

Strategic Thinking as a Critical Factor of Business Competitiveness

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Abstract

The aim of this paper is to analyze how the answers to the questions of strategic thinking can be a critical factor in business competitiveness and contribute to the success of it, considering as the theory based on industry and resource-based theory. The mother made is questioning how can you maintain the strategic mindset when evaluating the objectives and resources of the company with respect to the forces governing competition? The method used was to build an analytical relationship between strategic thinking and competitive forces to design strategies that allow internal resources considering the execution or turn contribute positively affect profitability.

Keywords: Competitive advantage, diversification, firm profit, firm.

JEL: L250 Firm performance: size, diversification, and scope

Resumen

El objetivo de este trabajo es analizar cómo las respuestas a los cuestionamientos del pensamiento estratégico pueden ser un factor crítico en la competitividad empresarial y contribuir al éxito de la misma, se toma como marco la teoría basada en la industria y la teoría basada en los recursos. El cuestionamiento madre que se hace es ¿Cómo se puede mantener el esquema mental estratégico al momento de evaluar los objetivos y recursos de la empresa con respecto a las fuerzas que rigen la competencia? El método que se utilizó fue el analítico para construir una relación entre el pensamiento estratégico y las fuerzas competitivas que permitan diseñar estrategias considerando los recursos internos cuya ejecución a su vez contribuyan o influyan positivamente en su rentabilidad.

Palabras clave: Beneficios de la empresa, diversificación, Empresa, ventaja competitiva.

1. Introduction

The aim of this paper is to analyze how the answers to the questions of strategic thinking can be a critical factor in business competitiveness and contribute to the success of it. Also, to establish a relationship with the five fundamental factors or competitive market forces to control and survive in the market (Porter, 1998), deriving strategies that create value for customers and shareholders, which implicate actions considering the resources in the financial perspective, customer, internal process and formation and growth (Kaplan & Norton, 2002).

The issue of designing strategies for competitiveness and addressed here is an implicit task in the mission and further in the vision of any company, regardless of

whether they have documented form or not. The relationship model suggested here can influence that decision making is more certainty in the business activity.

Strategic management is a task that must necessarily be carried out by those who guide the organization, considering that the person or management team that makes this work is the one who has the greatest view of the business in which the company is located. By analogy in the war field, the general who would devise strategies to win the war battlefield, the latter being in business market where the company develops. This research takes as its starting point the theory based on the industry at the center of it. Also, touching aspects of resource-based theory of the firm consider proposals on what to do from the substantial areas of the business which necessarily involve internal resources.

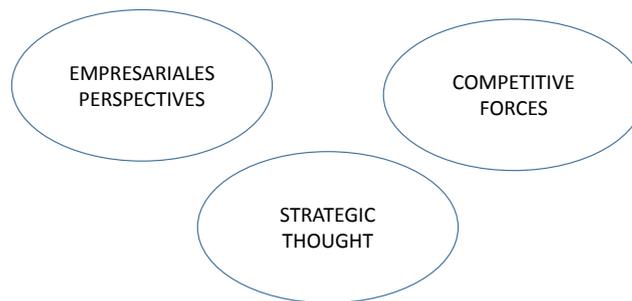


Figure 1. Topics of analysis based on the theories of industry and resources. Source: Authors.

From the analysis of the themes of the five market forces and business prospects, it is proposed using a schema, the relationship that may exist specifically to the key questions of strategic thinking, relationship that contributes to designing business strategies aligned to the vision of thereof.

There are tools for the stroke of vision, and design of strategic objectives, which must have interference with thinking strategist. The factors of competitiveness in the industry are identified. However, it seems that the topics are disassociated when designing strategies and even when performing the actions of the strategy. What is suggested is to maintain at all times a relationship of these issues through strategic thinking.

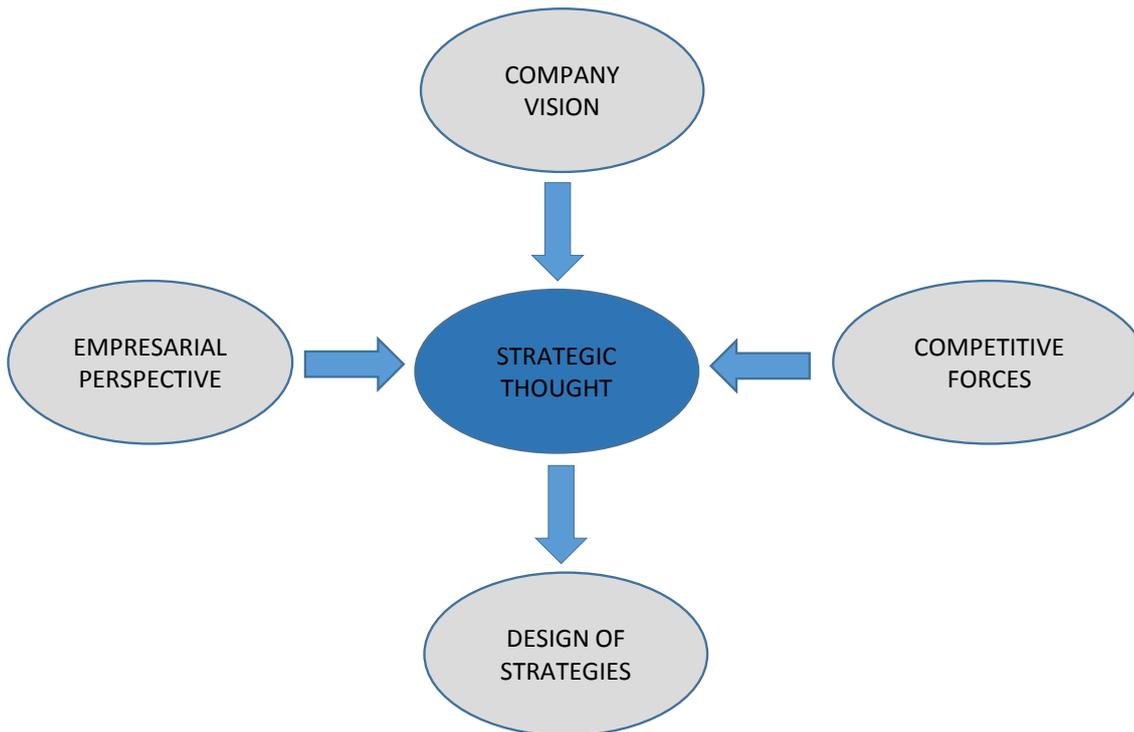


Figure 2. Competitive forces and prospects of the company through strategic thinking related to design strategies aligned to the vision.
Source: Authors.

The importance of this research lies in the existing need for tools that allow the strengthening of companies. This justification is delimited to the state of Colima, and it is contextualized by some data. In this state there are 31,678 economic units according to consultation on directory National statistical Economic Units (DENUE), statistics from 2009 to 2012 excluding 2010 data (SEFOME, 2013) is:

Table 1 Economic units

	2009	2011	2012
Colima	26,104	30,090	30,306

Source: Based on data from INEGI

For quality jobs it is understood those who are formal, just limited to only criterion to be listed on the IMSS to account for quality jobs generated. Interestingly, from these economic units in the state, 88% belong to the tertiary sector (services and trade) and 10.5% in the secondary sector (industry mostly).

The developing countries have a potential comparative advantage in developing industry, but at the beginning the developing countries cannot compete with industries in developed countries (Krugman, Obstfeld & Melitz, 2007). This is what it is seeing in Colima, at least is one factor that makes the state more immersed in the tertiary sector suggesting to be subject to a deeper and more profound and quantitative study that it is marketing products from others countries due to lack of competitiveness.

Table 2 Contributors of Colima.

Contributors	2009	2010	2011	2012
Colima	99,367	107,469	109,276	115,108

Source: Based on data from INEGI

The tendency of the data is going up. However it is interesting to analyze two items, these are the economic active population (EAP) and the working population.

Table 3. Economic active population and working population in Colima.

COLIMA	2010 (TRIM IV)	2011 (TRIM IV)	2012 (TRIMI III)
Economic active population	313,526	329,859	348,484
Working population	299,392	315,164	331,899

Source: Own elaboration with data from INEGI

Apart from this developments and relating all these items, it results that in 2011 the average in terms of contributors / economic units is shown in the following table.

Table 4. Relationship between contributors and economic units

COLIMA	2009 (TRIM IV)	2011 (TRIM IV)	2012 (TRIMI III)
Contributors / Economic units	3,80	3,63	3,79

Source: Own elaboration with data from INEGI

It can be concluded with the data that firms in some way in 2011 and 2012 reduced their strength, whereas the RH is the greatest strength of a company, as their stockings contributors are lower than 2009. These assumptions are generating some concerns about the importance of competitiveness and the studies that are done to keep the light of the theories in this case based on industry. Now, if it is related the contributors to the economic active population (EAP), it results that the next half of the year which it is possible to analyze.

Table 5. Relationships between contributors and economic active population.

COLIMA	2011	2012
Contributors / EAP	34,67%	34,68%

Source: Own elaboration with data from INEGI.

These data show that the ratio of contributors remains from 2011 to 2012 even when economic units and economic active population increases. It is not just growing in quality jobs, suggesting analyzing previous years. Relating the employed population with

the economic active population (EAP), it results that virtually the percentage is maintained. It is commendable to note that a high index is the 95% rate that is at least 9 out of 10 people living in Colima are working, and out of 10, at least 3 are contributors.

Table 6. Ratio of economic active and employed population.

COLIMA	2009	2010	2011
Working / EAP	95,49%	95,55%	95,24%

Source: Own elaboration with data from INEGI

Noting the indicator of GDP for the State of Colima shown in the following chart, it is observed a growth even noticing that is presenting a slight decrease in 2009 but corrected in subsequent years. How it can be prepared or else it can be done, it can be designed to strengthen companies and create quality jobs in Colima.



Figure 3 GDP COLIMA

Source: Own elaboration with data from INEGI

2 The industry – based theory.

According to the industrial organization model of a company, it should consider and give more importance to factors in the external environment than the internal environment factors when conceiving its strategy. This allows in a greater degree to achieve the competitive advantage (Fried, 2012), that will ensure at the same time to have permanent presence in the market, because it is in this market where it really has the commercial battle. It seems that this theory drives to align the inner transformation based on external factors. This is why change parameters are in market dynamics and where threats and opportunities are real. This model ensures that the success of an organization is to offer services and products primarily to lower cost competitors but in turn differentiated products that allow making the market pay differential pricing too.

The model I / O as it is also known, uses of the work developed by Professor Michael Porter which concludes that there are five forces making them work for the company to determine the profitability of a company, as long as its strategy aligns according to these forces. Work according to the theory of industrial organization brings benefits that companies prepare themselves for these five forces which are the threat of new entrants, rivalry among competitors, bargaining power of suppliers, bargaining power of customers, threat of substitute products (Porter, 1998).

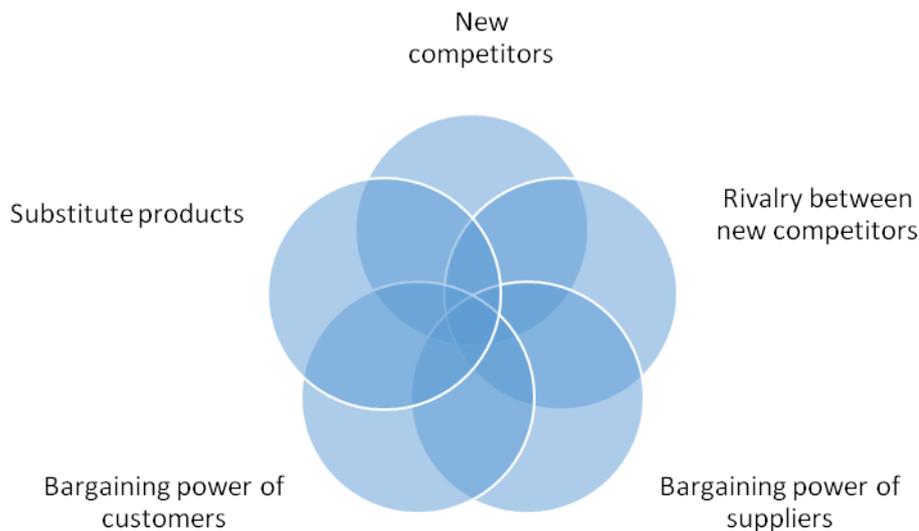


Figure 4. Market forces.

Source: Authors' calculations based on Porter (1998).

The intention of representing them by an intersection of circles, each one representing a force, is to argue that these forces can occur together, although it would be almost utopian at the same time but a combination of 2 or more. For example, the emergence of a new competitor also introduces a substitute product.

3. The resource-based theory

The model emphasizes internal factors for competitive advantage in an organization corresponds to the resource-based theory. Even when it seems that is inverse to the I / O model that focuses on the external environment in this paper, it can viewed them under a focus where they are complementary. The company is a set of resources to produce. These resources can be tangible thereby referring to infrastructure, equipment and intangible resources, among them can be considered the staff (Penrose, 2009).

Derived from the analysis of these readings, it is noted that when it is talked about resources that can be classified in different ways or under different perspectives such as finite and infinite. For example, in a company are finite resources the material resources and the same staff. But it will be an infinite resource the staff creativity, intellectual capital and corporate image. The growth of the company may then be limited according to its support by leadership in the market by tangible and finite resources and capabilities, or will be its unlimited growth if it supports further its leadership in intangible and infinite resources.

The infinite and intangible resources are given as a result of expansion and growth strategy. The investment to be made in the light of this theory is aimed at the production, marketing and managerial talent (Chandler, 2004). It is appreciated in Table 7 the investments that are aimed at finite resources that generate infinite resources.

Table 7 Proposed classifications of resources.

Business resources	Finite	Infinite
Tangibles	Material, financial resources, facilities	Corporative image, Generating patents, Diversification of products
Intangibles	Persons	Creativity, Intellectual capital

Source: Own elaboration

4. Strategic thinking

Strategic thinking has its core in three big questions, the quality of the answers to them influence the design assertiveness strategies. These questions are: What is the current situation of the company? This response is born based on a diagnosis involving substantial areas of the company and can be parametrically or through studies and analysis of internal and external environment of the organization. The second question is where the company needs to go from your situation?

From the diagnosis and aligned to the vision or vision building if there is not any, what stage or scenario to take the company in a given time horizon. The third question corresponds to what should do to get where is needed to reach and how visualize to get there? And this is where the strategies are displayed which uproots and moves in actions to be executed by collaborators.

The discipline of strategic thinking as a prior and needed exercise to address planning, action and strategic assessment has not received enough time (Garrido, 2007). Not only enough time but it has not received the importance that it has in the formation of the business directors, entrepreneurship and the training of those who already hold these positions. Policy analysis is desired to elaborate a protocol involving these three questions.

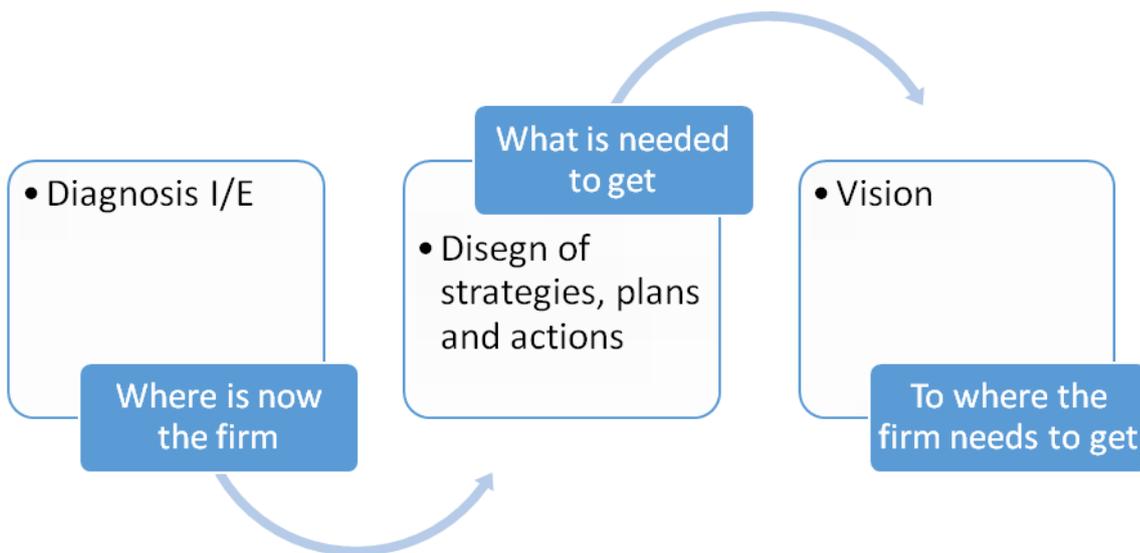


Figure 5. Strategic thinking.
Source: Own elaboration.

It cannot determine what has happened or what is the question that must be addressed first, it depends on the background that are taken into the organization as well as a company that has identified its vision, another company may be in need to pin it. The suggested sequence is Vision, Diagnosis, Strategies, which are the answers to the questions of strategic thinking. A company that has a superior strategy is able to keep its customers satisfied for a period of time and continuously, to implement this strategy is necessary to move it to action, to create value for its shareholders this being the ultimate goal of the strategy (Kluyver, 2001).

5. Business prospects.

Every business system is seen as subsystems in turn appearing or not in tangible ways. These subsystems are substantial areas of a company, depending on the firm, its rotation are the areas that are identified as existing subsystems. However, generically the subsystems are the functional areas of finance, human resources, operations, sales, management (Ibarra, 2004). These substantial or functional areas or subsystems are viewed through different perspectives, term coined by Kaplan and Norton in the concept of strategy maps introduced by them in the book they authored as Balanced Scorecard.

The resources and capabilities of the company have precisely place in substantial areas of business or business prospects which are: Financial or results, clients or market, internal processes and learning and growth (Kaplan & Norton, 2007).

Table 8. Identification of resources and capabilities through the prospects of the company.

Perspective	Resources and capabilities
Finance	Cash, assets, investments
Customer	Market research, Characterization of customers, expectations
Internal processes	Value addition
Learning and growth	Training, personnel, Knowledge

Source: Own elaboration

6 Relationship model proposed

Derived from the theoretical review, it is proposed a diagram explaining an alternative to maintain strategic thinking when designing competitive business strategies. This proposal takes as framework theories of organization-based resources through the issues business prospects and market forces. This proposal is based on the strategic management process, allowing fitting the Porter generic strategies (Thomson, Strickland III, & Gamble, 2008) by the issues of strategic thinking. But also, this proposal creates a framework for the derivation of specific strategies using resources and capabilities of the company in accordance with the governing force and impacts the market, contributing to competitiveness and thus positively impacting the profitability of the company.

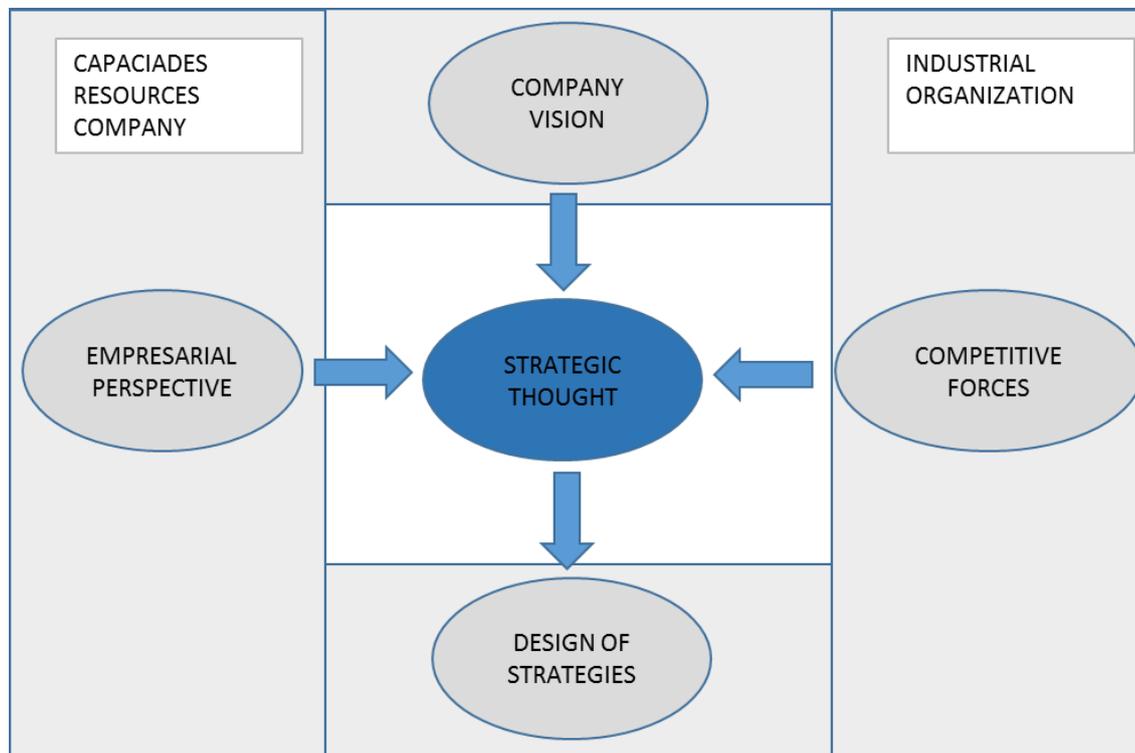


Figure 6 Designs strategies by the ratio of company resources and market forces aligned with the strategic thinking vision.
Source: Prepared

Based on this relationship it is built a scheme with this in mind when designing the strategies through strategic thinking can influence. Thus, these strategies have to get the results of the company in terms of profitability by raising strategies to achieve competitiveness.

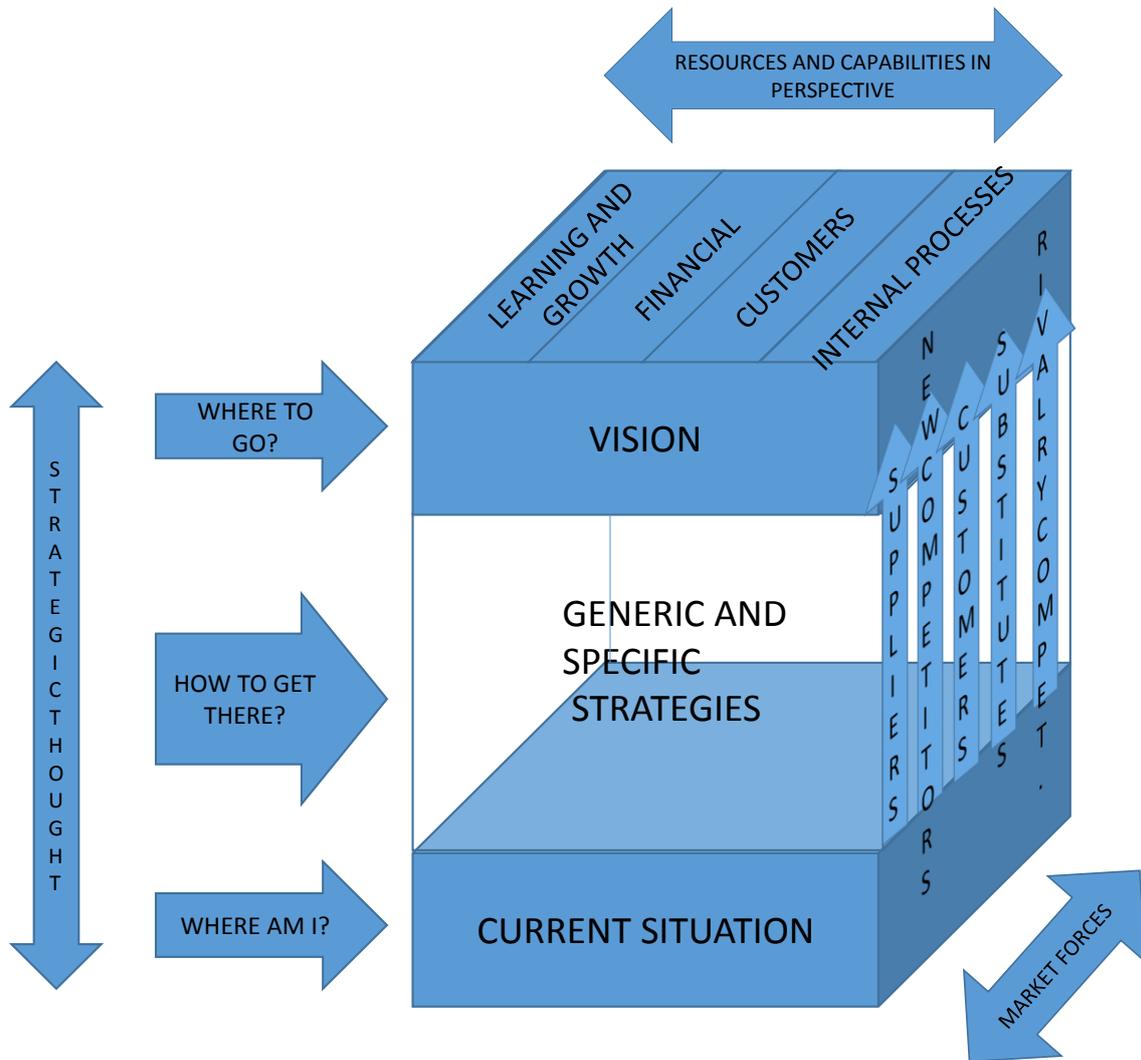


Figure 7 Model of relationship theories to generate competitive strategies.
Source Prepared

7 Conclusions

According to the development of the subject and in accordance with the approaches in the introduction and analysis of information, it is concluded by the relationship model proposed, that strategic thinking is a factor to bear in mind when analyzing the competitive forces. The evaluation resources and capabilities of the company through outlook or substantial areas of the company allows or contributes to the selection of generic either strategies adequately or to design specific strategies. These strategies are of greater impact and lead to the company from the current situation to the desired

situation. In turn, this situation is aligned with the vision of the company, seeking to develop or create advantages for the company.

Competitiveness is a feature that has been evident by the phenomenon of globalization. Globalization itself is neither good nor bad but is management which marks the impact of it (Stiglitz, 2002). This paper may be the beginning, the platform to develop a business tool for the improvement of these become part of the management of globalization, taking an active role, led business operations and not performing the push or tow of other companies but the proper use of their resources and capabilities to control competitive forces.

Based on the relational model proposed in this research, it can be designed a methodology that may consider the following:

- A. Parametric and administrative diagnosis to determine the status of the company by analyzing it through the theory of resources and capabilities of the company.
- B. Design of specific strategies or selection of the generic function of the resources that it has and potentially generated by the company to control market forces based on the theory of industry organization.
- C. Plan of action that focuses on the finite resources of the company to generate the infinite resources that achieve competitiveness.
- D. Control panel that allows determining the effectiveness of strategies and actions.
- E. Alignment with the vision of the company.

A way to seal this conclusion and as a result of these considerations, it is believed that strategic thinking is a factor that can influence the competitiveness of a company generating strategies that are easily translated into action and ended saying to each executive think strategically and make competitive its business.

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