

The perceived value of strategy tools in business network development

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Abstract

The focus of this work-in-progress paper is on strategy tools, which is a topic that lately has received a lot of interest both in academia and practice. There are various streams of literature of strategy tools, ranging from traditional company-related strategy tools to more flexible and individual-based strategy tools. The IMP-approach recognize strategy tools as occurring in the interaction between firms, and it is possible to identify a research gap between the intentions of the firm and the business relationship. This paper intends to provide some initial insights into this issue. The aim of this study is to explore managerial perceptions of strategy tools as facilitators of the development of business relationships and networks. The research questions are: a) What are the perceptions of managers of strategy tools as facilitators of developing business relationships and b) how can combinations of strategy tools facilitate the development of different kinds of business relationships? In this paper, the first research question is initially explored empirically. The empirical part of the paper is based on qualitative case studies of ten companies, and more particularly on the perceptions of the managers within these companies.

Introduction

Strategy is a phenomenon that for several decades has been of interest among scholars within strategic management. Also business network research has focused on strategy. However, as has been noted by Baraldi et al. (2006 & 2007), most of the IMP-related discussion on strategy was done in the seminal early works by for example Håkansson (1982) and Turnbull and Valla (1986). Strategy has been explored from many different angles ranging from corporate strategy to more specific strategies such as product strategies and marketing strategies. From the perspective of strategic management strategy can be explored from perspectives such as strategy analysis, strategy choice and strategy implementation. A recent field of research within strategic management is strategy-as-practice (s-a-p) (e.g. Whittington; Jarzabkowski), where strategy is seen as something that is done within companies, rather than as something that companies have. Focus lies on practice, praxis and practitioners, and the core of strategy relates to activities such as sayings and doings, traditions, norms and interaction. In comparison with prior literature on strategy, the s-a-p approach brought the individual and interaction between individuals to the forefront and it has inspired several streams of research and thereby lifted the focus on strategy to a practice level benefitting both companies and individuals.

Within the s-a-p approach there is a particular stream of studies focusing on strategy tools or artefacts (e.g. Spee & Jarzabkowski, 2009; Jarzabkowski & Kaplan, 2014). In comparison

with traditional strategic management research on strategy tools, the s-a-p-studies are focused on the use of strategy tools on different levels (also the individual and inter-individual).

However, during recent years there has been a few studies within the IMP-group, that has particularly focused on strategy tools (Cheng & Holmen, 2015; Cheng & Ingemansson Havenvid, 2017) The characteristics of these studies is that they are both influenced by the s-a-p, and they view strategy tools from the perspective of how they are used and developed in the interaction between firms. There is consequently a gap in our prior knowledge of strategy tools and business relationships particularly related to managerial perceptions of a tool from a firm perspective in relation to other firms.

The aim of this study is to explore managerial perceptions of strategy tools as facilitators of the development of business relationships and networks. The research questions are: a) What are the perceptions of managers of strategy tools as facilitators of developing business relationships and b) how can combinations of strategy tools facilitate the development of different kinds of business relationships? The empirical part of the paper is based on qualitative case studies of ten companies, and more particularly on the perceptions of the managers within these companies. This is a work-in-progress paper and a first step towards increasing our understanding of the phenomenon.

The contribution of the findings are twofold. Firstly, we fill an important gap in prior literature on strategy tools as we do not focus on strategy tools from the perspective of a company or how strategy tools are formed in interaction among firms, but our focus lies here in-between, that is on the connection between perceptions of managers in relation to developing business relationships. Secondly, we will in a developed version of the paper present a new way of combinations of strategy tools as suitable for developing certain business relationships.

In the following section, prior literature on strategy tools is presented. Thereafter, a discussion on how the tools can be used and combined for developing business relationships is presented. This section is followed by a section on methodology and an elaboration of the research method used. Next, the initial findings of the study are presented. The paper ends with a discussion and conclusions.

Literature on strategy tools

Strategy tools are important for strategic management and they comprise of models, techniques and frameworks that are intended to influence strategic activity (Rigby, 2001). Strategy tools can be *conceptual*, *processual* or *physical* (Roper & Hodari, 2015). Examples of conceptual strategy tools are Porter's Five Forces (Porter, 1980), SWOT analysis (Learned, Christensen & Andrews, 1961) and the BCG matrix (Henderson, 1979). Process-related tools can for example be checklists or project management templates (Chen & Ingemansson Havenvid, 2017). Physical tools can be such like computers, documents, Power Points, but also strategy get-away-days such as workshops outside the firm (e.g. Chen & Ingemansson Havenvid, 2017). The physical tools have especially been of interest within s-a-p research (e.g. Spee & Jarzabkowski, 2009; Jarzabkowski & Kaplan, 2014)

In the traditional strategic management literature, strategy tools are seen from the perspective of a single firm, in order to increase its growth and/or competitiveness (e.g. Porter, 1985). Moreover, these tools can be seen as somewhat predictable and static. The seminal work by

Mintzberg (1994) changed our perception on strategy as it introduced the perspective of emergent strategies. This perspective suits well with the ideas of the IMP-approach, where issues such as flexibility, dynamism and change are seen as natural. Moreover, the IMP-perspective sometimes even questions the possibility of managing business networks, and stress that it is more a task of coping.

However, the IMP-literature on strategizing is dispersed, which makes it hard to get a solid understanding of for example strategy tools within IMP-research (Baraldi et al., 2007; Cheng & Holmen, 2015) An issue that unites studies about strategy tools within the IMP-approach is that they focus on an interactive perspective, i.e. how strategy tools are used in interaction between firms. Recent IMP-related studies about strategy tools (e.g. Cheng & Holmen, 2015; Cheng & Ingemansson Havensvid, 2017) have taken influence from the strategy-as-practice approach (e.g. Whittington, 2006), which is considered as an important field of research within strategic management.

The s-a-p approach opens up a more nuanced view of strategy tools in comparison with conventional strategic management research. The s-a-p approach recognizes strategy from a micro-perspective by recognizing the activities of strategy practitioners, such as doings and talk. Moreover, strategizing is seen as occurring within interaction among individuals, which naturally also can be coupled with the IMP-approach.

Strategy tools as facilitators of business network development

Based on the literature review of strategy tools it is possible to say that within traditional research within strategic management strategy tools are seen as opportunities for companies to succeed and create competitive advantage. This implies that the strategy tools are based on the perspective of one single company within a certain context of other actors such as customers, suppliers and competitor. The tools can be related to many functions of the company, and they can simultaneously be related to analyzing, planning and implementing. Sometimes these tools can be criticized for being too general, and that it is hard to see the benefit from them in practice. Moreover, the tools are mostly used on a managerial level, leaving less attention to every-day strategy-tools used by individuals in the company. The s-a-p approach explores the micro activities of strategizing and strategy tools is a central issue here.

To sum up prior research on strategy tools, it is evident that there are studies focusing on the perspective of a single firm, on interaction between firms and on strategizing in practice from an individual- and inter-individual perspective. Moreover, different tools are often treated isolated from other kinds of tools. Research on managerial perceptions on strategy tools is lacking, and more particularly, about how different combinations of tools are perceived as facilitators of the development of different kinds of business relationships. Next, in an empirical study, we explore managerial perceptions of strategy tools..

Methodology

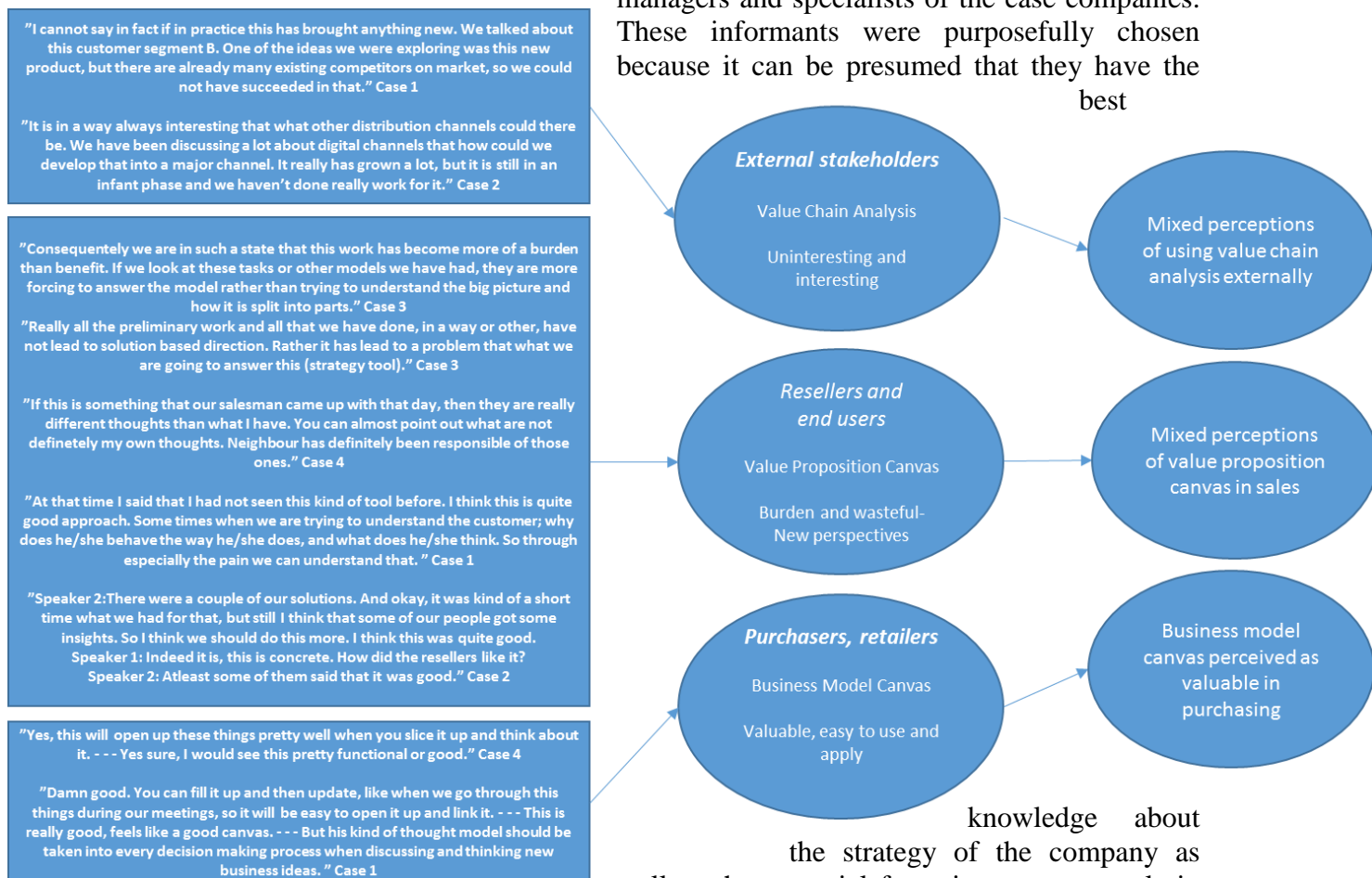
The empirical part of this study is based on qualitative case study research, which was considered as appropriate as the research questions are of an explorative nature. According to Yin (1989) case study research is suitable when the research questions are related to “why” and “how”, which is the case in this study. Another argument in favor of using qualitative research is the meaning of the context within which the studied phenomenon takes place

(Patton, 1987), and as always when focusing on business relationships and networks, context matters. Moreover, case study research is commonly used when studying business relationships and networks (Halinen & Törnroos, 2005).

The cases of this study comprises of six smes, which are chosen by sorting the 500 most profitable companies from four different regions in Finland. The chosen regions were Ostrobothnia, Southern Ostrobothnia, Pirkanmaa, and Uusimaa. Out of the 500 companies 300 most growing companies were chosen to be possible research candidates. From those companies six case companies were selected to be part of the study. The companies are from different industries and the managers share a passion to develop their operations. Also the companies share exceptionally high profitability measured combined with a continuous high growth figures.

The main research method is interviews, but the empirical material has also been **complemented with written documents such as web-pages and participatory observation** through strategy workshops. The interviews were carried out in 2015-2016. The average length of an interview and or workshop was 114 minutes. All interviews and workshops were recorded and transcribed. The informants were the managing directors, managers and specialists of the case companies.

These informants were purposefully chosen because it can be presumed that they have the best



knowledge about the strategy of the company as well as the potential for using strategy tools in

the development of relationships with other firms. A very initial coding of the empirical material has been done based on Corley and Gioia (2004). In the analysis, we started from the transcribed interviews and coded the material into two groups: a) type of business relationship, b) strategy tool and c) managerial perceptions of it An illustration of the first-draft of the coding scheme is presented in Figure 1.

Figure 1: Coding scheme

Reflections on the findings

An initial analysis of the findings indicate that three strategy tools were used for developing business relationships: value chain analysis, value proposition canvas and business model canvas. All these tools include a relational perspective and can therefore be viewed as appropriate for developing business relationships. Of these tools, it is possible to say that Value Chain Analysis (Porter) represent a traditional strategy tool that has been an influencer for many other strategy tools. However, Value Proposition Canvas and Business Model Canvas both represent more modern strategy tools that integrate customer value, targets and strategies on different levels (Osterwalder & Pigneur, 2019).

The findings indicate that different tools can be related to the development of different kinds of business relationships. It is apparent from the findings that value chain analysis were used mainly in relationships with various external stakeholders, and the perceptions of its usefulness were mixed. Some managers found the tool interesting and others perceived it as uninteresting and not that valuable as a tool for business relationship development. In further analysis of the empirical material we will more thoroughly explore these differing perceptions and what they are related with.

For sales related activities in relationships with resells and end-users, the Value Proposition Canvas were applied and perceived both as a “burden” and as a strategy tool facilitating new perspectives. However, in supply-related activities in relationships with purchasers and retailers, the Business Model Canvas was often used. In comparison with the other tools, the Business Model Canvas was perceived as valuable and easy to use for the development of business relationships.

In the next stage of analyzing the findings, we will explore how different strategy tools are related when developing business relationships and in what way the relationships are developed by using the tools. Moreover, we will more thoroughly explore the implications of different kinds of perceptions related to a certain strategy tool.

Conclusions

From a theoretical perspective the findings of this study contributes to prior IMP-research on strategy tools by bridging a company perspective with intentions of developing business relationships and networks.

From a managerial perspective the findings give insights how managers perceive different strategy tools and assume their potential for developing certain kinds of business relationships and networks.

A limitation with this study is that it focuses only on the perspective of one firm, and not on the perceptions of other managers involved in the relationship or network. Another limitation is that the dimension of time is only recognized through managerial perceptions at one point in time and not as a longitudinal study where the development of the relationship also would be included. A third limitation with the study is that from a theoretical perspective, the meaning and implications of managerial perceptions was not considered, and this would perhaps have given other interesting angles of the findings. Last, but not least, from an empirical perspective, this study was not able to capture the implications of strategy tools in practice from a s-a-p-perspective.

Future research should focus on increasing our knowledge of strategy tools, and particularly on combinations of strategy tools and how they influence the development of business relationships and networks. Moreover, there is a need for more longitudinal research on strategy tools and their use, development and meaning over time. From a business network perspective, it is essential to recognize all actors involved, and how for example the type and development of relationships is related to the use of strategy tools.

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