INVESTIGATION OF STRATEGIC MANAGEMENT TOOLS AND TECHNIQUES

Anna Afonina, Vladimír Chalupský

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Abstract

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The paper is focused on investigation of strategic management tools and techniques used by Czech companies. The quantitative approach was used for the analysis of strategic management tools and techniques. The aim of the quantitative approach was to collect and analyse data about the awareness, satisfaction and utilization of strategic management tools and techniques. The empirical research was conducted via a questionnaire survey of Czech companies. Empirical data were collected from 74 companies in Czech Republic. For the data entry and processing data were used the Statistical package for the Social Science (SPSS). The study presents four groups of tools and techniques based on the perceived results of manager's utilization and satisfaction. The most of the examined tools and techniques concentrated on the two groups: (1) power tools, this group include the tools and techniques with high level of utilization and high level of satisfaction; (2) rudimentary tools, which includes the tools and techniques with low satisfaction and low utilization. The Spearman rank order correlation coefficient was used to identify the relationship between utilization of strategic management tools and techniques and managerial awareness. The results provide essential information on the application of strategic management tools and techniques, and indicate the level of managerial awareness of strategic management tools and techniques. In addition the findings indicate a positive relationship between the utilization of strategic management tools and techniques and managerial awareness.

strategic management, tools, techniques, awareness, utilization

At present we are living in the condition of unstable economical and political environment. Not only the private sector but also the public sector resides in the condition of the world globalization (internal economic cooperation, internal economic integration, etc.). The environment is characterized by transition to a new technological method of production; by transformation of multinational companies; by new generation of transport and communication and standartization to ensure rapid distribution of good and services, resources and ideas.

Under these conditions, the ability to adapt to new opportunities and to use all resources of a company effectively becomes initial. Strategic management tools and techniques has become a key element to achievement and supporting competitive advantage. There are number of strategic management tools and techniques which can help managers to satisfy there needs and identify the strategic position of the company. Tools and techniques of strategic management can be used in all phases of strategic management from strategic analysis through the choice to implementation. The main objective of strategic management tools and techniques is to support managers in strategic decision-making. In practice, the usefulness of strategic management tools and techniques is frequently discussed by academics and practitioners.

This research explore the managers' awareness of strategic management tools and techniques, the utilization and satisfaction by companies working in Czech Republic.

Consequently the objectives of this study are:

● to find out what strategic management tools and techniques are used in a sample of Czech organizations;
to explore the level of satisfaction of strategic management tools and techniques in a sample of Czech organizations;
• to examine the level of managerial awareness of strategic management tools and techniques in a sample of Czech organizations;
• to identify the relation between utilization of strategic management tools and techniques and managerial awareness.

The paper includes several parts. The first part describes the literature review of strategic management tools and techniques. Next part depicts the aims of the research and the research methodology. Third part presents the research findings and discussion. The paper includes the proposal of further steps of analysis and synthesis of the research findings and the formulation of future intentions of the research.

1. Literature review

The term of “strategic management tools and techniques” is used very widely; however there is no general accepted definition of what is meant by strategic management tools and techniques. Every academics gives his individual interpretation of strategic management tools and techniques and denominates them by different ways, such as “management tools”, “strategy tools”. Thereby for clear understanding the term of strategic management tools and techniques we will use the next definition:

Strategic management tools and techniques (hereinafter SMTT) are different tools that support managers in all phases of strategic management – from the strategic analysis phase through the strategic choice to implementation with the intention to improve some deficiencies in organization for better performance (Afonina and Chalupský, 2012).

The benefits of strategic management tools and techniques (Clark, 1997; Frost, 2003; Stenfors et al., 2004; Spee and Jarzabkowski, 2009) can be summarized as: claimed to solve practical problems, designed for executives to help them to analyze environment, make a decision, provided diversity by creating point of views, can be adapted to a wide range for strategic tasks, facilitating social interaction between strategy participants.

Based on the literature review we found that there are 4 groups of research studies that investigate strategic management tools and techniques. The first group of research studies examines SMTT as a part of wider study of strategic planning process (Glaister and Falshaw, 1999; Stonehouse and Pemberton, 2002; Elbanna, 2007). For example, Stonehouse and Pemberton (2002) reported unexpected results that traditional tools, such as Porter's 5 forces, STEP analysis, value chain analysis and portfolio analysis were used seldom by SMEs in both sectors (manufacturing and service). While most of the studies reported that these particular tools and techniques are popular to utilize among managers in different countries.

The second group of research studies examines the relation between strategic planning and strategic management tools and techniques. It was found that SMTT has been inseperably linked with strategic planning (Clark, 1997; Frost, 2003).

The third group of research studies focuses on their attention on the use of SMTT, and satisfaction with them (Aldehayyat and Anchor, 2008; Ghambi, 2005; Gunn and Williams, 2007; Rigby and Bilodeau, 2011). One of the longitudinal global surveys is presented by Bain & Company since 1993. Bain examines the managers’ view of SMTT (utilization, satisfaction, usefulness) and provides information to select, implement and identify optimal tools and techniques for work. Their studies analysed the usage, satisfaction and effectiveness of 25 management tool and techniques among five continents – North and South America, Europe, Asia and Africa.

Generally, it can be argued that empirical studies presented the similar results. The most mentioned and commonly used tools according to these studies were SWOT analysis, Porter’s 5 forces, PEST analysis, Benchmarking, Balanced scorecard (Haapalina et al., 2004; Gunn and Williams, 2007; Elbanna, 2007; Aldehayyat and Anchor, 2008; Aldehayyat et al., 2011).

The last, fourth group of research studies investigate the classification of SMTT (Prescott and Grant, 1988; Webster et al., 1989, Clark, 1997; Knott, 2006; Vaitkevicius, 2006; Vaitkevicius et al., 2006; Lisinks and Saruckij, 2006). These studies provide organization executives, managers and also researchers with helpful theoretical information: indicating the role of SMTT and also allowing to the practitioners and researchers to compare particular tool according to the different features, related to SMTT. However it should be noted that there is no study that has successfully proposed and empirically tested a universal classification of SMTT.

Gunn and Williams (2007) identify three main reasons why it is important the understanding of SMTT: (1) it indicates the motivations of managers when utilising SMTT; (2) it will be suggestive of the dissemination process underpinning the application of SMTT; (3) it assists not just academics, but also practitioners in moving away from a normative and rational approach to more humanistic, practise-based approaches to the understand the usage of the tool.

Summing up, practical research in the field of SMTT is in relatively short supply. It can be argued that there has been limited publication in the field of strategic management tools and techniques not just in Czech Republic, but also abroad. The value of strategic management tools and techniques is not widely recognized. This research is designed not just to better understanding of SMTT, but also it can hopefully reduce the uncertainty to management tools and techniques.
2. Research methods

The aim of the quantitative preliminary research is to collect data from the Czech organizations. This research was prepared in order to grasp the current level of managerial awareness, the level of utilization and satisfaction of strategic management tools and techniques. The research helps to get knowledge about SMTT in Czech Republic to make a general outline. The research took place in 2010–2011. Data were collected through the web-form questionnaire. The questionnaire was deliberately sent to the participants of MBA program, organized by the Faculty of Business and Management with cooperation with Nottingham Business School. The group of respondents is relatively homogenous – there are managers with clear focus on the strategic management problems/challenges.

Completed questionnaire were received from 74 organizations seated in Czech Republic. Based on the average number of employees the companies were classified into very small, small, medium-sized and large enterprises. Taking into consideration the EU commission recommendation for Czech Republic, the examined population in research includes 15 very small (20%), 16 small (22%), 10 medium-sized (14%) and 33 large companies (44%).

The respondents were the top and middle-level managers involved in strategic management. The design of the questionnaire was inspired by the similar studies with focus on the use of strategic tools and techniques – Frost, 2003; Rigby and Bilodeau 2007; Gun and Williams, 2007; Aldehayyat and Anchor, 2008. For a total of 31 tools and techniques respondents were asked on a 3-point scale rating: “regularly use”, “frequently use” and “not use at all”. The list of the SMTT was based on the previous studies connecting with the use of strategic tools and techniques (Hussey, 1997; Clark, 1997; Frost, 2003; Gun and Williams, 2007, Rigby and Bilodeau, 2007; Aldehayyat and Anchor, 2008).

In order to determine the relationship between utilization of strategic management tools and techniques and managerial awareness we took the Spearman rank order correlation coefficient.

3. Research findings and discussion

3.1. Strategic management tools and techniques utilization and satisfaction

Respondents were asked about utilization of different strategic management tools and techniques in the first set of measures (for a total of 31 tools and techniques). The second set of measures was managerial awareness of SMTT. This information allows us to assess managers’ perception with tools and techniques of strategic management.

Following Rigby and Bilodeau (2007) we identified four categories of strategic management tools and techniques based on the received data, in order to see the picture of strategic management tools utilization and satisfaction by examined companies in Czech Republic. According to that differentiation, we design the map of strategic management tools and techniques. It was chosen two main features of those tools and techniques, such as manager’s satisfaction with strategic management tools and techniques (horizontal axis) and tools and techniques utilization by companies in Czech Republic (vertical axis).

Fig. 1 demonstrates four groups of strategic management tools and techniques, namely:

- Rudimentary tools. This group includes the tools and techniques with low satisfaction and low utilization. Namely: winn-loss analysis, customer purchase plan analysis, portfolio analysis, analysis of advertising effectiveness, Balanced Scorecard, new product acceptance analysis, product life-cycle analysis, GAP analysis, ABC analysis, value-chain analysis, finance analysis (“brand equity”), customer life-time value; “budget ratio” “share of wallet”, net promoter score.
- Specialty tools. This group contains tools and techniques with low level of utilization and high level of satisfaction. Namely: analysis of relative profitability and customer value analysis.
- Blunt instruments. That group includes the tools and techniques with high level of utilization and low level of satisfaction. Namely: benchmarking and analysis of customer’s defection.
- Power tools. The last group contains the tools and techniques with high level of utilization and high level of satisfaction. Namely: SWOT analysis, customer satisfaction analysis, price analysis, analysis of customers complaints, cost-benefit analysis, Porter’s 5 forces, analysis of customers opinions and attitudes, market share analysis, customer profitability analysis, market segmentation based on customer needs and wishes, level of service analysis, PEST analysis, and analysis of views and employee attitudes.

The findings indicate four groups of strategic management tools and techniques. However, it should be noted that the most of the examined tools and techniques concentrated on two groups: (1) power tools; (2) rudimentary tools. We can only speculate about the reason of such differentiation. First of all, companies are more satisfied with tools and techniques, which they utilize more, while they do not utilize another tools and techniques so frequently and perhaps they expect more high results (outcomes) from these SMTT.

Secondly, it can be argued that Czech companies focus on tools and techniques which can be named as a “traditional tools” or “commonly used” tools and techniques. They are most likely to use SWOT analysis, Customer Satisfaction analysis, Price analysis, Cost-benefit analysis, Porters 5 forces and others which were mentioned above in the category of power tools. The companies are more satisfied with this group of SMTT, and also these tools are the most used tools by the companies participating in our survey. For example, SWOT analysis is used
to evaluate the company's strength, weaknesses, opportunities, and threats. It involves monitoring the external and internal marketing environment. This popularity is not surprising because SWOT analysis is considered as one of the most visible tools to assess internal and external factors.

Customer Satisfaction analysis is used to provide companies to determine satisfaction, dissatisfaction, and loyalty not just of the products and services but also of the company.

The next tools, namely as Porters 5, market segmentation is used mostly for the operating environment analysis than to access remote environment or internal environment (Vaitkevicius et al., taxonomy, 2006).

On the other hand, the findings also show an extremely low utilization and satisfaction rate with Net Promoter Score, "budget ratio", and Customer Life-Time Value (under 20% by utilization and satisfaction). It's clear that managers prefer to use (falling back) tools, which are widely understood and they helped them in the past.

This group of tools and techniques, namely as „rudimentary“ can follow the next possible trajectory:
- They will continue to perform badly and ultimately will prove the attitude to that tools and techniques as passing fads
- They will be improved and bring more advantages to the organizations
- They will grow up in usage till they need but not in a position to improve their effectiveness, coming to be “Blunt instruments” with high level of utilization and low level of satisfaction, like analysis of customer defection.
- They will adapt and sharpen their effectiveness and become “Power Tools” such as customer purchase plan analysis or win-loss analysis (Rigby and Bilodeau, 2007).

Another group of tools as the part of the “blunt” group consists of Benchmarking and analysis of customers' defection. For example, Benchmarking is mostly used for collecting and processing information than for decision making. Despite
the fact that these tools are popular in use among managers, the satisfaction is low (over 35%).

The last group is also composed of two SMTT. However, one of the tool, namely as analysis of relative profitability, is positioned on the border between "power" and "specialty" tools. If this tool will perform badly it can stay in the group with low usage and high satisfaction or can relocate to the "rudimentary" group. As for customer value analysis, this tool is used by 38 per cent of respondents and 43 per cent of organization are satisfy with this tool. The main components of this tool connected with customer records and purchasing patterns, plus extensive survey research.

Summing up our considerations, the findings reflect the group of power tools, namely SWOT analysis, customer satisfaction analysis, price analysis, analysis of customers complaints, cost-benefit analysis, Porter's 5 forces, analysis of customers opinions and attitudes, market share analysis, customer profitability analysis, market segmentation based on customer needs and wishes, level of service analysis, PEST analysis, and analysis of views and employee attitudes. However it does not mean that it is required to use these tools. These results only show us that these SMTT come to be highly helpful for managers in achieving variety of strategic activities. The tools and techniques in this group related to an organization, by estimating the external and internal environment, and also it should be mention that six of the tools (from mentioned above) are focused on the study of consumer.

3.2. Awareness and knowledge of strategic management tools and techniques

Another part of research was focused on the managerial awareness of SMTT. Fig. 2 demonstrates respondents' awareness of strategic management tools and techniques. The findings show that the most unknown tools (from the list of 31) by respondents were net promoter score (77%), "budget ratio" "share of wallet" (57%), customer life-time value (53%) and ABC (activity-based costing) (42%). In addition, based on the previous findings, these tools are not popular among respondents. It can be a reason why managers do not utilize these tools and techniques. The utilization of these tools is under 30 per cent of organizations.

Fig. 2 also shows that about most of the tools and techniques the respondents were "aware of", except these four mentioned above. Three of the tools identified by respondents' namely SWOT analysis (74%), PEST analysis (55%), and Porter's 5 forces (47%) were known by them in detail. "Detailed knowledge" means that the candidate is able to actually perform the activity involved and explain verbally or in writing what they are doing by utilizing different strategic management tools and techniques. It is more than just having a broad idea of a tool; perhaps it is better to describe it as practical knowledge.

2: Awareness of strategic management tools and techniques

Source: Own research

1 – Analysis of customer's complaints; 2 – Analysis of views and employee attitudes; 3 – Customer Satisfaction Analysis; 4 – Level of Service Analysis; 5 – Market share analysis; 6 – Analysis of customers' opinions and attitudes; 7 – Price analysis; 8 – Benchmarking; 9 – ABC analysis; 10 – Winn-loss analysis; 11 – Analysis of customer defection; 12 – Analysis of relative profitability; 13 – Net promoter score; 14 – "budget ratio" "share of wallet"; 15 – Customer Life-time Value; 16 – Portfolio analysis; 17 – Balanced Scorecard; 18 – Customer Profitability Analysis; 19 – Customer value analysis; 20 – Customer Purchase Plan Analysis; 21 – Market segmentation based on customer needs and wishes; 22 – New Product Acceptance Analysis; 23 – Brand equity; 24 – Analysis of Advertising Effectiveness; 25 – Cost-Benefit Analysis; 26 – Porter’s 5 forces; 27 – Strategic Gap Analysis; 28 – Value chain analysis; 29 – SWOT analysis; 30 – PEST analysis; 31 – Produkt Life-Cycle Analysis.
### Correlation between use of strategic management tools and techniques and managerial awareness

<table>
<thead>
<tr>
<th>Strategic management tools and techniques</th>
<th>Awareness of SMRT</th>
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<tbody>
<tr>
<td>SWOT analysis</td>
<td>Correlation Coefficient: 0.081*</td>
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<td>Sig. (2-tailed): 0.044</td>
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<tr>
<td>PEST analysis</td>
<td>Correlation Coefficient: 0.450**</td>
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<td>Sig. (2-tailed): 0.000</td>
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<td>Analysis of customers complaints</td>
<td>Correlation Coefficient: 0.512**</td>
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<td>Sig. (2-tailed): 0.000</td>
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<tr>
<td>Analysis of clients and employee attitudes</td>
<td>Correlation Coefficient: 0.418**</td>
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<td>Sig. (2-tailed): 0.000</td>
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<td>Customer Satisfaction Analysis</td>
<td>Correlation Coefficient: 0.515**</td>
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<td></td>
<td>Sig. (2-tailed): 0.000</td>
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<td>Level of Service Analysis</td>
<td>Correlation Coefficient: 0.488**</td>
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<td>Sig. (2-tailed): 0.000</td>
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<tr>
<td>Market share analysis</td>
<td>Correlation Coefficient: 0.444**</td>
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<td></td>
<td>Sig. (2-tailed): 0.000</td>
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<tr>
<td>Analysis of customers’ opinions and attitudes</td>
<td>Correlation Coefficient: 0.489**</td>
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<td></td>
<td>Sig. (2-tailed): 0.000</td>
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<td>Price analysis</td>
<td>Correlation Coefficient: 0.395**</td>
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<td>Sig. (2-tailed): 0.001</td>
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<td>Benchmarking</td>
<td>Correlation Coefficient: 0.421**</td>
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<td></td>
<td>Sig. (2-tailed): 0.000</td>
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<tr>
<td>ABC</td>
<td>Correlation Coefficient: 0.494**</td>
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<td></td>
<td>Sig. (2-tailed): 0.000</td>
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<tr>
<td>Win-loss</td>
<td>Correlation Coefficient: 0.408**</td>
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<td></td>
<td>Sig. (2-tailed): 0.000</td>
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<td>Analysis of customer defection</td>
<td>Correlation Coefficient: 0.298**</td>
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<td>Sig. (2-tailed): 0.007</td>
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<td>Analysis of relative profitability</td>
<td>Correlation Coefficient: 0.547**</td>
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<td></td>
<td>Sig. (2-tailed): 0.000</td>
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<tr>
<td>Net promoter score</td>
<td>Correlation Coefficient: 0.554**</td>
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<td></td>
<td>Sig. (2-tailed): 0.000</td>
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<tr>
<td>&quot;bucket ratio&quot; ... share of relief</td>
<td>Correlation Coefficient: 0.339**</td>
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<td>Sig. (2-tailed): 0.002</td>
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<td>Customer Life-time Value</td>
<td>Correlation Coefficient: 0.372**</td>
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<td>Sig. (2-tailed): 0.001</td>
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<td>Portfolio analysis</td>
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<td>Sig. (2-tailed): 0.019</td>
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<td>Balanced Scorecard</td>
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<td>Customer Profitability Analysis</td>
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<td>Sig. (2-tailed): 0.000</td>
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<td>Customer value analysis</td>
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<td>Sig. (2-tailed): 0.002</td>
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<td>Customer Purchase Plan Analysis</td>
<td>Correlation Coefficient: 0.358**</td>
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<td>Sig. (2-tailed): 0.001</td>
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<td>Market segmentation based on customer needs and wishes</td>
<td>Correlation Coefficient: 0.524**</td>
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<td>Sig. (2-tailed): 0.000</td>
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<td>New Product Acceptance Analysis</td>
<td>Correlation Coefficient: 0.406**</td>
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<td>Sig. (2-tailed): 0.000</td>
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<td>&quot;brand equity&quot;</td>
<td>Correlation Coefficient: 0.355**</td>
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<td>Sig. (2-tailed): 0.001</td>
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<td>Analysis of Advertising Effectiveness</td>
<td>Correlation Coefficient: 0.432**</td>
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<td>Sig. (2-tailed): 0.000</td>
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<td>Cost-Benefit Analysis</td>
<td>Correlation Coefficient: 0.390**</td>
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<td></td>
<td>Sig. (2-tailed): 0.000</td>
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<tr>
<td>Porter’s 5 forces</td>
<td>Correlation Coefficient: 0.337**</td>
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<td></td>
<td>Sig. (2-tailed): 0.002</td>
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<tr>
<td>Strategic Gap Analysis</td>
<td>Correlation Coefficient: 0.413**</td>
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<td>Sig. (2-tailed): 0.000</td>
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<tr>
<td>Value chain analysis</td>
<td>Correlation Coefficient: 0.398**</td>
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<td>Sig. (2-tailed): 0.000</td>
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<tr>
<td>Product Life-Cycle Analysis</td>
<td>Correlation Coefficient: 0.279**</td>
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<td>Sig. (2-tailed): 0.008</td>
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* Correlation is significant at the 0.05 level (2-tailed)
** Correlation is significant at the 0.01 level (2-tailed)
From these findings it can be concluded that there is a need not just for wider understanding of strategic management tools and techniques by organization executives and managers, who are working with these tools and techniques but also a better understanding of their application, to have more deep knowledge and skills.

4. The relationship between utilization and awareness of strategic management tools and techniques

In this paper we examine SMTT according to the next factors represented by satisfaction of SMTT, utilization and awareness of SMTT by some of Czech organizations. The research findings show that managers of the organizations had an awareness of the most strategic management tools and techniques but did not certainly utilize them all. The received data let us suggest that there is a relationship between utilization of SMTT and managerial awareness. In order to investigate this relationship the following hypothesis was created:

H1: There is a positive and direct relationship between utilization and awareness of SMTT.

For further analysis, Spearman's correlation was conducted to assess the relationship between the awareness of SMTT and the utilization of the management tool and techniques. The test was executed for all of the 31 techniques. The data referred to in this paper were all bivariate.

The Spearman rank order correlation coefficient allows to testing strength and direction of association that exists between two variables.

Spearman's coefficient of rank correlation, denoted by $r_s$, can be calculated by applying the formula:

$$r_s = 1 - \frac{6 \sum d_i^2}{n(n^2 - 1)},$$

where:
- $r_s$ is the Spearman coefficient;
- $d_i$ is the difference in the ranks given to the two variable values for each item of data;
- $n$ is the number of sets of data (Tab. I).

The Spearman's coefficient leads us to reject or accept the hypothesis. The analysis revealed that the correlation between the utilization of strategic management tools and techniques and managers awareness of SMTT is statistically significant for all management tools and techniques (see Tab. I). The findings show that there is no negative relationship between utilization of SMTT and managers awareness. Rs value is above the critical value equal 5%, there is 95% likelihood that there is a significant relationship between variables (utilization and managerial awareness). Also we received Rs value above the critical value equal 1%, there is 99% likelihood that there is a significant relationship between variables.

Based on these results, H1 was supported suggesting as a significant positive relationship between utilization of SMTT and manager's awareness.

**CONCLUSIONS**

This paper provides the evidence to explain the utilization, satisfaction and managerial awareness of strategic management tools and techniques, drawing on data from Czech companies. This study presents four groups of tools and techniques based on the perceived results of manager’s utilization and satisfaction. For example, one of the most applied tools is SWOT analysis. This result is in line with previous researches (Clark, 1997, Stenfors et al., 2004). The use of SWOT analysis has been found to be common among organizations in such countries as UK, Australian and Finland.

The results indicate that managers are more satisfied with mostly utilized tools and techniques if they aware of them. However, there is still a gap between knowledge and the utilization of strategic management tools and techniques. Increasing complexity of today's situation can force organizations to improve the managers professional skills or to replace it by outside experts.

By using the Spearman's coefficient of rank correlation we investigated the relationship between utilization of strategic management tools and techniques and managerial awareness of these tools and techniques. The findings show that the positive and significant relationship exists (H1).

There is no doubt that utilization of strategic management tools and techniques and the level of managerial satisfaction and awareness are on of the mostly significant elements of company stable development. Thus, there is a need of further investigation, to find out which positive or negative consequences can bring for the organizations particular tool or technique, in which specific context managers should utilize them. It will be helpful to the academics and practitioners who are using strategic management tools and techniques.

**SUMMARY**

The paper provides empirical evidence about utilization, satisfaction and awareness of strategic management tools and techniques by sampled organizations. It can be argued that there is still a gap between managerial awareness and the utilization of strategic management tools and techniques. Respondents aware of the greater part of strategic management tools and techniques, but they did not regularly utilize them. In particular, SWOT analysis is the most applied strategic tool among
managers. The most unknown tools and techniques from the list of 31 strategic management tools and techniques were net promoter score (77%), analysis of the proportion of expenditure on customers purchases ‘budget ratio’ ‘share of wallet’ (57%), and customer life time-time value (53%). In addition, the findings indicate a positive relationship between the utilization of strategic management tools and techniques and managerial awareness. According to the obtained results managers are more satisfied with mostly utilized tools and techniques and if they are aware of them.

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Address
Ing. Anna Afonina, Department of Business and Management, doc. Ing. Vladimír Chalupský, CSc., MBA, Department of Business and Management, Brno University of Technology, Kolejní 4, 612 00 Brno, CzechRepublic, e-mail:afonina@fbm.vutbr.cz, chalupsk@fbm.vutbr.cz