

# The last chapter of strategy's tool saga

## An overview of qualitative strategy tool

june 2017

The qualitative (or 'soft') tools used in strategic analysis differ from their quantitative counterparts in terms of the underlying methodology that does not produce a numerical summary measure. In fact, the output of qualitative analysis can be represented flexibly by means of a multitude of logical schemes and explanatory diagrams of a descriptive nature.

Qualitative methodology proceeds through:

- an initial mental definition of the problem, resulting in the identification of common factors;
- further investigation of the explanatory features in an iterative process until the logical validity of the model is confirmed.

The strategic tools used in a qualitative approach are functional to:

- data reduction: coding, segmenting and summarising the dataset;
- data display: organizing, compressing and assembling the dataset to abstract and compare multi-level concepts;
- data interpretation: relevant concepts are developed and used to make sense of general phenomena. Finally, qualitative tools make it possible both to describe the competitive phenomenon being analysed, and to make inferences on the strategic variables. Qualitative tools may be of two types that can be categorized on the basis of the dynamic or nthe static logic.

### 1) Dynamic logic: defining retroactive problems

This type of tools makes it possible to process data and obtain an overview of the dynamics between the variables identified by the analyst. Such tools can be labeled 'causation and feedback tools' and are fundamental for capturing in descriptive form the retroactive phenomena arising from a strategic decision, positive or negative synergies and inter-connections between information flows in an organization. Causation and feedback tools seek to analyse the logical connections embedded in strategic information, to map the complexity of the strategic phenomena being investigated and to sketch the fundamental relations affecting the variables. Flow charts, diagrams and impact wheels are examples of causation and feedback tools.

### 2) Static logic: providing a snapshot

This type of tools provides an accurate snapshot of the pre-



cise moment in which variables and key concepts are analysed. Such tools can be subdivided into two types: 'causation and contextualization tools' and 'causation and correlation tools'.

- Causation and contextualization tools are designed to represent diagrammatically key concepts and variables on the basis of cardinal dimensions identified by the analyst, without actually summarising the concepts and variables in an index number, or relating them to each other. This type of tool seeks to identify variables relevant to the description of a phenomenon without the use of a quantitative summary measure, and without relating variables to one another. The advantage of causation and contextualization tools is the immediacy of the description they provide that can be further elaborated using other quantitative and qualitative tools. One of the best known examples of is undoubtedly Porter's five forces framework identifying the five forces that determine the attractiveness of an industry: customers, suppliers, competitors, potential entrants, and producers of substitutive products. Two further examples of this type of tools are PEST (and its extension PESTEL) analysis and SWOT analysis.

- Causation and correlation tools seek to describe the bidimensional relation between two variables in a given time horizon. These tools, unlike those presented above, do not seek exclusively to identify variables relevant to the description

of a phenomenon; rather, they outline the relation between variables at a given moment in time. In other words, they attempt to highlight, from a qualitative perspective, the effects deriving from a combination of two or more variables. Examples of such tools are the 'BCG matrix' and the 'Strategy clock'.

## Conclusions

Qualitative tools differ from the quantitative ones, both for the methodology used and for the output achieved. Despite these differences we cannot state which kind of tools is the best one, it depends on the object of the analysis, on the information the analyst has and so forth. Quantitative and qualitative tools are complementary and, appropriately used, they can help the strategist to better analyse and interpret the context he/she is dealing with.

Practice Strategy assists companies and other complex organizations in projecting, realizing and evaluating their own strategy.

Our main goal is clients' satisfaction. To do it, we combine high professionalism, outstanding qualitative standard and continuous innovation with a tailor-made approach.

Practice Strategy' consultants are chosen for the quality of their personal and aptitudinal characteristics, for the richness of their professional experience and the solidity of their technical and academic skills.

The Practice Leader is Andrea Beretta Zanoni, full professor at the University of Verona and Director of Master's Degree Course in Business Management.