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THE KNOWLEDGE

REVISIT YOUR STRATEGY TOOLKIT: RETHINK HOW TO ADD VALUE THROUGH YOUR STRATEGY TOOLS

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SYNOPSIS

“Tools are used across the globe to assist managers in their decision making, but how can you make them work best for you?” Associate Professor Sotirios Paroutis of the Warwick Business School challenges our thinking about what makes tools effective. He reveals that, while choosing popular management tools based on expected performance improvements in particular areas (like operations or marketing) is tempting, we should focus on choosing those tools that can help us expand our thinking and the scope of our solutions.

DEFINITION

“How can we improve the effectiveness of our decision making?” Leaders often pose this question, and new strategic tools are often employed to address it. Strategy tools form an intrinsic part of managers’ daily activity and their effective use is viewed as an important ingredient in the recipe of success. This is particularly the case in highly competitive or turbulent conditions (Jacobides, 2010).

Tools are important, yet we know that simply adopting a tool is not enough. We also know that some tools are not giving us the best answers in the current context, while others gain in prominence based on their ability to resolve complex issues. This demonstrates that tools and their use are closely connected to the environment they are called upon to analyse. The latest Bain Survey (2013) shows that, particularly in recent years, benchmarking has decreased in usage since 1993, when it was added to the survey.

These challenges around new and current tools mean that we need to know more about how we can extract more value out of our tools. This question is particularly pertinent in challenging economic conditions, when resources are limited and getting the right answers at the right time are of paramount importance.

THE CHALLENGE

Academics and consultancies have been the source for the creation of a number of popular strategy tools (for example, Porter’s 5-forces tool or McKinsey’s 7S framework). These tools are disseminated daily to participants of MBA and executive programmes across the globe and are perceived as invaluable devices to help analyse the environment and inform decision making. Yet, as with fine-tuning a car engine ahead of a race, we now appreciate that simply using the tools is insufficient; it is essential to fine-tune them if they are to deliver an advantage in the ‘competitive race’.

CURRENT THINKING

Most studies on strategy tools have provided a good understanding of the level of popularity of particular tools, e.g. if we look at the recent Bain survey we can see the recent rise in employee engagement surveys. More recently, scholars have started unearthing how specific tools are used in particular organizational or industry settings.

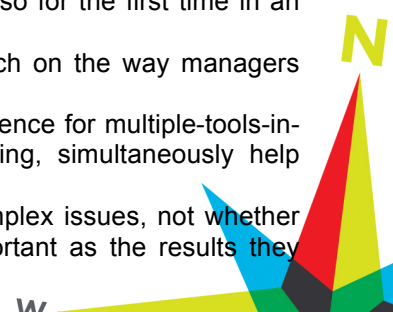
Academic attention to these tools has revived with the emergence of the strategy-as-practice perspective, which considers strategy as something firms *do* instead of something that firms have (Vaara and Whittington, 2012). This trend signals that tools have an impact that goes beyond their analytical application to encompass more wide-ranging social and political implications.

Despite these advancements, most studies on tools are based on snapshot survey data, which are descriptive and explore only the behavioural level. Very little research has placed practitioners in the driving seat, trying to gain a deeper insight into how tools can be shaped by managers. Our study does so for the first time in an academically rigorous way.

In our study (Wright, Paroutis and Blettner, 2013) we conducted extensive research on the way managers think about the ways they use tools.

Our research shows that, contrary to most current thinking, managers have a preference for multiple-tools-in-use, tools that provide different perspectives, peripheral vision, connected thinking, simultaneously help differentiate and integrate complex issues, and guide the thinking process.

Tools are more useful when they provide users with improved thinking around complex issues, not whether they are simple to use or not. In other words, the way tools are used is as important as the results they



provide. More specifically, choosing tools based on their ease of use might be sensible in the short-term but not the best solution in the long-term. Complex problems require two things. Firstly, the use of tools that provide multiple perspectives (rather than an easy answer) and, secondly, a combination of tools (instead of a single tool e.g. benchmarking, leading all decision making efforts).

The message for managers is about establishing processes to refresh their toolkits. These refreshments need to be based on the careful evaluations of tools users and how strategy tools are actually used. Overall, strategic tool refreshments need to be built around three on-going processes:

- a) Evaluations of the “current stock” of tools and their use,
- b) Choosing which tools need to be changed or abandoned and which new ones need to be added, and
- c) Repeating steps a) and b) by launching a live process to keep track of the “satisfaction levels” of managers’ use with particular tools (that way quick adjustments in the stock of tools can be made in the future).

IMPLICATION FOR MANAGERS

The insight here is that managers should not only be focusing on tools that are easy to use but instead focus on those tools that give them alternative perspectives in dealing with complex issues.

In other words, finding out what makes tools work for your tool users is important and should form part of an on-going process of tools refreshment. By improving and advancing the strategy toolkit we can then add value to the daily decision making processes managers follow. So next time you use a tool, think carefully – why are you using it and what can you do to improve it?

FURTHER READING

Wright, R., Paroutis, S. and Blettner, D. (2013). How useful are the strategic tools we teach in business schools? *Journal of Management Studies*, **50**(1): 92-125.

Rigby, D. and Bilodeau, B. (2013). Management tools and trends. Report by Bain and company published on 8 May 2013.

Jacobides, M. G. (2010). Strategy tools for a shifting landscape. *Harvard Business Review*, **88**, 76-85.

Vaara, E., and Whittington, R. (2012). Strategy-as-practice: Taking social practices seriously. *Academy of Management Annals* **6**(1): 285–336.

ABOUT THE AUTHOR



Dr Sotirios Paroutis is an Associate Professor of Strategic Management at Warwick Business School (WBS), United Kingdom. Previously he worked for McKinsey & Company, Procter & Gamble and Eurobank EFG. His work has been recognised with a number of research awards and published in journals such as *Strategic Management Journal*, *Journal of Management Studies*, *California Management Review*, *Human Relations*, and *Journal of Knowledge Management*. His latest book *Practicing Strategy: Text and Cases* is the first textbook in the strategy-as-practice area. He received his Ph.D. from the University of Bath in strategic management and organizational theory. More details on his work can be found at www.paroutis.org and he can be contacted at: Sotirios.Paroutis@wbs.ac.uk