

# **SME VALLEY OF DEATH: THE URGENT UNDERSTANDING, DIFFERENTIATION, AND APPLICATION OF STRATEGIC THINKING AND STRATEGIC PLANNING**

**Galvarino Casanueva-Yáñez<sup>1</sup>, Juan Ramos-Paredes<sup>2</sup>, Patricia Margarita Rivera-Castañeda<sup>3</sup>, Reina Pérez-Vargas<sup>4</sup>, Andrés Vicente Abad-Paguay<sup>5</sup>, Blanca Mercedes Verdezoto Cherras<sup>6</sup>, Fredy Ibarra-Sandoval<sup>7</sup>, Raúl Rengifo-Lozano<sup>8</sup>**

<sup>1</sup>Facultad de Ingeniería y Negocios Universidad de Las Américas, Sede Providencia, Manuel Montt 948, Santiago, Chile

<sup>2</sup>Pontificia universidad Católica, Ambato, Ecuador

<sup>3</sup>Universidad César Vallejo, Chiclayo, Perú

<sup>4</sup>Universidad César Vallejo, Lima, Perú

<sup>5</sup>taxlaws1234mail.com

<sup>6</sup>Instituto Tecnológico Tecnocuatoriano, Servicios Profesionales, Ecuador ORCID:

<https://orcid.org/0009-0001-6121-5916> bverdezoto@istte.edu.ec

<sup>7</sup>Pontificia Universidad Católica, Ambato, Ecuador

<sup>8</sup>Universidad Nacional Mayor de San Marcos, Lima, Perú

## **Abstract**

This paper presents a study and comparative analysis of the concepts of strategic thinking and strategic planning. It is based on studies by different authors, thus making it possible to understand the importance of these terms and to grasp their correct application in companies. This allows managers and owners of SMEs, as well as entrepreneurs in general, to project both organizations or future ventures in a sustainable way over time. This enables the avoidance of mortality in the valley of death through the development of technological discoveries planned from the business philosophy. This presents a significant challenge for SMEs, whether small or medium-sized enterprises, in terms of the manufacture and implementation of correctly articulated action plans, as well as the construction of ideal scenarios for growth and development that benefit all the agents involved, through the generation of competitive advantages. In other words, the objective is to enable SMEs to achieve the basic financial goal that leads them to grow and be competitive in the market through strategic thinking planning, and technological innovation. This design of strategies is oriented towards enabling SMEs to see it materialize. This research project forms part of the doctoral thesis of one of its authors, who holds a PhD in Management Administration from the Benito Juárez G. University. It seeks to elucidate the elevated mortality rate of small and medium-sized enterprises (SMEs) in the town of Melipilla, Chile, and to facilitate the establishment and growth of this type of organization through a: The value proposition is defined as follows: A Business Solution Model for Chilean SMEs.

**Keywords:** Strategy, SMEs, business culture, strategic thinking, planning and competitive advantage.

## **Resumen**

El artículo a continuación compone un estudio y análisis comparativo de los conceptos de pensamiento estratégico y planificación estratégica, el cual está fundamentado en estudios de diferentes autores, posibilitando así poder comprender la importancia de dichos términos además de la correcta aplicación en las empresas, que permite, especialmente, tanto a directivos como dueños de las pymes, como también a emprendedores en general, poder proyectar tanto a las organizaciones o futuros emprendimientos de una forma sustentable en el tiempo evitando con ello la mortandad en el valle de la muerte, a través del desarrollo de descubrimientos tecnológicos planeados desde la filosofía empresarial que implique, como gran desafío para las pymes, ya sea pequeñas y mediana empresas, la fabricación e implementación de planes de acción correctamente articulados, como también de la construcción de escenarios idóneos de crecimiento y desarrollo que beneficien a todos los agentes involucrados, por medio de la generación de ventajas competitivas. O sea, para posibilitar el logro de las pymes a la meta básica financiera que las lleve a crecer y ser competitivas en el mercado desde el pensamiento y planificación estratégica y una innovación tecnológica es que está orientado este diseño de estrategias permitiendo a las pymes verlo materializado. Este trabajo de investigación es una parte de la tesis doctoral de uno de sus autores, doctorado en Administración Gerencial por la Universidad Benito Juárez G., que busca explicar la alta tasa de mortandad de la pequeña y mediana empresa (pyme) en la localidad de Melipilla – Chile y, asimismo, fomentar el nacimiento y desarrollo de este tipo de

organizaciones mediante una: “Propuesta de valor: Un modelo de solución de negocios para las pymes Chilenas”.

Palabras Clave: Estrategia, pymes, cultura empresarial, pensamiento estratégico, planificación y ventaja competitiva.

### **Introduction**

The period known as “The Valley of Death” represents the scenarios that both small and medium-sized companies (SMEs) must navigate during their initial years of operation, which are often characterized by varying degrees of complexity. This period presents only two possible outcomes: continued existence or failure. In Chile, approximately three-quarters of all SMEs originate as microenterprises, with over one million of these becoming formal SMEs. In terms of percentages, 52.5% of companies are established by SMEs, which employ 38.7% of the population. In addition to microenterprises, which represent 44.4% and 5% of the total, respectively, 15% of SMEs do not survive beyond the first year of operation, while another 40% remain in business for over seven years. (Fifth Longitudinal Survey of Companies, 2019).

One of the primary shortcomings of SMEs in Chile is the absence of strategic thinking that facilitates the cultivation of a culture. Conversely, culture represents a crucial factor for success in any company, as it serves as a unifying force, fostering a sense of belonging among its members and providing the necessary context for the advancement and growth of the company through motivation. Consequently, the establishment of a robust culture represents a pivotal challenge for any entrepreneur and SME proprietor, contingent upon their perceptual and conceptualization of the enterprise. This enables them to cultivate a convivial and distinctive ambiance.

This research project, conducted in the town of Melipilla, Chile, is part of a larger study on small and medium-sized enterprises (SMEs). The objective of this study was to develop strategies that would enable SMEs to utilize strategic thinking and planning to achieve technological innovation, thereby facilitating growth and competitiveness in the market.

This research elucidates how SMEs may attain growth and development through technological innovation that is aligned with their business philosophy. Furthermore, these organizations are tasked with developing and implementing an action plan and elaborating on development scenarios that integrate and benefit all stakeholders, thereby conferring competitive and comparative advantages.

A survey of 45 individuals from the city of Melipilla, Chile, was conducted in accordance with the methodology proposed by Daft (2005), which posits that a competitive strategy should be distinct and comprise a series of activities that diverge from those typically selected by competitors. This approach is intended to offer a distinctive value proposition.

The findings of the study indicate that small and medium-sized enterprises (SMEs) in the city of Melipilla, Chile, lack an adequate technological infrastructure and a systematic process for developing and commercializing new or improved products. Conversely, there is no evidence that they consider strategies based on their organizational philosophy, nor do they engage in strategic thinking or planning.

The following summary presents an analysis of the distinction between strategic thinking and strategic planning, a crucial aspect for SMEs seeking business growth and development through technological innovation aligned with their business philosophy.

### **Methodology**

This study was conducted using the method of documentary research, a qualitative research technique that involves the collection and selection of information through the analysis of documents, books, and journal articles.

The article presents a comparative study and analysis of the concepts of strategic thinking and strategic planning. It is based on studies by different authors, thus facilitating an understanding of the importance of these terms and their correct application in companies. This allows managers and owners of SMEs, as well as entrepreneurs in general, to project both organizations or future ventures in a sustainable way over time. This enables the avoidance of mortality in the valley of death through the development of technological discoveries planned from the business philosophy. This presents a significant challenge for SMEs, whether small or medium-sized enterprises, in terms of the manufacture and implementation of correctly articulated action plans, as well as the construction of ideal growth and development scenarios that benefit all agents involved, through the generation of competitive advantages. In this context, the research conducted in a group of SMEs from diverse productive sectors in a locality of Chile (Melipilla) identifies the management of human resources and a strategic thinking approach as invaluable sources of value generation for these companies. In particular, the role of the staff must be regarded as an inexhaustible source of competitive advantage and as a genuine business resource.

In this way, the article, which is the result of a research project entitled “Value Proposition,” The article presents a business solution model for SMEs in the town of Melipilla, Chile. It introduces a novel approach to designing and managing people management from a business perspective, employing strategic thinking.

## Results

In the initial years of their existence, small and medium-sized enterprises (SMEs) are confronted with challenging circumstances. This period is often referred to as the “valley of death,” during which they are faced with a stark choice: either to persevere or to fail. It is within this challenging period, often referred to as the “valley of death,” that entrepreneurs must demonstrate their ability to navigate interpersonal dynamics. The ability to foster cohesion within a group, guided by a clearly defined vision set from the outset, is a crucial soft skill.

Those who persevere and possess unwavering conviction in their ability to prevail despite any obstacles are the ones who ultimately succeed. Individuals who awaken each day with a sense of motivation and purpose, maintaining a consistent level of effort in pursuit of their planned objectives without becoming overwhelmed or discouraged. It is of the utmost importance that the entrepreneurial team demonstrate unwavering determination and utilize effective strategies, strategic thinking, and strategic planning.

The behavior of managers and/or entrepreneurs (which are not part of this study) and the use of appropriate tools (which are the central theme of this article) collectively facilitate the development of a strategic analysis that informs organizational decision-making regarding current and future actions to adapt to environmental changes and demands, achieve efficiency (to allocate resources to attain a desired effect), and ensure effectiveness (to achieve the desired effect), while enhancing the quality of goods and services offered.

## Strategy

A strategy may be defined as one of the primary courses of action that are carried out to obtain one or more objectives. Furthermore, it may be considered one of the most important challenges when creating them, as they must be unique in order to differentiate the organization from its competitors. The overarching framework designed to achieve the institutional objectives of the organization is strategic planning, which aims to establish general guidelines for action.

In accordance with the perspective put forth by Hill and Jones (2009), a strategy can be defined as a set of structured actions that managers implement with the objective of enhancing their company's performance.

Similarly, David (2007) defines strategic management as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. Hax and Majluf (1995) posit that strategy serves as a foundational conceptual framework, enabling organizations to maintain their viability while adapting to a changing environment.

The study of strategy is characterized by several key features:

- What is generated in the long term
- Your flexibility
- Which is based on the principle of commitment
- It covers the entire company

On the other hand, the elements that make it up are also determined:

- Define the company's mission and vision
- Set the company's objectives and goals
- Create strategies and procedures
- Scheduling and budgeting
- Construction and establishment of policies and regulations.

## Strategic Thinking

It can be argued that strategic thinking forms the foundation for strategic decision-making, as it seeks to ensure both the feasibility of proposed courses of action and the long-term survival of the company. He is an efficient and effective strategic thinker, demonstrating the capacity to align his daily actions with the long-term objectives of the company. In his 2007 work, Davis puts forth the proposition that the strategic management process can be defined as an objective, logical, and systematic approach to making critical decisions within an organizational context. In a subsequent publication, the same author makes the following assertion: It is widely accepted that intuition plays a pivotal role in strategic decision-making, particularly given the influence of past experiences and the recognition of sound judgment and intuitive insights.

In regard to the integration of intuition and analysis, David (2007) proposes that the dichotomy between intuitive and analytical decision-making is not a binary one. Morrisey (1996) raises the question of who the strategic thinkers are and how they should function, differentiating the act of strategic thinking from the process of strategic management.

The principal characteristics of strategic thinking are as follows:

- Provides the basis for strategic planning
- Lead to perspective

- The most successful directors and/or managers will be those capable of developing innovative strategic thinking within their organization.

The above analysis allows discovering and highlighting **the differences between strategic planning and strategic thinking**.

Thus, strategic planning:

- Identifies and delivers Critical Success Factors (CSFs)
- Show where the company is located and where it wants to go
- Develop SWOT analysis

As posited by Armijo (2009), strategic planning, PE, serves as a managerial instrument that facilitates the decision-making processes of organizations concerning the present operations and the future trajectory necessary to adapt to environmental changes and achieve enhanced efficiency and quality in the goods and services provided.

On the other hand, strategic thinking:

- Define the appropriate Critical Success Factors (CSFs) for the different scenarios foreseen
- Evaluate different scenarios in order to achieve the business end
- Its formula:  $1\text{FCE} + 1\text{SWOT} = 3$  times more probability of achieving goals

The ability to see the big picture is of paramount importance in strategic thinking. Indeed, scholars of the subject under analysis have identified a significant contribution of vision in clarifying the term that drives the development of an organizational strategy.

Strategic thinking is not a set of theories; rather, it is a point of view. It is the perspective of the business strategist, who distinctively perceives the world.

The strategist visualizes the activities of companies as they develop in the competitive market, not as they are understood by management. The strategist sees the company from the outside as if his internal tasks were projected on a large screen by means of a magic lantern located in its center. This is unlike the operational manager, who sees the company from the inside out. Changing one's point of view is essential for the development of strategic thinking. The most logical starting point is perhaps the definition of the strategy itself (Gerstein, 1988).

By employing strategic planning, it is possible to ascertain the present position of the company, to define its desired future position, and to determine the timeframe within which this future position will be achieved.

This inevitably entails the delineation of the temporal space within which the organization will operate. The preceding step is essential to prevent the strategic planning process from becoming an abstract concept, which would also result in an abstract SWOT analysis.

What is the rationale for this importance? Company managers and professionals must incorporate strategic thinking into their ideas, thoughts, and actions. It is, therefore, the responsibility of the aforementioned collaborators to determine how they will be able to improve the new positioning they aspire to for their company within the expected time frame. Once this framework is established, the organization will evaluate the various scenarios through which it can advance in order to achieve its desired outcomes. As González (2011) asserts, strategic thinking is a valuable tool for the development of plans or programs designed to achieve future goals and optimize the utilization of available resources. The formulation of a strategy enables the creation of methodologies that facilitate the fulfillment of future challenges.

The scenario delineated by the strategists must encompass critical success factors (CSFs) to be utilized in strategic planning, which are distinctive of that context. It is indubitable that these CSFs are indispensable and pivotal to attaining the desired outcomes. If a company lacks these CSFs or possesses them only in part, it may only be able to achieve a portion of the desired results, if any. Conversely, the act of identifying these factors will facilitate the subsequent creation of a SWOT analysis for each of them. Organizations that develop and implement strategic planning based on this methodology experience significant growth and expansion.

Congruent with the above, **the formula of Strategic Thinking** is:

**1 FCE + 1 SWOT of that factor = 3 times more chance of achievement**

The preceding analysis demonstrates the value of developing a SWOT abstractly, rather than focusing on a specific determining factor of results (FCE). It would be beneficial to ascertain whether it is feasible to identify these factors mathematically. Indeed, an Excel template has been developed to facilitate the calculations and expedite the identification of the relevant factors (Club Command Board).

In accordance with González (2011), strategic plans are processes of reflection undertaken by all relevant stakeholders (e.g., the city, a specific sector of it, a territory, etc.) to define a desired future, the underlying principles to support it, and specific projects to be executed over a defined time horizon.

Any organization that aims to gain and maintain a competitive advantage may benefit from the application of strategic thinking. From a perspective of continuous improvement, strategic thinking is the

process of developing a vision of the future based on innovation and creativity. This is then used to create a strategic plan for a company.

Strategic thinking enables managers to identify and capitalize on current market opportunities, thereby guiding the company toward a new and successful future. Consequently, it facilitates the development and implementation of a business model in which the strategy is divided into two distinct areas. Firstly, it can be conceptualized as an innovative, intelligent and creative process that encourages an open exchange of ideas and solutions to address the dynamic yet unpredictable challenges frequently encountered in the contemporary economic landscape (strategic thinking). Secondly, it can be viewed as a systematic and logical application of strategies that encompasses a diverse range of management approaches, including the formulation and implementation of a company-wide strategic plan.

Strategic thinking represents a distinct mode of thought that draws upon intuition and creativity, culminating in an integrated perspective of the organization. It is formed and developed as an individual cognitive process that is oriented towards the benefit of the company and its purpose. Its objective is to identify competitive strategies that will enable the company to occupy a distinctive and differentiated position in relation to its current situation. In his 2011 study, González identifies three key characteristics of strategic thinking that warrant further examination: change, innovation, and improvisation.

### Conclusions

The study allows us to identify and summarize the key differences between strategic planning and strategic thinking. In the context of business, the term “strategy” is used to describe the process of selecting and making decisions, as well as competing and sustaining a company over time. Conversely, strategic thinking can be defined as the process of thinking and reflecting in a gradual and orderly manner to prevent or avoid adverse decisions that could otherwise lead to a company's economic and financial instability over time. This reflective quality allows for the formulation of clear objectives, the delineation of the means to attain them, and the identification of the requisite resources.

Thus, strategic planning:

- Provides Critical Success Factors (CSFs)
- Indicate where the organization is located and where it wants to go
- Performs SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats)

And, strategic thinking:

- Define the appropriate CSFs (Critical Success Factors) for the foreseen scenarios
- Evaluate different scenarios to achieve the organizational goal
- 1CSF + 1SWOT = 3 times more chance of goal achievement

The concepts of strategic thinking and strategic planning are not synonymous. The distinction between these two concepts is readily apparent. Strategic thinking is a critical element in the creation, development, and maintenance of a competitive advantage. It is a fundamental leadership tool that the majority of competing companies seek to possess. By employing strategic thinking, companies can identify opportunities for improvement, innovate, optimize, and enhance productivity.

The concept of strategic thinking is concerned with the reflection and imagination of the future of the company. It is through this process that strategic thinking is developed and subsequently enacted, typically in the context of problem-solving and decision-making. In contrast, the strategic plan pertains to analysis and the stabilization and formalization of systems and procedures. A strategic plan is an intentional and formal guide to the goals and objectives of the company, and it is the primary means by which a company develops a competitive advantage. The challenge of establishing the strategic direction is essentially analytical in nature, according to the methodological format of traditional planning. This results in the following: An analysis of the organization's strengths, weaknesses, opportunities, and threats is essential. It is a fundamental activity in both the external environment and the internal organization. Consequently, it facilitates the selection and implementation of an appropriate strategy.

Nevertheless, while planning is an inherent aspect of the organization's overall decision-making process, strategic thinking necessitates a more comprehensive synthesis of creative and innovative tasks to construct a vision that differs from the current one. Strategic planning is based on rational, linear thinking and is used to facilitate development within the confines of an accepted strategic position.

Strategic thinking is an introspective process that enables the formulation of a company's intended strategic profile and future direction. The objective is to identify potential scenarios, conceptualize a desired outcome, and develop a strategy to achieve a more favorable future for the company. This flexible thinking allows for the reorganization of resources when the objective is no longer clear, and it enables readjustment in response to changes in scenarios.

Conversely, the formulation and implementation of a strategy—whether comprehensive or provisional—in alignment with established objectives and a guiding philosophy enables the anticipation and resolution of potential impediments before they materialize.

In light of the prevailing view among scholars on this subject, I contend that the fundamental objective should be to cultivate strategic thinking and subsequently devise a plan for its advancement. The effective and efficient use of these tools will enable SMEs to avoid the so-called “valley of death,” a term used in business schools to describe the moment when entrepreneurs exhaust their financing resources and are unable to continue their business. This is not merely a state of affairs; it is a critical juncture in the entrepreneurial process, where the appropriate response is crucial to ensure the survival of the company. SMEs that successfully avoid this predicament can utilize tools for strategic analysis, thereby identifying problems and needs during the development and implementation of a strategic plan. Furthermore, they are capable of defining priority objectives to address these problems and needs, which in turn allows for the formulation of a strategy and the actions to be carried out to achieve these objectives, whether in the medium or long term. However, the development of strategic thinking is an indispensable prerequisite.

**Dr. PhD Galvarino Casanueva Yáñez**

**Postdoctoral Degree in Science from the University of Mexico; PhD in Management Administration from the Benito Juárez G. University, Mexico; Doctor Honoris Causa from the University of Aquinas, Bolivia; Doctor Honoris Causa from ITUEM, Instituto Tecnológico y Universitario del Estado de México, Mexico; Doctor Honoris Causa in Education from the Caribbean University of Puerto Rico; Doctor Honoris Causa from All Nations Kerygma University in the USA; Doctor Honoris Causa from the Alva Edison University of Mexico; PhD© in Business Administration, Université Libre Des Science De L'Entreprise Et Des Technologies de Bruxelles; Master of Science in Administration, Université Libre Des L'Entreprise et Des Technologies de Bruxelles; Master Financial Professional (AAFM); Master's degree in Corporate Finance from the Universidad Viña del Mar; Commercial Engineer (Universidad Católica del Norte); Bachelor's degree in Administration Sciences (Universidad Católica del Norte); Diploma in Strategic Marketing (Benito Juárez G University); Diploma in Financial Planning and Management (Benito Juárez G University); Diploma in Corporate Finance (Benito Juárez G University); and Diploma in University Teaching (Universidad del Pacífico). Professor for more than 25 years at UNIACC (2015 to date), IACC (2016 to date), IPCHILE (2015 to date), Uvirtual, Universidad del Pacífico, Instituto Profesional La Araucana (2012 – 2015), ESANE del Norte (1995 – 2000), Universidad de Antofagasta, Universidad Arturo Prat, Universidad Mayor, Universidad de las Américas (UDLA) and Universidad Benito Juárez G. (Mexico). **More than 25 years of advice and training for Chilean SMEs. International speaker. Publications in Scopus Q1 and Q2. International Speaker. International Director of the Official International College of Doctors for the region of Chile.****

**References**

- (2015,10). Pensamiento Estratégico o Planeamiento estratégico. ClubEnsayos.com/temas-Variados/Pensamientos-Estratégico-ó-Planeamiento-Estratégico/2849640.html
- Armijo, Mariela (2009). Manual de Planificación Estratégica e Indicadores de Desempeño en el Sector Público. ILPES/CEPAL
- Arnoldo Hax y Nicolás Majluf (1995). Gestión de Empresa con una visión estratégica, Ediciones Dolmes, Chile.
- Certo, Samuel C. Administración moderna 8° Edición
- Charles W. L. Hill y Gareth R. Jones. Administración Estratégica – Octava edición – Mc Graw Hill – México (2009)
- Fred R. David. (2007) Conceptos de Administración Estratégica. Decimoprimer Edición – Pearson – Prentice Hall, México.
- Gerstein, Marc S. (1988). Pensamiento Estratégico. Encuentro con la tecnología. Estrategias y cambios en la era de la información. Addison-Wesley Iberoamericana, México.
- González, M. (2011). El pensamiento estratégico como motor de la gestión de cambio de territorio.
- Morrisey, George (1993). El pensamiento estratégico. Construya los cimientos de su planeación. /Ed. Prentice Hall Hispanoamericana, Madrid, España.
- Prof. Mario Héctor Voguel youtube.com/watch?v=sKsuMMbtgKU