Strategy tools: who really uses them?

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This paper reports on an investigation into how managers use tools as they undertake strategic thinking, strategic decision making and strategy implementation. Surveys such as the series undertaken by Bain & Co. suggest that business uses strategy tools extensively. Tools are also a key component in typical MBA teaching and continue to be discussed in literature aimed at practicing managers. At the same time the existence of management fads, and tool skepticism by some managers, suggests ongoing problems with tool use. This paper sheds light on the issue by painting a fuller picture than prior survey-based work of how managers are using strategy tools in context.

The paper uses the term “strategy tool” to encompass the full range of approaches, concepts, ideas and techniques that structure or influence strategy activity. Examples of strategy tools within the scope of the paper are portfolio analysis models, scenario planning, core competence and resource-based approaches, hyper-competition, business process re-engineering, competitive analysis, the balanced scorecard, and lean manufacturing. These tools do not necessarily appear in strategy textbooks, but they do exist in a developed form in strategy-related literature and discourse.

Existing studies of tool use

The most prominent work on strategy tool use is the series of surveys conducted since 1993 by Bain & Co. (Rigby, 2005). These surveys focus on the trends in managers’ choices and ratings of tools but do not explore what kind of use lies behind the questionnaire responses. Some of the uses reported are probably superficial. It is also likely that these results do not represent the population surveyed, given reported response rates as low as 1.8 percent. Nevertheless, the analysis in these papers is illuminating, as it begins to shift the focus from tool choice and quality to implementation quality. The surveys show that managers at successful companies were more satisfied with management tools, and some managers reported good outcomes even with tools that others rated poorly.

Academic studies paint a mixed picture of tool use by managers. Analysis tools do seem to be in widespread use, but some users think they inhibit communication. Others would like better information about using tools effectively. In strategy workshops, managers deploy tools for facilitative purposes and not for analysis (Hodgkinson et al., 2006). It is clear that organizations corrupt, or at least reconstruct, the tools they use (Lozeau et al., 2002). What is less clear is when this causes the associated initiative to fail and when it enables the business to develop a new tool that better meets its needs. These findings collectively lead to many questions as answers. Are tools the solution, and managers the problem, or vice versa? Are managers using tools substantially or superficially and which of these is good or bad? Are businesses corrupting tools or intelligently reconstructing them? This paper addresses these questions by studying how managers are using tools in the full context of strategy activity.
Conceptual issues in tool use

Because strategy is partly creative and is not routine, strategy tools cannot provide a blueprint. They can only act as a guide to thinking and debate, or as a starting point for structuring activity. In these roles, the tools are not always visible, as managers incorporate them into what they see as standard practices (Whittington, 2006). When tools are not visible, they may produce unwanted effects that go unnoticed. When Armstrong and Brodie (1994) presented managers with the Boston Consulting Group (BCG) growth-share model, this made them more likely to opt for the unprofitable investment choice in an experimental exercise. Framing the problem in terms of the BCG matrix drew their attention away from a stark set of profit forecasts. Fortunately, managers can reduce this kind of unwanted bias by actively evaluating alternative approaches to a problem before deciding how to apply particular practices or tools.

According to de Kare Silver (1997), managers are not happy with existing tools and seek new ones that apply more specifically to their business situation at the same time as being simple to use and meeting their needs in a measurable fashion. Unfortunately, this combination of qualities is unlikely to be achieved given that a theory (and hence a tool derived from it) cannot be simultaneously general, simple and accurate (Daft and Weick, 1984). This reinforces the message that it is fruitless to search for a tool whose application is free from unwanted effects. Managers can instead use their experience and inventiveness to adapt existing tools and implement locally tailored solutions (Jarzabkowski and Wilson, 2006). The research presented below focuses on how managers are interpreting and implementing tools in practice.

The research

This paper draws on systematically conducted individual interviews with ten practicing managers. While small in number, these interviews complement existing large-sample work by studying tool use in the full context of strategy activity. In common with the existing surveys, the variation in managers’ willingness to participate may skew the results. Each interview focused on a recent strategy activity chosen by the participant. The activities included information exchange, marketing and sales strategy, merger, new activity, planning processes, process efficiency, and outsourcing. Interview questions probed for tool use within this activity and covered how and why the manager had selected, interpreted and applied tools.

Typical job titles of the participants were General Manager, Managing Director and CEO. Most commonly, the participants had five or more years of experience undertaking strategy activity; some indicated five to ten years, and some two to five years. In terms of formal management qualifications, half of them had MBAs and several others graduate certificates or diplomas. All had degrees, with several holding higher degrees. All reported management as the discipline of their main work experience, other than two in sales and marketing.

The divisions in which the activities took place employed an average of 600 full-time equivalent employees within the range 30-4,000. The firms as a whole averaged 1,450 full-time equivalent employees within a range 200-7,000. Ownership of the businesses equally covered publicly traded companies, privately held companies, not-for-profits, and “others” (mainly government-funded or mandated activity). The industries included were technology development, manufacturing and sales, healthcare, and other services.

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Findings

The extent and depth of tool use in strategy practice

The study sought to complement existing survey findings by probing beneath the questionnaire responses reporting that a business uses a given tool. For comparative purposes, after the interview each participant answered a questionnaire that included the tools list from the 2005 Bain survey. On this list, they indicated existing or intended use by the firm or division of an average of 12.4 tools. Since this is almost identical to the average 12.5 reported in the Bain survey, it suggests that the participants in this research use tools similarly to those who returned that survey. Figure 1 gives frequencies for each tool. In contrast, the number of tools the participants had identifiably used in the specific strategy activity they described was on average just under four. The tools they used were also mostly different from those in the questionnaire, as Figure 1 shows. This indicates that list-based tools surveys do not accurately capture the tools and terminology managers are using.

Discussions revealed several difficulties in quantifying tool use. What these amounted to was that asking managers about their use of tools in strategy is akin to asking a professional chef about his use of a standard set of published recipes. For example, participants often used business practices such as project management, business plans or strategic plans but did not view them as specific tools because they are so generic and widely used. They often used tools as part of the initial inspiration for an initiative and did not view this as tool use because of its very limited scope. This left them in a difficult position when responding to the questionnaire list of tools. Often, when they indicated tool use, the firm had not used the tool formally and may have used it only to a very limited extent. Overlapping tool content confounds this problem: one participant commented on the generic similarity between, for example, quality circles, total quality management, and six sigma. These findings reinforce the idea that list-based tools surveys are not a measure of actual activity, but simply a gauge of what is fashionable talk.

How managers use tools in strategy activity

The study addressed this central question by asking participants about a specific strategy activity and discussing tool use in the context of this activity. The conceptual analysis presented earlier recognized that tools must be adapted for each use to obtain best outcome. What the study found in addition was that, contrary to materials that put tools at the
center of an activity, the participants drove their activity by process or business objective, not by tools. None of the activities they described centered on tools. Views they expressed about their use of tools included:

Preference for process focus, not tool focus. Eclectic use of tools, using a bit here and a bit there (participant 9).

There are lots of ‘‘fads’’ in the management magazines. But it does not work to really apply these fads, only to take from them the bits that you can (participant 5).

It is best not to think in terms of ‘‘implementing a tool’’. Instead, to use them as the means to achieve a business objective. Tools can be incorporated into achieving a vision (participant 7).

These managers saw tools in a supporting role, subordinate to the business objective, but able to be brought in as needed. Emphasis was generally not on tools, but on ‘‘effective execution and leadership’’ (participant 7). An alternative non-tool emphasis was on analysis that did not make deliberate use of tools: ‘‘getting facts and data – backing things up empirically . . . taking care over cause-effect relationships’’ (participant 10). In cases such as this, managers may still have used tools implicitly.

Where managers were making explicit use of tools, it was often to stimulate new ideas rather than to facilitate analysis or implementation. Participants reported scanning tool sources in search of inspiration for an activity. One participant (participant 8) gave their main mode of tool use as ‘‘to stimulate new thinking, such as ‘what can we do differently’’’. Another outlined the role played by a distinctive organizational change philosophy in inspiring a strategic initiative.

The study also found that many participants used tools in a facilitative role, to collaborate and communicate rather than to perform analysis or make decisions. Examples of this were using the Hedgehog concept to help communicate a strategy to the board, using the value chain to communicate ideas to staff, using lean thinking in support of a change proposal presented to the management team, and using SWOT in a loose sense to facilitate discussion. In this type of activity, tools needed to be adaptable to fit with both the communication needs and the business situation. Analytical depth was often less important, hence the use of simple tools such as SWOT that have significant known limitations.

The third use of tools found in the study was as a catalyst for change. This involved process techniques that were not traditional in the industry, which had ‘‘been perceived to be different in terms of the applicability of ideas and approaches’’ (participant 9). Lozeau et al. (2002) found that this use of a tool could fail if existing organizational dynamics capture and corrupt the tool. In this case, the initiative had made some impact, as ‘‘people have begun to realize that [the industry] is not so unique in this way’’. This outcome likely reflects the emphasis put on effective implementation and change management.

The influences on tool use

The study gained useful insight into the influence of management literature, the business context, and individual choice on managers’ use of tools.

Participants did report different personal attitudes towards the use of tools. Two reported being personal enthusiasts for tools and management thinking, though the tool use they reported was still consistent with the general pattern. Another view was that tools are not the important aspect of management courses, but rather that courses ‘‘provide thinking space and highlight different ways of thinking’’ (participant 6). Generally, participants felt that strategy activity should focus on process, objectives and people, not on tools, and that managers should use tools only in a supporting role. Nevertheless, they gave high ratings to the tools they had used in the activity we discussed. The ratings they gave for the available information on tools were somewhat lower, suggesting a possible opportunity for communicators of tools. However, in the light of participants’ focus on activity, not tools, it is not clear that rating tools should be a high priority. Asked what they would do differently next time, participants did not mention tools but instead more systematic implementation or follow-up, more attention to people issues, or allowing more time for the initiative.
The study also showed significant diversity in the influence of the business context on tool use. At one end of the spectrum, the activity had made little explicit or formal use of tools because “the organization reacts negatively to the ‘textbook’ type of tool use, or to bringing in ‘suits’ in support of an activity” (participant 10). At the other, the corporate owner mandated the use of specific tools and there was even a “corporate university that uses all the tools; managers attend it as applicable to their job function.” (participant 3). In this case, the corporation had made its own dedicated version of the generic tool (the Baldridge Criteria), and individual managers were required to report in terms of this version. With notable exceptions such as this, however, generally participants considered there was little pressure from the company or from customers to adopt specific tools.

The role of management literature is worth studying, as some studies suggest it has alarmingly little influence (e.g. Forster, 2007). In contrast, the participants in the present study all listed a number of management periodicals and books they had recently read or consulted, despite several suggesting they did not have time to read. Most also listed at least one management seminar or course they had attended recently. The books included textbooks and other substantial mainstream works. The main source of the tools participants used in the specific activity we discussed was existing knowledge, covering half of the cases. Otherwise, they had used the company library, internal circulated materials, a recent course, and a tools summary website. One participant (participant 8) estimated the relative influence of this material on a management document currently in preparation. This was, in roughly equal proportions, reading (used as a catalyst to thinking, not as a blueprint), existing expertise based partly on exposure to ideas from other companies, and input from within the business.

Conclusions and recommendations

The study presents a picture of how managers use tools that refines and challenges previous findings. Writing on strategy tools tends to emphasize strict application of tools. In practice, managers take components from different tools and combine them to suit pre-existing needs. Often, they use tools merely as a source of inspiration and hence do not apply them fully. Quantifying tool use is problematic, as tools are often absorbed into practice and cease to be visible as tools. The tools that managers use are often different from those highlighted by tools surveys.

In evaluating how managers use tools, the study found that those interviewed had a wide knowledge of tools and reflected on them critically. This finding contrasts with some of the prior literature. The participants focused their activity on business objectives or processes, and were happy to dissect and mould tools to suit these purposes. They often used tools to aid communication and to facilitate activity, including change implementation. When they used few or no tools, this was because of perceived needs of the task or organization, not due to ignorance of the available tools. When seeking to extend their knowledge, they sought new ideas and not packaged solutions.

The findings of the paper have implications for tool originators, for tool communicators and for managers. For tool originators, such as academics and authors, the study encouragingly suggests that managers do seek new inspiration and ideas, and do find time to read, or scan, various sources. However, they are not looking for a comprehensive solution, partly
because their starting point is their own unique situation and initiative, and partly because they already draw on useful aspects of existing tools. In the light of this, tool originators could usefully provide for repackaging of what they propose, for example by specifying what managers could modify without compromising the coherence of their ideas.

For tool communicators, such as those who teach in MBA programs, the study suggests that courses should encourage reflection on and adaptation of tools. With care, this need not conflict with rigorous application. For example, assignments can require students to articulate their rationale for selecting a set of tool elements in support of a task. The study also suggests that although tools are useful learning aids, they should move into the background when students undertake comprehensive strategy assignments.

For managers, the most important recommendation is to focus on reconstructing tools to fit specific, local needs. This contrasts with the idea that reconstruction corrupts the tools, and with the notion of finding better tools that already fit. It also requires managers to have a wide knowledge of tools and to be comfortable with reinventing them to devise tailored solutions. Not all managers may have the experience and outlook of those who participated in this study; in the wrong hands, flexible use of multiple tools would likely lack substance.

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**References**


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