

# **An investigation of the use of tools in the strategy activity**

Dr Paul Knott

*College of Business and Economics, University of Canterbury,*

*Private Bag 4800, Christchurch, New Zealand*

Email: [paul.knott@canterbury.ac.nz](mailto:paul.knott@canterbury.ac.nz)

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This paper outlines the conceptual basis and the research methods for a project investigating the use of tools in the strategy activity as it is undertaken by practising managers. Prior studies of the application of strategy tools have surveyed the extent of tool usage, but have not probed at any depth how the tools were enacted within firms. The purpose of this research is to gain a better understanding of how strategy tools and ideas are used in strategic thinking and action, and to investigate the motivation and rationale behind this use. The resulting understanding might be used to help improve the outcome from strategy tool use in practical situations.

*Keywords: Strategy tool, strategy activity, strategy as practice, framing, cognitive bias.*

## **INTRODUCTION**

This paper introduces the rationale and method behind an investigation of how managers use tools to guide strategic thinking, strategic decision-making and strategy implementation. Taking a strategy-as-practice perspective (Whittington 1996; Johnson, Melin and Whittington 2003), it is concerned with how managers use tools as they undertake strategy activity. The term ‘strategy tool’ is used here to encompass the full range of concepts, ideas, techniques and approaches that structure or influence this activity. It centres on achieving constructive outcomes from tool use rather than on the validity of tool content. Examples of strategy tools within the scope of the paper are portfolio analysis models, core competence and resource-based approaches, hypercompetition, business process re-engineering, competitive analysis, the balanced scorecard, and lean manufacturing. These are defined here as ‘strategy tools’ because of their potential to influence the practice of strategy; they do not necessarily feature in conventional strategy textbooks. Where a term refers to a problem area, need or trend, it is not a tool and lies outside the scope of the paper.

According to surveys, strategy tools are extensively used by businesses. Findings from Bain and Co. that on average companies claimed to use twelve such tools (Rigby 2001) are supported by a recent survey that found tool use to be a normal part of strategy workshops (Hodgkinson, Johnson, Whittington and Schwarz 2005). Tools are also a key component of typical MBA strategy teaching and the associated texts (Hill, Jones and Galvin 2004; Johnson, Scholes and Whittington 2004), and continue to be espoused in practitioner-oriented strategy literature. Thus it is clear that strategy tools

continue to be in extensive use, yet significant problems with this use are indicated by the widely recognised problem of management fads (Abrahamson and Fairchild 1999) and the associated emergence of ‘guru scepticism’ (Crainer 1996).

Strategy activity differs from other management activity in several important respects. It is non-routine, non-programmable, unique and creative (Harrison 1999). It is also more ambiguous, uncertain and complex than ‘operational’ management (Johnson, Scholes and Whittington 2004). Given this, a strategy tool is likely to assist with part of the activity rather than providing a substitute for the capabilities and experience of the manager (Whittington 1996). Rather than providing a blueprint, strategy tools act as a guide to thinking and a starting point for structuring the activity. For other types of management challenge, it may be possible to use tools in different and perhaps more deterministic ways. The activity of applying strategy tools is considered in more detail in the next section.

Tool use by managers and consultants is not always explicit. This is particularly so for the use of concepts that are not closely defined. For example, conceptual or linguistic elements of a tool may be extracted and used in strategy activity in a new form (Jarzabkowski 2004). This implicit use may be especially prone to the biases and potential dysfunctional effects highlighted below. Indirect use of strategy tools is an area that falls within the scope of this investigation.

## **TOOL APPLICATION IN STRATEGY ACTIVITY**

The scope of possible application of strategy tools is very broad. Typical applications involve guiding thinking and debate, or structuring analysis of complex and ambiguous situations. In such applications, although the tool does not in any way determine the thinking or outcome the potential would still seem to exist for it to channel and constrain thinking as it focuses and guides. This potential was considered by Mintzberg, Ahlstrand and Lampel (1998), who describe how the technique or organising framework used to structure information influences the insights and decisions that arise from that information.

Mintzberg et al (1998) also describe how managers build mental models and frames that shape how strategy emerges. The use of strategy concepts or tools has the potential to influence these frames (Worren, Moore and Elliott 2002), and hence generate a focus on some elements of a company's strategic environment at the expense of others. This problem of framing represents a cognitive bias in decision making. Recent studies of this phenomenon suggest that the bias may be reduced by prior reflection on the part of the decision maker (Hodgkinson, Bown, Maule, Glaister and Pearman 1999), especially when presented with alternative problem frames (LeBoeuf and Shafir 2003). This suggests that clear expression of the framing represented by a given type tool application might reduce unwanted bias by helping users consider alternative tools or tool interpretations. One approach to expressing the alternative frames is given in the typology of tool application modes and characteristics suggested by Knott (2006).

An empirical illustration of the framing effect in strategy decision making was reported by Armstrong and Brodie (1994). In an experimental setting, managers presented with the Boston Consulting Group (BCG) growth-share model were more likely to opt for the unprofitable investment than those who had not. In this case, framing the problem in terms of the BCG matrix drew attention away from the basic profit calculations that might otherwise have led to the outcome set up as correct in terms of the given information.

Drawbacks due to the framing effect do not seem to be limited to the use of the BCG matrix. The core competence framework was presented by Prahalad and Hamel (1990) as an alternative approach to managing a corporate portfolio. This itself was found susceptible to channelling thinking in a detrimental fashion, including by Black and Boal (1994) who recognised that too great a focus on core competence could actually hinder competitiveness and make a firm susceptible to the 'Icarus Paradox'.

Similar potential adverse effects have been found with respect to tools and concepts in other areas of strategy. Lambert and Slater (1999) found that firms did not necessarily reap competitive benefits from pursuing faster product development cycles and on-schedule product launches. They suggested

that firms should avoid pursuing these strategies too far if they were to avoid serious pitfalls. Similarly, Seely Brown and Duguid (2000) pointed to the limitations of introducing more formalised processes to try to improve efficiency. They found that in practice these efforts could easily destroy important patterns of activity that lie outside the domain of formal processes.

Given the above, it seems that any tool application is susceptible to the framing effect. It would also seem fruitless to search for an ideal tool whose application would be free from potentially unwanted effects. The desire for such tools seems to exist, however. De Kare Silver (1997) found that managers wanted tools that would be simple enough to be easily digested by a busy manager, yet also be specific to their needs in some measurable way. Unfortunately this combination of qualities is unlikely to be achieved given the finding that a theory (and hence a tool derived from it) cannot be simultaneously general, simple and accurate (Daft and Weick 1984)<sup>1</sup>. Instead, tool applications might be made more constructive by accepting the need for interpretation and adaptation, and providing assistance with this process. This is the rationale behind the investigation outlined in this paper: by improving understanding of the tool application activity and its drivers and limitations, better guidance might become possible that improves the outcome of the activity.

## **RESEARCH INTO TOOL APPLICATION**

There is a surprising lack of empirical research reported in the literature focusing on tool application. The most prominent work is the series of surveys reported by Rigby (1993, 2001). These focus on the managers' choices and ratings of tools rather than aiming to elucidate how the tools were used. A notable finding of this work was that there was greater satisfaction with management tools at successful companies than at unsuccessful ones, and that even tools with a poor rating overall were considered successful by some respondents (Rigby 2001). The interpretation of these findings was that the perceived success of tool use was being driven to a significant extent by the quality of

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<sup>1</sup> Jarzabkowski (2004) considered the boundaries of the applicability of some commonly used classes of strategy tool.

implementation, not just by the quality of the tool. The way a tool is used seemed to be as important as the earlier suggestion by Rigby (1993) of knowing which tool to use and when. The investigation outlined in this paper looks in more detail at how tools are used.

Surveys of strategy tool use have also been carried out on small firms. Woods and Joyce (2003) found that owner-managers knew of fewer tools than other managers, and so used fewer tools, but were just as likely to use those of which they were aware. They also found that faster growing firms used more tools. Beyond this, they suggested that owner-managers may often be undertaking strategy activity without thinking of it as such or being able to describe it in terms of the language of strategy. Frost (2003) also looked at tool usage in smaller businesses, and found tool use to be dominated by a rather non-analytical use of SWOT and PEST analysis. A similar lack of depth in tool use was found in the strategy workshops studied by Hodgkinson et al (2005).

Jarzabkowski (2004) produced an analysis in which ‘bricolage’ (practical inventiveness) plays a central role in tool use. The analysis was illustrated by an interview with a strategy director, who described using the basic concept of the value chain as a communications tool, cutting it down to very few elements whilst at the same time suspecting that its linear nature did not fit the business environment. The investigation reported in this paper seeks to provide more insights of this type from a wider range of users.

## **RESEARCH QUESTIONS**

The work outlined in this paper complements the prior survey-based work by investigating in more depth how tools are used in strategy activity. The research is at the individual level of analysis, focusing on building a picture of how the person perceives the situation and how they act based on this perception. The research is descriptive, not normative, an approach that is needed because progress in improving the use of strategy tools depends on first understanding how managers currently use tools.

The scope of the work, taking a broad view of what constitutes a tool and encompassing the implicit use of tools, also requires detailed questioning of tool users that includes separate consideration of the

strategy activity and of the tools that may have been used in support of this activity. This consideration of tool use in context is the key to building a more complete picture of how tools are used in practice. The research is intended to seek insight in the following areas:

### ***The extent and depth of tool use in strategy practice***

There is a need to probe beneath surveys in which firms report the use of certain tools. These results may over-represent superficial tool use, and may under-represent implicit tool use. Interviews about specific strategy actions will allow clarification of the degree of use of tools, irrespective of whether this tool use is explicit.

### ***How tools are adapted for use in strategy practice***

A key question in this research is how users interpret and apply tools in practice. Earlier in this paper it has been recognised that tools must normally be adapted for each use. There is a need to understand the processes by which this adaptation takes place. Both the actions taken and the rationale for these actions are included in the scope of the study.

### ***The influences on tool use***

Possible influences on tool use include the organisational and stakeholder context, and the preferences of the individual. As well as potentially being influenced by the user's background and experience, the process of tool selection and enactment is also likely to vary according to cognitive style (Mintzberg et al 1998). Aspects of the business context that could influence the nature of tool application include the perceived business pressures (speed of change, competitive environment, knowledge intensity)(Jarzabkowski 2004) and the nature and ownership structure of the firm. The sources of information about tools are also to be considered, for example literature, courses, consultants or personal contacts.

### ***Evaluation of tools in use***

The scope of the research includes the outcome of tool application, since this would often be regarded as an essential driver of future decisions about tool use. Given the individual level of analysis, the

outcome measures can only be based on user assessment since measures such as on-time performance, error rate or financial performance refer to projects or business units and could not be measured consistently across the variety of tool applications falling within the scope of the investigation. The views of participants are to be sought on the outcome of the activity, the usefulness of any tools used, and the effectiveness of any information used about how to apply these tools.

### ***Development and validation of a tool application typology***

After data collection and descriptive analysis has been completed, it is envisaged to compare the tool applications described by participants with the typology proposed by Knott (2006). This typology attempts to synthesise and codify issues in tool usage, and proposes sets of tool application characteristics designed to be coherent, constructive and achievable. Summary descriptions of the five generic application modes are given in the Appendix.

Comparison of the empirical tool applications with this typology could be used to address two main questions:

- 1) Are the empirical applications well represented by the dimensions and generic modes in the typology?
- 2) Are applications that are close to the generic modes more highly rated by users than those that are not?

Analysis of these questions might then be used to develop and validate the typology.

## **RESEARCH METHOD**

The primary method used in the investigation is individual interviews with practising managers. This is a suitable method given the desire to describe and evaluate tool use through the eyes of the users. Both the tool use and the rationale for its use will be described from the perspective of the users. Although direct observation might produce different insights, it would be cumbersome to use across



the number of cases likely to be required to capture the variety of tool use.

Participants are to be sought who hold managerial positions in commercial and government organisations in New Zealand. The initial selection of participants is based on the desire to obtain rich data on the 'how' and 'why' of tool use, and hence is based on availability and willingness to articulate. The first set of interviews, therefore, may not be representative of the full range of users and may over-represent tool enthusiasts. The initial selection of participants will be from larger, established, 'traditional' organisational contexts. It will exclude managers in voluntary bodies, new businesses and very small firms. It will also exclude individuals acting as consultants to other firms. Within these boundaries, participants will be selected to mix levels of management education, types of organisation, and positions held. The purpose of this selection will be to ensure that as far as possible the interviews capture the variety of activities and types of tool use. Later work may move more towards a hypothesis-testing approach and hence select participants more systematically according to defined categories and characteristics.

Because of the need to cover implicit tool use, the discussions are to be structured around recent strategy activities chosen by the participants rather than around their use of strategy tools. The question of tool use within this activity can then be explored. Participants can be questioned about their selection of tools, processes of interpretation and application, and the rationale for these choices.

The approach to the interviews, questionnaires, analysis and feedback is inspired by the call by Tranfield and Starkey (1998) for user involvement with research and by the suggestion by Balogun, Huff and Johnson (2003) to work with managers as research partners rather than passive informers. This is commensurate with the objective of studying the use and users of tools, and ultimately trying to intervene in this use. Accordingly, the managers to be interviewed are considered participants in the research, not 'research subjects'. They are to be fully informed of the purposes and methods of the research, and their feedback sought and incorporated not only to check basic information from the interviews but to contribute to the themes and interpretations that emerge during analysis. In this way it is hoped to generate results that are closer to practice than those obtained by a more detached

approach to qualitative data analysis.

A questionnaire has been designed for completion at the end of each interview. The first part of this collects numerical ratings for the success of the discussed strategy activity and for the usefulness, relevance and supporting information relating to each of the tools used. These ratings constitute the outcome measures discussed in the previous section. The second part collects information about the individual and the business context, for evaluating possible relationships between the context and the approach to tool use.

## **DISCUSSION AND FUTURE WORK**

The current work is an initial empirical study in this area. It is anticipated that it would be followed by further work in the following possible directions:

- 1) To continue the series of interviews with more systematic selection of participants on criteria expected to influence the nature of tool use. The results of the initial series of interviews will help in establishing these criteria.
- 2) To extend the context beyond the restricted types of organisation included in the current study. Small or newly established firms, non-traditional organisations and consulting firms may all provide different insights.
- 3) To interview multiple participants within the same firm. This could not only generate better insight into the organisational context and enable individual responses to be compared, but also allow the use of interactive discussion groups as advocated by Balogun, Huff and Johnson (2003). Contextual factors likely to interact with tool application could then be explored. These may include the team, the organisation and the community of practice (Wilson and Jarzabkowski 2004).
- 4) To draw on the post-interview questionnaire as a basis for a wider survey of the drivers of tool use or non-use. Such a survey might also be used to probe the extent to which the

relationships picked up in the interviews occur across firms in general.

Overall it is hoped that this work will improve our understanding of tool use in the strategy activity and hence help achieve more positive user experiences in the application of strategy tools. By providing a means for prior reflection on tool choice and application, it may be possible to reduce the framing effect that can lead to detrimental effects in tool use.

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## **APPENDIX: GENERIC MODES OF TOOL APPLICATION**

*(from Knott 2006).*

### ***Analytical mode***

An analytical application looks at a specified aspect of the problem and seeks to generate specific output using a defined method. It would be used where a definitive output is desired that expresses the status of a problem. Adequate data are required along with a sufficiently defined heuristic or algorithmic technique. Tools that lend themselves to analytical application include real options analysis, shareholder value analysis and the 5-force model for industry competition (Porter 1980). An analytical application centres strongly on the tool used, in terms of categories, data and algorithm, and hence the tool determines the perspective and scope. Aspects of the problem not amenable to analysis cannot easily be incorporated into an application of this type. For this reason the application supports focused rather than divergent thinking. Because it is substantially driven by the tool, the output from applying an analytical technique is better used in support of decision making rather than as a specific prescription for action. Where analytical tools specify a prescription (for example some versions of the BCG growth-share matrix), good applications use them only as general guidance. Analytical applications are also likely to be static in strategic terms.

### ***Dynamic mode***

A dynamic application focuses on the drivers of the evolution of a firm or its environment. By doing this it aims to generate working assumptions to help align investment and other strategic decisions with future conditions. Dynamic applications inevitably deal with uncertainties as they involve a degree of prediction. Consequently they will be heuristic rather than algorithmic in nature and will involve significant interpretation centred on assumptions that should be matched to the business needs. Concepts that lend themselves to this type of application include the dynamic capabilities framework (Teece, Pisano and Shuen 1997), the industry life cycle (Porter 1980), and strategic intent (Hamel and Prahalad 1989). Each of these provides a specific viewpoint that can form the basis for systematic evolutionary thinking. The inevitable uncertainties and need for interpretation mean that the output

can only be explanatory. It can provide a reasoned justification for expecting certain events and trends and hence suggesting certain responses, but this represents an aid to judgement rather than a substitute.

### ***Metaphorical mode***

Metaphorical applications are used to inspire fresh thinking about a situation and possible responses. One of their key benefits is that they can be used in unusual conditions where an analytical understanding may not be possible. Such conditions might include radically new ventures and highly unstable environments. A powerful and enduring strategy metaphor is the presentation of the strategies of Alexander the Great (Bose 2003, Kurke 2004). The power of metaphors lies in their expression of experiential knowledge not amenable to literal description and in their ability to lead to insights into mechanisms linking observed events (Tsoukas 1991). Since their value lies in expression and thought processes, effective metaphorical applications are facilitative rather than analytical. Their qualities lend them to inspire unconventional, divergent thinking. They have the potential to generate dynamic output even where analytical dynamic thinking is inhibited by uncertainty, complexity or lack of data. However, their value relies largely on their interpretation by the user. For this reason, metaphorical tools are arguably best presented without over-interpretation, to avoid inhibiting the user's own responses (Gray 2003).

### ***Facilitative mode***

Facilitative applications aid the strategy activity by fostering creativity and structuring communication. Suited to strategy workshops, techniques often used in this mode include SWOT and TOWS techniques (Wehrich 1982), the Delphi process (Dalkey and Helmer 1963) and scenario planning. Because a technique can only provide facilitation to the extent that its content and structure are reflected in the activity, effective facilitative applications will be tool-centred. The categories they provide can be used to inspire expansive, divergent thinking about possible future strategies, but can also bound thinking. For example, the four categories in SWOT and TOWS frame and limit the thinking and discussion (Clegg, Carter and Kornberger 2004). Facilitative applications should be future oriented, but as the tool will often not provide a heuristic for thinking dynamically the outcome

will be driven by the perspective held by participants at a point in time. The value gained from a facilitative application is often as much in the understanding gained by participants as in any specific outcome; its output is typically a form of explanation in the sense of clarifying ideas, issues and strategies.

### ***Interventionist mode***

Interventionist tool applications involve using ideas as a blueprint for action. They are useful when a tool suggests better performing processes or a defined approach with which participants can identify. A key feature distinguishing this mode of application is that it typically involves substantial commitment of people and funds, and has organisation-wide implications. Tools that lend themselves to interventionist application include the balanced scorecard (Kaplan and Norton 1992), total quality management and benchmarking (Camp 1989). Because of the institutional implications of an interventionist tool application, it must be well matched to the situation (need-centred). This makes effective tool adaptation especially critical to the success of this mode of application. The commitment involved typically has to be justified in terms of tangible expected benefits, so an analytical relationship will need to be shown between components of the exercise and desired outcomes. This process inherently focuses thinking and action on the specified tool and application. Once implementation is complete, institutionalised aspects of the tool application will be difficult to change and hence relatively static.