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# 1 Introduction

Anyone intent on doing a job properly needs to know what tools of the trade are available. Surprisingly, for those whose job is strategy – whether practitioners, academics, or students – those tools of the trade are not easily found in one place, and strategists will most likely have to work through fragmented knowledge on strategy tools located in a number of places. The purpose of this Element is to introduce the concept of strategy tools and to outline the variety of tools available to strategists today. The Element should prove a useful starter kit for anyone requiring a brief overview of the tools that are available to those tasked with creating organizational strategies. *Strategy tools are frameworks, techniques, and methods that help individuals and organizations to create their strategies* – in other words, to determine what is, will, or should be done to address issues central to the success of the organization, usually beyond the short and medium term. Recently, a group of prominent scholars in the field of strategy called for more research on strategy tools because such tools can both enable and constrain strategy making (Burgelman et al., 2018). Therefore, this Element aims to provide a useful and accessible introduction to the topic of strategy tools for academics interested in strategy and in response to that call.

For practitioners, strategy tools should help create and deliver better strategies; however, as there is no strategy that will always be right, there cannot be a tool guaranteed to work every time. Strategists should therefore understand the workings of more than one tool, and the core point of reading this Element is to familiarize yourself with a number of different tools and thereby expand your theories in use. Beyond describing some of the most useful strategy tools, we hope to give strategists the confidence to select and develop versions and combinations of tools that work to deliver their own needs. There is no toolkit that would work for all purposes, and the most appropriate tools are those that will help to address the problems and knowledge gaps pertaining to each current situation. One should use tools creatively and often and learn more by using them.

We first briefly introduce the concept of strategic management because its focus – organizational strategy – could be perceived as a management tool in itself (Section 2). Strategy is a tool in the sense that it is there to help organizations negotiate, determine, and achieve their objectives or performance targets. After a brief overview of different ideas on what constitutes both strategy and strategic thinking, we move on to define and discuss what strategy tools are (Section 3) before we elaborate on the promise and the perils of using them to implement strategic management (Section 4).

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Section 5 introduces some of the best-known strategy tools. These are tools that we suggest any manager, strategist, or student of strategy should at least be able to describe the key tenets of. We then move on to review some of the less well-known tools and techniques that we believe to be interesting and which constitute potentially useful options in the strategist's toolbox (Section 6). The tools we present are the result of reviewing the publications of the leading strategy and general management journals spanning the past twenty-five years to find articles introducing new strategy tools. While the space here is limited, we provide citations to the original works that will allow the reader to discover more about those tools, which then makes it possible for interested readers to search the Internet to access additional information. We do not claim to have found all the tools available, and we are certainly aware that many strategy tools have not even featured in academic journals, because many are only comprehensively explained in books or remain the proprietary secrets of strategy professionals or consultants. In Sections 7–8, we also outline some conceptual areas that do not appear to be served by strategy tools. Finally, this book concludes with our thoughts on how strategy work could be improved with the tools we review and others still unknown to us, and we also offer tips on how to build your own strategist's toolbox.

## 2 Strategy As a Tool for Strategic Management?

***Strategy itself is a tool for strategic management, but no one seems able to agree on what kind of tool.*** Textbooks conventionally describe strategic management as an activity that supports the long-term success of an organization. Whereas operational management focuses on today, tomorrow, and next week, strategic management is about the coming months, years, or decades. Strategy has been described as a recipe for success, as a formula for a profitable company, and as a theory of business operations. However it is labelled, the strategy of the firm is one of the central concepts in management research and there are numerous different definitions and ways of thinking about such a strategy. One textbook definition of a business strategy is that it 'defines and communicates what an entity creates, by whom, how, for whom and why it is valuable' (Huff et al., 2009, p. 21) but there are many more ideas and definitions. Most definitions seem to suggest that strategy is a result of a series of procedures implemented to help an organization achieve success in the future: it is a conscious, purposeful effort to choose a direction for the organization in an ever-changing environment. A good strategy gives an organization a sense of direction and meaning, creating an organizational identity and thus helping

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employees act in a coherent manner; or, as Spender (2014) puts it, strategy brings together the identity, intention, and situation in reasoned action.

To cement this coherent, purposeful, and reasoned behaviour of organizational members, employees in a work community have 'a right' to be led, and supervisors have 'a duty' to lead, whether they want to or not. Without any leadership from a supervisor, or at least strong arrangements that allow for self-organizing, employees cannot be successful at work and there is likely to be frustration and uncertainty in the work community. Following this logic, an organization has an obligation to create a strategy to enable supervisors and other members of management to perform their leadership tasks. The organization's employees should be aware of their roles and tasks and of their part in the larger role and ambitions of the organization. This kind of knowledge is created through strategy; however, organizations are not generally under any legal obligation to devise or publish a strategy,[1] and organizations craft strategies because they consider them useful ways to improve the performance and success of the organization. While the performance of an organization can also be influenced by many other factors beyond the control of its management, the concept of strategy has become one of the major tools in itself. Strategy has come to be viewed as a tool that helps to grasp the things that affect organizational direction and performance as well as a tool that managers *believe* that they can use to influence the performance of the organization they are managing.

***Performance is a key term for strategy.*** In business, performance usually refers to financial success and shareholders receiving dividends on their investment, but organizational performance can also be perceived in many other ways. Researchers generally agree that organizational performance is a multidimensional construct and recognize that different organizational strategies and activities may have different effects on the dimensions of organizational performance. Performance may first be divided into operational and organizational performance measures, and then organizational performance may be further divided into dimensions of accounting returns, stock market returns, and growth (Combs et al., 2005). The measures assigned to these dimensions tend to be further classified into objective and subjective measures. The objective indicators include profit in comparison to turnover, assets, or investment, which in turn might either be compared with that of competitors within the industry or be treated as absolute numbers. Growth is another common measure

[1] Generally in the sense that, for example, UK-incorporated companies must include a strategic report in their annual report. The strategic report reviews the company's business and describes the risks and uncertainties facing the company. Small companies are exempt from this requirement.

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and can encompass growth in profits, sales, market share, or number of employees, whereas the most common stock market success measures are stock returns and market-to-book-value ratios (Combs et al., 2005). Subjective measures can also take many forms but can be characterized by their aim to assess performance in light of the prevailing situation. For example, a firm may be viewed objectively as making losses, but its performance could be deemed successful if those losses have reduced year on year. Alternatively, if the economy is sluggish and profit and growth levels marginal, a firm's performance might be compared to that of its competitors and, even in the absence of growth per se, could be presented as doing well in the circumstances. Subjectively, performance might also be assessed to be adequate or successful if a particular project has progressed according to plan or if the firm has demonstrated an ability to learn how to deal with certain difficult issues, so that its staff perceive it to be doing something well. For a public-sector or non-profit organization, a strategy might, for example, aim to reduce the use of unhealthy substances by citizens, or protect the rainforests, or boost entrepreneurship in a region or nationally. In that case, success cannot be measured in monetary terms but will be assessed on the progress towards other goals. Nevertheless, we would argue that each of the schools of thought in the realm of strategy essentially appear to share a common interest in understanding, explaining, or predicting organizational performance. Accordingly, the strategic tools capable of delivering the required performance will differ depending on the type of performance the organization aspires to.

***Strategies can and should be devised at different levels of abstraction.*** A corporate-level strategy should address the field of business the organization engages in. In contrast, a function-level strategy will be designed to maximize resource productivity within that specific function. In between those two, business level strategies are designed to address the question of effectively competing in each of the chosen product–market segments. The strategy tools appropriate for different layers of strategy may differ, or the same tools may be used differently to achieve the required level of abstraction. Porter (1980/2008) suggested that the performance of firms is dependent on the choice of industry and that different industries attract different levels of performance. On the other hand, the resource-based school of thought on strategy suggests that the performance of an organization has far more to do with the resources it has to deploy rather than the choice of industry. The moderate position between the extremes might be that the better an organization understands its own position, in terms of the environment it operates in, its competitors, the interest groups that affect it, and its own capabilities, the better choices that organization is able to make and the more effectively it will conduct actions flowing from its

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choices. However, in the field of strategy there are many different ways of being right and many different methods of reaching an equally acceptable result. Strategy literature offers many different schools of thought (see e.g. Minzberg et al., 2005) that define strategy in different ways and have their own specific interests. Some writers emphasize the importance of planning, while others focus on learning and experience-based strategy, and others still talk about innovation and experimentation. The truth is that one can never be completely certain of the effectiveness and effects of strategic management. When the economy is booming, people like to talk about how success clearly resulted from selecting the right strategy, whereas during a slump they place the blame on bad luck and unfavourable conditions. We like to think of strategy as something more than just a plan. While planning is a useful exercise if you know where you are going, the goal is more than often quite unclear, and strategy becomes more about coping with uncertainty than planning.

***Using strategy to cope with uncertainty.*** Historically, people's relationship with strategy has changed. The most recent, large-scale changes have been, for example, a closer connection between the planning and implementation stages of strategy, the desire to involve employees in making strategy, and a shift away from analysing and adapting to the environment to developing and exploiting competences in innovative ways. In many cases, rather than speaking of strategic management, it would be more appropriate to speak of holistic and participation-focused *strategic thinking* extending throughout the organization. Arguably, with the increased popularity of the strategy concept has also come a shift down from group-level strategies to more delimited, business-unit strategies. At the same time, organizations have learned to live with the fact that they cannot plan as meticulously as they once did. As we live in a world where nothing is certain, organizations must cope with constant uncertainty. As Minzberg and Waters (1985) argued, the strategy that organizations aim for is quite often something significantly different from the strategy they get. Indeed, we would align ourselves with the thought that strategy is better understood as a constant striving for competitive advantage rather than the long-term planning and implementation of fixed plans; that is, strategy is partially deliberate direction and actions but with twists and turns along the way that serve to advance it. As a result, strategy constantly mutates into something different.

In practice, strategic management is never a coherent process. If we look at what people who are involved with strategy making do, it is clear that they are implementing hundreds or thousands of processes, both in sequence and in parallel. All strategy-making projects will be liable to occasionally grinding to a standstill owing to the likes of time pressures, meetings, work trips, and sick

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leave. For that reason, we should not be alarmed if strategic management does not manifest itself as a clear and simple process. We must remember that the work of a manager is never just one continuous process, regardless of whether we are talking about strategy or operations. While the world is not clear or well organized, it is important to try to organize and analyse even the difficult and ambiguous aspects, to discuss them, and constantly seek to develop them. Strategic thinking is a professional skill that can be acquired and internalized just like delivering on quality standards, projecting and upholding accurate delivery times, or maintaining excellent customer service levels. Therefore, strategic thinking is a *competence*, not some form of semi-mystical rain dance performed once a year.

Within strategic management literature, many scholars distinguish between the strategy content and strategy process perspectives. The content perspective argues that competitive advantage results from the content of strategies that relate to competitors, customers, or uniquely valuable resource combinations or positions in the markets. As such, the content perspective attempts to explain *what strategy should be about*. In turn, the process perspective argues that competitive advantage results from processes such as analysis and planning, learning and development, or entrepreneurial behaviours or attempts to explain *how firms should act*, how strategies are implemented, or how organizations go about devising their strategies. A third, more recent addition to the main research perspectives is the strategy-as-practice (SAP) approach. The SAP stream of research focuses on practitioners (i.e. the people involved in strategy); practices (e.g. the tools, norms, traditions, concepts, shared routines, and reflection procedures); and praxis (i.e. the activities involved in strategy making) (e.g. Jarzabkowski, 2005; Whittington, 2006), which has been summarized by Golsorkhi and colleagues as, '[SAP] focuses on the micro-level social activities, processes and practices that characterize organizational strategy and strategizing' (Golsorkhi et al., 2010, p. 1). While SAP may be less interested in the formal strategy documents and more in what is actually done when constructing and implementing strategy (Golsorkhi et al., 2010), it also shares an interest in strategy tools. Scholars investigating the SAP approach have looked at strategy tools as something that people use in their strategic praxis. Strategy tools can be viewed as one manifestation of strategy theory in use, and SAP researchers have focused their attention on the various manifestations of strategy tools, which include their role as boundary objects (Spee and Jarzabkowski, 2009), as technologies of rationality (Jarzabkowski and Kaplan, 2015), and as vehicles of visualization (Paroutis et al., 2015). However, not everyone is exercised by these distinctions between different schools of thought. Practising managers integrate different views and perceive strategy as a holistic combination of

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processes, content, and practices. Individuals have very different ideas about strategy, and because what is strategically important varies across different environments, industries, or firms, the idea of what constitutes a good strategy is not a simple one.

To summarize this section, strategy is a relatively broadly (and sometimes even badly) defined tool in itself that can be used to pursue performance and to cope with the uncertainty of not knowing what is going to happen. Performance is multidimensional and depends on the purpose of the organization. Therefore, strategies may be devised on different levels of abstraction and may take different forms. Strategy could tell us what we do, how we do it, and when we do it, but also why we do it. However, while strategy itself can be a tool to facilitate achieving the objectives of the organization, the term *strategy tool* more commonly denotes more detailed frameworks, processes, or techniques designed to help individuals craft appropriate strategies.

## 3 What Are Strategy Tools and Techniques?

Tools, in general, are devices that are used to carry out a particular function. Logically, then, strategy tools are something that can be used to craft or construct strategies. They can take many shapes and forms, but as a group they are abstract frameworks, processes, or techniques that aim to help individuals construct better strategies for themselves, their teams, their business units, their firm, or an organization of any kind. There is no specific stream of literature dedicated solely to strategy tools, and they have been developed across different disciplines and from very different theoretical starting points. Nevertheless, it seems reasonable to expect that, whatever the school of thought, the aim of a strategy tool is to assist in constructing strategies that improve organizational performance in some way or another.

Bearing in mind the multiple schools of thought on what constitutes a strategy, it is also challenging to determine exactly what constitutes a strategy tool. Some might consider budgeting, market research, or customer satisfaction surveys, or the simple use of spreadsheets or cost accounting methods to be strategic tools. Customer satisfaction measurement should be standard practice for any larger firm these days, yet many smaller ones may still ignore any formal assessment of their customer satisfaction. However, rather than a tool for strategy making per se, a certain level of customer satisfaction is often set as a target, similar to profitability, growth, or turnover. Certainly, many strategy tools encompass measures of customer satisfaction or, more broadly, listening to customers or a customer value perspective, yet it is difficult to see that the customer satisfaction survey itself should be described as a strategy tool.

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It is more likely to be assessed as one input to be considered or something that measures how well an organization achieves its customer satisfaction objectives.

Some scholars might perceive mission and vision statements as tools. However, it is questionable whether the various statements of the mission, vision, or values of an organization constitute a strategy-making tool in any strict sense. Clearly, the idea of stating something is a mission, objective, or corporate value, and particularly the process of formulating such statements, may serve to set the parameters of what the firm strategy should look like – just as any number of things said out loud, written down as strategy, and made known by the organization's staff or customers will direct people's thoughts and actions and have properties that guide thinking and interactions in management teams (Spee and Jarzabkowski, 2009). Accordingly, we see various mission and vision statements as *outcomes* of the use of strategy tools. Similarly, calculating different break-even points or return on investment and various types of cash flow analysis are important aspects of strategic decision-making and provide simplified information that could support making strategic judgements. Whether they constitute a strategic tool as such is a trickier question. In a way, a break-even point calculation represents a simple form of scenario analysis, allowing the strategist to manipulate price, demand, and costs to establish the point at which the business or product becomes profitable. Nevertheless, what we perceive here as strategy tools generally have a more defined processual character, and hence act more like technologies of rationality (Jarzabkowski and Kaplan, 2015) or as vehicles of visualization (Paroutis et al., 2015).

While there is no comprehensive answer to the question of where we could draw the line between strategy or some other generic management tool, many things do, in some way, support the decision-making process, efficiency, profitability, quality control, marketing, or some other dimensions of the company's field of business. The line between a strategy tool and a management tool is also blurred; for example, Bain & Company describe *strategic planning* as the most frequently used management tool.[2] Other concepts listed in the consultancy's top-ten list of management tools include customer relationship management (CRM), benchmarking, advanced analytics, supply chain management,

[2] In an article on Bain & Company's website, the company suggests that 'Strategic Planning is a comprehensive process for determining what a business should become and how it can best achieve that goal. It appraises the full potential of a business and explicitly links the business's objectives to the actions and resources required to achieve them. Strategic Planning offers a systematic process to ask and answer the most critical questions confronting a management team – especially large, irrevocable resource commitment decisions' (see www.bain.com/publications/articles/management-tools-strategic-planning.aspx; accessed 16 April 2018).

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customer satisfaction, change management, total quality management (TQM), digital transformation, and mission/vision statements.

Our approach to defining what constitutes a strategy tool is somewhat broader than just strategic planning but somewhat narrower than the above-mentioned notion of management tools. We would describe strategy tools as sources of advice on and aids to strategic thinking. Strategy tools both reflect and shape the current thinking on strategy and have an important role to play when managers undertake the labour of strategy or so-called strategic praxis. Studies on the popularity of strategy tools and on their usefulness have ascribed them properties that guide thinking and interactions among top and middle management. If we consider that, in addition, business schools commonly instruct aspiring managers in the use of strategy tools, the potential impact of the tools extends far into the future, to contexts we cannot really imagine.

In sum, we have adopted the very broad perspective that strategy is some sort of idea (even if sometimes a formal plan) denoting what the company is or what it should be doing; it follows that *strategy tools are something used in the strategy process to create content for the strategic praxis.* Hence, strategy tools might also guide how the strategy process is organized and how the strategy is implemented. Some strategy tools are simple frameworks that list a number of potential issues, whereas others are highly structured processes or even artificial intelligence–powered market analysis. In all cases, strategy tools help to determine what is, will, or should be done in terms of issues perceived to be important to the success of the organization.

## 4 The Promise and Perils of Strategy Tools

***Strategy tools usually promise improvements in performance, profitability, revenues, or innovation to anyone who is alert and smart enough to use them.*** A company or manager applying a strategy tool will understand the organization's current business environment, including the opportunities, threats, and trends present in the markets the organization holds an interest in. A firm applying a strategy tool might aim to maximize its revenue from current customers by designing its product and service offerings to fit with its current customers' perceptions of value. It might also be able to attract new customers by offering something better – in the sense of something more valuable – than its competitors' offerings. It might also see where the market is going and be prepared for changes in customer preferences, be able to anticipate competitor moves, and be prepared for regulatory changes as well as the threat posed by new kinds of competitor and substitutive products. It might be able to look further into the future than its competitors and possibly shape the future in a way

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that suits the competencies of the firm. Some tools can also help to optimize market and product portfolios and provide competitive advantages through a clever business model design. A firm using strategy tools might also learn to know itself and its resources; it might understand the extent of its capabilities and competencies and thus be equipped to avoid the pitfalls of over-optimism and unwise investments. A firm that can accurately analyse the resources, capabilities, and competencies of its competitors and customers would gain an advantage in targeting the most productive market niches, with the most effective kinds of messages, and perhaps be able to avoid resource-sapping battles with its stronger competitors. Through understanding its value chains and pertinent business logics, such a firm would understand how its operational decision-making could be refined to deliver improved earnings. In other words, firms employing strategy tools might be able to turn their disadvantages into advantages. It is important to note that, while strategic thinking is important, strategies must be turned into actions, which is another key function of any strategy tool. Strategy tools might promise a lot, but they deliver only when used wisely. Unfortunately, management can often be tempted to equate smart management with obtaining a range of strategy tools and slavishly implementing their recommendations.

*It is important to acknowledge that tools cannot do the work for the strategist*; realistically however, they can give structure to that strategist's work. In so doing, they can help to alleviate the stress of coping with various uncertainties, or knowledge absences,[3] and hence help make a judgement (right at the time, but time will tell).

Strategy work itself is often ill-defined. The business environment contains many uncertainties, but then if business opportunities were clear to all protagonists the opportunity would soon disappear for any party other than the original discoverer, or the firm able to market the goods or services flowing from the opportunity at the lowest cost. As competition gets tougher, the party that sees things most clearly and implements the most viable strategy wins the battle. In the midst of this struggle, many pairs of eyes will probably see better than one, and the multi-perspective approach can be vital when business opportunities exist only in certain environments and for limited periods. Accordingly, a wise organization will involve a wider selection of staff than just the top management

[3] Spender (2014) suggests that strategy work has three types of knowledge absences that complicate the life of the strategist: (1) ignorance of what can be known – lack of data and understanding of the goal and ways to get there; (2) incommensurability – while fragmented data is available, there is the problem of connecting the dots and the absence of understanding of how much we know; and (3) indeterminacy – whatever we decide to do in the environment, the people, firms, and other actors within it respond in ways we cannot predict, and their reactions do not remain constant over time, even if we simply repeat our actions.

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