Driven
- 6-Thinking Skills

### **2- Dependent variable Core Competencies uses three dimensions.**

- 1- Unique Resources.
- 2- Capabilities.
- 3- Processes.

These items were measured on a five-point scale where 1 indicated 'strongly disagree' and 5 indicated 'strongly agree.

### **validity and reliability.**

Cronbach-alpha coefficients (CA) were calculated to assess the discriminant validity and reliability of the measuring instrument respectively.

**Table 1**

<b>Variables</b>	<b>Cronbach's Alpha</b>
<b>Strategic Thinking</b>	
Systems Perspective	0.885
Intelligent Opportunism	0.891
Intent Focus	0.811
Thinking in Time	0.804
Hypothesis Driven	0.882
Thinking Skills	0.899
<b>Core Competencies</b>	
Unique Resources	0.956
Capabilities	0.921
Processes	0.943

The results in Table1 show that each Strategic Thinking dimension as well asCore

Competencies dimension a Cronbach's alpha greater than 0.7. This implies that all the constructs are reliable and can be used in this study.

### Analysis and Results Description

The mean and standard deviation of the study variables related to strategic thinking, and core competencies were shown in Table (2) and Table (3) respectively.

### Strategic Thinking

It is obvious from Table (2) that the level of relative importance of strategic thinking dimensions were given by managers of the Omani Industrial companies are considered to be high.

**Table (2): The Results of the Strategic Thinking Dimensions.**

Variable	Mean.	Std.
Systems Perspective.	4.99	0.67
Intelligent Opportunism.	3.12	0.56
Intent Focus.	3.22	0.73
Thinking in Time.	4.88	0.79
Hypothesis Driven.	3.13	0.69
Thinking Skills.	4.53	0.89

Examination of the mean value listed in Table (2) reveals that the most important dimensions in strategic thinking were: Thinking in time (4.88), thinking skills (4.53), and system perspective(4.99). Also results show that the less important components were: Intent focus (3.22), hypothesis driven (3.13), and intelligent opportunism (3.12). These results due to the fact that competition in the Industrial Omani companies is mostly based on time, and on developing new models to solve customer problems which need thinking skills.

### Core Competency

Table (3) shows the results that represent core competencies components, and it appeared as follow:

**Table (3): The results of the Core Competence Components**

Variable	Mean.	Std.
Unique Resources	3.87	0.76
Capabilities	4.88	0.66
Processes	3.23	0.88

**Table (3): The results of the Core Competence Components**

Results shows that the most important variable was: capabilities (4.88) The second important variables were: unique resources (3.87), and processes (3.23).

### Correlation Coefficients.

Correlation coefficients were calculated to establish the relationships between the factors under investigation. The correlation coefficient referred to as Pearson's product-moment correlation (r), was established to investigate the correlations between the variables (see Table 4). All the factors are positively and significantly ( $p < 0.05$ ) correlated with one another. In relation to the dependent variable Core Competencies.

**Table (4): Spearman's Correlation Coefficients Matrix between Independent Variable (Strategic Thinking) and Dependent Variable (Core Competencies).**

Independent Variable	Resources	Capabilities	Processes
Systems Perspective	0.685	0.475	0.567
Intelligent Opportunism	0.456	0.873	0.762
Intent Focus	0.782	0.765	0.764
Hypothesis Driven	0.234	0.234	0.341
Thinking in Time	0.768	0.896	0.672
Thinking Skills	0.675	0.672	0.552
Significant * at $P \leq 0.05$			

The extent to which the independent variables have a significant influence on the dependent variable was established by mean of multiple regression analysis.

### Multiple Regression Analysis.

Multiple linear regression analysis is a tool for predicting a dependent variable based on several independent or explanatory variables. Multiple linear regression analysis was performed to see whether the dimensions of Strategic Thinking, namely, Systems Perspective, Intelligent Opportunism, Intent Focus, Thinking in Time, Thinking Skills and Hypothesis Driven investigated in this study exerted a significant influence on the dependent variable, Unique Resources, Capabilities, Processes.

**Multiple linear regression analysis Table (5).**

Independent Variable (Variables)	R-Square	Sig	Standard Error.	$\beta$	Sig.
Systems Perspective	0.442	0.01	0.654	0.456	0.00
Intelligent Opportunism	0.335	0.00	0.045	0.765	0.004

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Intent Focus	0.453	0.00	1.764	0.987	0.00
Thinking in Time	0.794	0.03	1.564	0.799	0.00
Thinking Skills	0.801	0.02	0.987	0.898	0.00
Hypothesis Driven	0.277	0.00	0.886	0.887	0.01

Results reveal that the coefficient of determination R<sup>2</sup> is equal to 44.2% for the system perspective in core competencies; this indication shows that 44.2% of the total variance in the core competencies is accounted for by the system perspective.

As indicated in Table (5) the coefficient of determination R<sup>2</sup> for intelligent opportunism in core competencies is equal to 33.5% this means that 33.5% of the total variance in the core competencies is accounted for by the intelligent opportunism.

The results show that R<sup>2</sup> is equal to 45.3% for the intent focus of the total variance in the core competencies is accounted for by the intent focus & R<sup>2</sup> is equal to 27.7 % for the hypothesis driven and 80.1% by the thinking skills & 79.5% Thinking in Time .The results show that both thinking skills and thinking in time have strong relationship with core competencies.

## CONCLUSIONS

The results showed that the levels of relative importance of strategic thinking dimensions were given by the manager of Jordanian Industrial companies are considered to be high. The mean values were between 3.12 and 4.99, the highest mean was for thinking in time (4.88), and thinking skills (4.53), whereas the lowest mean was for intelligent opportunism (3.12) and hypothesis driven (3.13).

As for core competencies the results showed that the mean values were between 3.23 and 4.88, the highest mean was for capabilities (4.88), followed by unique resources 3.87, and processes 3.23. Therefore, managers need to focus on time which reduces operations processed time in Omani industrial companies. Also encourage thinking skills by provide enough capabilities for manager.

The results supported that strategic thinking dimensions (System Perspective, Intelligent Opportunism, and Intent Focus, Thinking in Time, Hypothesis Driven, and Thinking Skills) have significant influence in core competence achievement.

These influences, however, were not all at the same level. The researcher found that thinking skills (R = 80.1%) and thinking in time (R = 79.4%) have the strongest significant relationship with core competence achievement, as well as, they have explained a high percentage of the total variance in the core competencies. While the weak significant relationship with core competence achievement was for hypothesis driven (R = 27.7%), and it interpreted 27.7 % of the total variance in the core competencies. Therefore, it would be concluded that enhancing and developing thinking skills and thinking in time in the Omani Industrial companies will help in achieving core competence which leads to achieve the expected competitive advantage.

## Limitations and Directions for Future Research

The following directions are suggested for future research:

1-This study examine the relationship of strategic thinking in achieving core competence at a particular time. Thus, the insight of the study is restricted by the "snapshot" taken in this study. Future research should also incorporate a longitudinal study. A longitudinal study, such as few years, would indicate or not consequential improvements in core competence show in the result.

2-Investigating the role of the moderating and interviewing variables like company strategy, size, and structure on the relationship between strategic thinking and core competencies.

## Recommendations

1-Establishing a strategic thinking forum is one of the useful ways, to enhance strategic thinking within an organization. This might be a worth investigating proposition. The Omani Industrial companies needs to involve its managers in the central planning process.

2-The strategic thinking abilities of the Omani Industrial companies managers are generally satisfactory. However, this can be further improved if the develops a system perspective that enables the managers to have a holistic view of the organization and to clarify their roles within the larger system. Managers need to have a clear vision as where they want their institutes and departments to be in the coming years. The Omani Industrial companies needs to encourage its managers to analyze their work and draw conclusions, for future planning.

3-Stimulate the practice of strategic thinking in companies by constructing specialized training programs on topics and themes of strategic thinking as

the basis for actual training needs and setting up training workshops to discuss real cases and real-life experiences of companies.

4- Encouraging strategic thinking by empowering employees and encouraging collaborative work.

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