

The Bottom Line on Management

A Look at their Use and Effectiveness across the World



Over the past decade, executives have witnessed an explosion of management tools and techniques ranging from TQM to CRM and from Reengineering to Benchmarking. The term “management tool” now encompasses a broad spectrum of approaches to management—from simple planning software to complex organisational designs, to revised business philosophies. Many of these tools offer conflicting advice. One may call for keeping all your customers while another advises you to focus only on the most profitable. But all of these tools have one thing in common: they promise to make their users more successful. Today beleaguered managers—struggling to demonstrate that they can adapt to rapid change in an increasingly challenging world—are turning to management tools in unprecedented numbers.

Faced with a continuing economic slump, companies are—more than ever—relying on management tools and techniques to reach elusive growth targets. According to an ongoing Bain & Company survey, there has been a dramatic increase in the number and types of analytical methods that companies are applying to squeeze profits and productivity during the current downturn—a jump of nearly 60% from 2000 to 2002. While 51% had used the recession to improve

their competitive position, less than 50% of this year’s survey respondents cited improving economic conditions in their industry, and 65% expressed concern about how they will meet their growth targets.

Bain & Company launched its multi-year research project in 1993 to get the facts about management tools. The primary objective of this ongoing study is to provide managers with the information they need to identify, select, implement and integrate tools that will improve bottom line results. To qualify for inclusion a tool must be relevant to senior management, topical (as evidenced by coverage in the business press), and measurable.

Over the past nine years, Bain has assembled a database that now includes 6 323 respondents from 70 countries in Europe, North America, Asia, Africa and South America. In this last edition, Bain received 708 completed surveys from a broad cross-section of international senior executives (a well-balanced mix of line and staff, corporate and divisional managers). These managers—300 of who also agreed to personal,

follow-up interviews—represent a full range of industries and company sizes. Roughly 43% of the companies are in the below \$600 million bracket, 20% in the \$600 million to \$2 billion, and 37% in the \$2 billion and above range.

The global 2002 study also compared results with those compiled in 2000 and found that the most widely used tools remained the same: Strategic Planning, Benchmarking and Mission and Vision Statements. Each was used by over 80% of survey participants. In lean times, tools requiring large cash outlays were used the least: Stock Buybacks, Corporate Venturing and Merger Integration Teams.

While usage increased in 2002, satisfaction rates remained relatively the same. Companies were most satisfied with tools that provide focus, both internally and externally, namely: Corporate Code of Ethics, Strategic Planning and Core Competencies.

REGIONAL VARIANCES

The survey results suggest that attitudes and tool usage vary by

region, which paints a striking difference in the ways managers approach dealing with economic uncertainty.

North America is the only region to include Contingency Planning, not Customer Segmentation, in its top 10. Europe counts Core Competencies in its top 10 but not Corporate Code of Ethics. Interestingly, Asia Pacific resembles the global top 10 preferences most closely, shifting only in its ranking of the 10th and 11th most used tool. The most striking change in South American tool usage is the fall from favour of Balanced Scorecard.

Asian managers also embraced the broadest use of management techniques and placed greater emphasis on customer-focused tools, such as CRM and Customer Segmentation. European managers placed a greater premium on Knowledge Management and Change Management. North American managers focused largely on cost cutting versus revenue growth, using such methods as Downsizing, Outsourcing, Reengineering, and Stock Buybacks.

Global Top 10		Europe	North America	Asia	South America
1.	Strategic Planning	1	1	1	2
2.	Benchmarking	4	3	3	1
3.	Mission and Vision Statements	5	2	4	4
4.	Customer Segmentation	3	12	2	6
5.	Corporate Codes of Ethics	13	4	9	8
6.	CRM	2	10	5	11
7.	Customer Surveys	6	7	11	3
8.	Outsourcing	8	5	7	5
9.	Growth Strategies	9	8	8	9
10.	Pay-for-Performance	10	6	6	7

Top 10 Used Tools by Region

Tools

	Europe	North America	Asia	South America
I am proud of our corporate ethics	76%	88%	83%	88%
Countries should reduce trade barriers and increase free trade agreements	81%	74%	84%	86%
Our ability to adapt to change is a significant competitive advantage	74%	66%	68%	86%
Innovation is more important than price for long-term success in our industry	68%	63%	72%	83%
In 2003, we will focus more on revenue growth than cost reductions	54%	54%	68%	65%
Our international sales will grow faster than domestic revenues through 2005	59%	37%	57%	44%
It feels like economic conditions are improving in our industry	30%	38%	51%	51%
We will probably need to do layoffs in 2003	42%	33%	26%	44%
It's a good idea to re-price stock options to re-motivate management	40%	23%	34%	37%
The actions we took in this downturn will hurt our long-term performance	17%	19%	12%	51%

Attitudes by Region

Again, some of the attitudes towards internal and external factors vary by region. For instance, companies in Europe and North America are less likely to focus on revenue growth over cost reduction, while those in Asia and South America are more likely to. Meanwhile European and Asian companies are more likely to feel their growth will come from international sales than those in North America will.

OVERALL TRENDS

The survey results suggest that managers are taking actions to achieve four things:

Preserve customer revenues

The use of CRM surged from 35% in 2000 to 78% in 2002, vaulting it from the 15th position on the Top 25 list of tools used to seventh position.

And in what may seem like a surprising twist to some, overall satisfaction with CRM actually increased over the 2000 survey results. Customer Segmentation usage, a valuable way to ensure a company targets the most profitable customers, is also up from 51% to 79%.

Prepare the hard road to growth

Almost 60% of respondents claim that "In 2003, we will focus more on revenue growth than on cost reduction." But how to get there is not clear to many of them since 65% say they are concerned about how they will meet their growth targets. Unable to pass price increases on to customers, 70% of companies see the importance of innovation as a growth engine compared to price for long-term success in their industry.

Prepare for unexpected contingencies

As uncertainty has increased over the last two years, more and more companies stress Contingency Planning in their regular activities. In the 2001 *Management Tools* survey, Contingency Planning did not even make the cut in the list of the top 25 most popular tools. However today, over 70% of companies viewed their ability to change as a significant corporate advantage compared to only 38% in 1993 when the survey was first conducted.

Focus on ethics

In spite of an environment filled with Enrons and WorldComs, 84% of respondents said they are proud of their corporate ethics; and 59% agreed that taking care of customers and employees should come before shareholders.

WORDS OF CAUTION

Beyond the data we have collected, here is some additional, practical advice to take away from the study:

Tip #1: Get the facts.

Every tool carries a set of strengths and weaknesses. Success requires understanding the full effects—and side effects—of each tool and then creatively combining the right ones in the right ways at the right times.

Tip #2: Champion enduring strategies, not fads.

Managers who promote fleeting fads undermine the confidence of employees in their ability to create needed change, resulting in increased scepticism for their programs.

Tip #3: Choose the best tools for the job.

Managers need a rational system for selecting, implementing, and integrating the tools and techniques appropriate for their companies.

Tip #4: Adapt tools to your business system (not vice versa).

Keeping up with management tools and techniques, and deciding which ones to use, is an essential part of every executive's responsibilities.

Bain's *Management Tools* study provides some objective data to counteract the groundless hype that arises in the absence of documented evidence. A destructive form of hype since it can make choosing and using management tools a dangerous game of chance. ✨

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