MANAGEMENT TOOLS 2017

An executive's guide

Darrell K. Rigby

BAIN & COMPANY

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Published by
Bain & Company, Inc.
131 Dartmouth Street
Boston, MA 02116

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Preface

Over the past few decades, management tools have become a common part of executives' lives. Whether they are trying to boost revenue, innovate, improve quality, increase efficiencies or plan for the future, executives search for tools to help them. The current environment of globalization, rapid technological advances and economic turbulence has increased the challenges executives face and, therefore, the need to find the right tools to meet those challenges.

To do this successfully, executives must be more knowledgeable than ever as they sort through the options and select the right management tools for their companies. The selection process itself can be as complicated as the business issues the executives need to solve. They must choose the tools that will best help them make the business decisions that lead to enhanced processes, products and services—as well as deliver superior performance and profits.

Successful use of such tools requires an understanding of the strengths and weaknesses of each one, as well as an ability to creatively integrate the right tools in the right way at the right time. The secret is not in discovering one simple solution but in learning which mechanisms to use and how and when to use them. In the absence of objective data, groundless hype makes choosing and using management tools a dangerous game of chance. To help inform managers about the tools available to them, Bain & Company launched a multiyear research project in 1993 to gather facts about the use and performance of management tools. Our objective was twofold:

- Help managers understand how their current application of these tools and subsequent results compare with those of other organizations across industries around the globe
- Meet the information managers' need to identify, select, implement and integrate the optimal tools to improve their company's performance

Every year or two since 1993, we have conducted research to identify 25 of the most popular and pertinent management tools. In this guide, we define the tools and how they are used. Through our research, we have determined the extent to which each tool is being deployed and its rate of success.

Over time, our research has provided a number of important insights. Among them:

- Overall satisfaction with tools is moderately positive, but their rates of usage, ease of implementation, effectiveness, strengths and weaknesses vary widely.
- Management tools are much more effective when they are part of a major organizational effort.
- Managers who bounce randomly from tool to tool undermine employees' confidence.

- Hyperbole surrounding the trendiest of tools often leads to unrealistic expectations and disappointing results.
- Decision makers achieve better results by championing realistic strategies and viewing tools simply as a means to a strategic goal.
- No tool is a cure-all.

In our 2015 survey, we found that managers were facing an increasingly challenging world:

- The majority believed that customers are less loyal to brands than they once were.
- Half were using advanced analytics and/or experimentation and testing techniques to transform their marketing strategy.
- Two-thirds felt their spending on IT must increase as a percentage of sales.
- Detailed results from the Management Tools & Trends 2015 survey are available at www.bain.com/tools.

Our efforts to understand the continually evolving management tools landscape have led us to add three new tools to this year's guide: Agile Management, Customer Journey Analysis and Internet of Things. We look forward to evaluating how managers are using these and other tools to cope with the challenges they face.

We hope you find this reference guide a useful tool in itself. The insights from this year's global survey will be published separately at Bain.com/publications.

Darrell K. Rigby, Director
Bain & Company, Inc.

Advanced Analytics

Related topics

- Business Analytics
- Business Intelligence
- Data Mining
- Predictive Analytics

Description

Advanced Analytics enables the rapid extraction, transformation, loading, search, analysis and sharing of massive data sets. By analyzing a large, integrated, real-time database rather than smaller, independent, batch-processed data sets, Advanced Analytics seeks to quickly identify previously unseen correlations and patterns to improve decision making. Although it is related to traditional Database Management and Business Intelligence systems, Advanced Analytics dramatically increases the ability to process data in four major ways:

- **Volume:** moves beyond terabytes to petabytes and exabytes
- **Velocity:** enables real-time insights and actions
- **Variety:** analyzes everything from click-stream data to video streams
- **Variability:** manages changes in data formats and information fields

The results help managers better measure and manage the most critical functions of their business.

Methodology

Companies start by identifying significant business opportunities that may be enhanced by superior data and then determine whether Advanced Analytics solutions are needed. If they are, the business will need to develop the hardware, software and talent required to capitalize on Advanced Analytics. That often requires the addition of data scientists who are skilled in asking the right questions, identifying cost-effective information sources, finding true patterns of causality and translating analytic insights into actionable business information.

To apply Advanced Analytics, companies should:

- Select a pilot (a business unit or functional group) with meaningful opportunities to capitalize on Advanced Analytics
- Establish a leadership group and team of data scientists with the skills and resources necessary to drive the effort successfully
- Identify specific decisions and actions that can be improved
- Determine the most appropriate hardware and software solutions for the targeted decisions

- Decide whether to purchase or rent the system
- Establish guiding principles such as data privacy and security policies
- Test, learn, share and refine
- Develop repeatable models and expand applications to additional business areas

Common uses

Companies typically use Advanced Analytics to:

- Improve internal processes, such as risk management, Customer Relationship Management, supply chain logistics or Web content optimization
- Improve existing products and services
- Develop new product and service offerings
- Better target their offerings to their customers
- Transform the overall business model to capitalize on real-time information and feedback

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Agile Management

Related topics

- Iterative Innovation
- Lean Development
- DevOps
- Test and Learn

Description

Agile Management increases the value of innovation using adaptive methods pioneered by Japanese manufacturers and popularized by software developers. Today, executives apply Agile techniques to a broad range of activities (including innovations in products and services, processes, and business models) in a wide variety of industries. Agile Management brings the most valuable innovations to market faster and with lower risk while improving team engagement and customer satisfaction. Scrum is by far the most common Agile Management approach, though methods such as Kanban, Lean Development and Lean Startup are also common.

Methodology

How Agile Management works:

- The leadership team identifies and rigorously sequences the opportunities for Agile innovation.
- Executives assemble small, multidisciplinary, self-governing teams to address the top opportunities.
- An "initiative owner" works with the team to establish a vision, develop and perpetually prioritize a more detailed list of potential opportunities, figure out when and how to tackle those opportunities, and ensure tangible results. A process facilitator coaches the team in Agile methods, removes barriers and accelerates progress.
- The multidisciplinary team creates a roadmap, breaks complex problems into more manageable tasks and focuses on the most important opportunities. The team works in short, iterative cycles (often called sprints) to create working prototypes.
- Customers who are collaborating closely with the team test the working prototypes and provide clear and rapid feedback on their true preferences. The team then adapts its approach to capitalize on this customer feedback.
- The team continually identifies opportunities to improve its effectiveness.

Common uses

Companies use Agile Management to:

- Shift leadership's time and focus from micromanaging to strategizing
- Frequently adapt their strategy to capitalize on changing conditions
- Increase focus and reduce multitasking
- Eliminate low-value work and other forms of waste
- Better manage change
- Cultivate breakthrough innovation in areas ranging from new product development and marketing to supply chain improvement

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Balanced Scorecard

Related topics

- Management by Objectives
- Mission and Vision Statements
- Pay for Performance
- Strategic Balance Sheet

Description

A Balanced Scorecard defines an organization's performance and measures whether management is achieving desired results. The Balanced Scorecard translates Mission and Vision Statements into a comprehensive set of objectives and performance measures that can be quantified and appraised. These measures typically include the following categories of performance:

- Financial performance (revenues, earnings, return on capital, cash flow)
- Customer value performance (market share, customer satisfaction measures, customer loyalty)
- Internal business process performance (productivity rates, quality measures, timeliness)
- Innovation performance (percentage of revenue from new products, employee suggestions, rate of improvement index)
- Employee performance (morale, knowledge, turnover, use of best demonstrated practices)

Methodology

To construct and implement a Balanced Scorecard, managers should:

- Articulate the business's vision and strategy
- Identify the performance categories that best link the business's vision and strategy to its results (such as financial performance, operations, innovation, employee performance)
- Establish objectives that support the business's vision and strategy
- Develop effective measures and meaningful standards, establishing both short-term milestones and long-term targets
- Ensure companywide acceptance of the measures
- Create appropriate budgeting, tracking, communication and reward systems
- Collect and analyze performance data and compare actual results with desired performance
- Take action to close unfavorable gaps

Common uses

A Balanced Scorecard is used to:

- Clarify or update a business's strategy
- Link strategic objectives to long-term targets and annual budgets
- Track the key elements of the business strategy
- Incorporate strategic objectives into resource allocation processes
- Facilitate organizational change
- Compare performance of geographically diverse business units
- Increase companywide understanding of the corporate vision and strategy

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Benchmarking

Related topics

- Best Demonstrated Practices
- Competitor Profiles

Description

Benchmarking improves performance by identifying and applying best demonstrated practices to operations and sales. Managers compare the performance of their products or processes externally with those of competitors and best-in-class companies, and internally with other operations that perform similar activities in their own firms. The objective of Benchmarking is to find examples of superior performance and understand the processes and practices driving that performance. Companies then improve their performance by tailoring and incorporating these best practices into their own operations—not by imitating, but by innovating.

Methodology

Benchmarking involves the following steps:

- Select a product, service or process to benchmark
- Identify the key performance metrics
- Choose companies or internal areas to benchmark
- Collect data on performance and practices
- Analyze the data and identify opportunities for improvement
- Adapt and implement the best practices, setting reasonable goals and ensuring companywide acceptance

Common uses

Companies use Benchmarking to:

- **Improve performance.** Benchmarking identifies methods of improving operational efficiency and product design.
- **Understand relative cost position.** Benchmarking reveals a company's relative cost position and identifies opportunities for improvement.
- **Gain strategic advantage.** Benchmarking helps companies focus on capabilities that are critical to building strategic advantage.
- **Increase the rate of organizational learning.** Benchmarking brings new ideas into the company and facilitates experience sharing.

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Business Process Reengineering

Related topics

- Cycle-Time Reduction
- Horizontal Organizations
- Overhead-Value Analysis
- Process Redesign

Description

Business Process Reengineering involves the radical redesign of core business processes to achieve dramatic improvements in productivity, cycle times and quality. In Business Process Reengineering, companies start with a blank sheet of paper and rethink existing processes to deliver more value to the customer. They typically adopt a new value system that places increased emphasis on customer needs. Companies reduce organizational layers and eliminate unproductive activities in two key areas. First, they redesign functional organizations into cross-functional teams. Second, they use technology to improve data dissemination and decision making.

Methodology

Business Process Reengineering is a dramatic change initiative that contains five major steps that managers should take:

- Refocus company values on customer needs
- Redesign core processes, often using information technology to enable improvements
- Reorganize a business into cross-functional teams with end-to-end responsibility for a process
- Rethink basic organizational and people issues
- Improve business processes across the organization

Common uses

Companies use Business Process Reengineering to improve performance substantially on key processes that affect customers by:

- **Reducing costs and cycle times.** Business Process Reengineering reduces costs and cycle times by eliminating unproductive activities and the employees who perform them. Reorganization by teams decreases the need for management layers, accelerates information flows and eliminates the errors and rework caused by multiple handoffs.
- **Improving quality.** Business Process Reengineering improves quality by reducing the fragmentation of work and establishing clear ownership of processes. Workers gain responsibility for their output and can measure their performance based on prompt feedback.

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Change Management Programs

Related topics

- Cultural Transformation
- Organizational Change
- Process Redesign

Description

Change Management Programs enable companies to control the installation of new processes to improve the realization of business benefits. These programs involve devising change initiatives, generating organizational buy-in, implementing the initiatives as seamlessly as possible and generating a repeatable model for ensuring continued success in future change efforts. A Change Management Program allows leaders to help people succeed, showing where and when trouble is likely to occur, and laying out a strategy for mitigating risks and monitoring progress.

Methodology

Change Management Programs require managers to:

- **Focus on results.** Maintain a goal-oriented mindset by establishing clear, nonnegotiable goals and designing incentives to ensure these goals are met.
- **Overcome barriers to change.** Identify employees who are most affected and also work to predict, measure and manage the risk of change.
- **Repeatedly communicate simple, powerful messages to employees.** In times of change, alter communication frequency and the methods to manage how a shaken workforce perceives and reacts to information:
  - **Ensure sponsorship throughout the organization.** To allow sponsorship to reach all levels of the organization, enlist multiple sponsors to provide all individuals with access to—and the influence of—a sponsor.
  - **Reorganize around decision making.** Develop a system for identifying, making and executing the most important decisions.
- **Continuously monitor progress.** Follow through and monitor the progress of each change initiative to tell if it is following the intended path or veering off course.

Common uses

Companies use a Change Management Program to:

- Implement major strategic initiatives to adapt to changes in markets, customer preferences, technologies or the competition's strategic plans
- Align and focus an organization when going through a major turnaround
- Implement new process initiatives

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Complexity Reduction

Related topics

- Business Process Reengineering
- Decision Rights Tools
- Focused Strategy
- Repeatable Models
- Spans and Layers

Description

Complexity Reduction helps companies simplify their strategy, organization, products, processes and information technology. Reduction in any of these areas opens up opportunities for simplification in others. Unwieldy complexity often results from business expansions or bureaucracies that unnecessarily complicate a company's operating model, leading to sluggish growth, higher costs and poor returns. Complexity Reduction finds inflection points where products or services fully meet customer needs at the lowest costs. By streamlining product lines, for example, companies may be able to simplify organization structures and decision making to serve their core customers better while also reducing demands on business processes and information systems.

Methodology

Complexity Reduction requires managers to:

- Understand the sources of complexity and examine trade-offs between operations and variety or customization for customers
- Identify opportunities to simplify products, organization structures, business processes and information systems to save costs while strengthening core capabilities and increasing the focus on customers
- Take steps to stem the return of complexity by reexamining the hurdle rates for new products and other expansion activities
- Simplify decision making by clarifying roles and processes

Complexity Reduction helps reveal hidden costs and allows companies to determine which products are making money, what customers really value and which organizational or process bottlenecks are getting in the way of effective actions, setting the stage for greater growth and increased profits.

Common uses

Companies typically use Complexity Reduction to:

- Identify and strengthen core capabilities
- Build the business around customer needs
- Create a disciplined approach to releasing new products or services and trimming those that customers no longer value
- Design an organizational structure to support critical decisions
- Maximize process efficiency
- Align information systems with business objectives

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Core Competencies

Related topics

- Core Capabilities
- Key Success Factors

Description

A Core Competency is a deep proficiency that enables a company to deliver unique value to customers. It embodies an organization's collective learning, particularly of how to coordinate diverse production skills and integrate multiple technologies. Such a Core Competency creates sustainable competitive advantage for a company and helps it branch into a wide variety of related markets. Core Competencies also contribute substantially to the benefits a company's products offer customers. The litmus test for a Core Competency? It's hard for competitors to copy or procure. Understanding Core Competencies allows companies to invest in the strengths that differentiate them and set strategies that unify their entire organization.

Methodology

To develop Core Competencies a company must take these actions:

- Isolate its key abilities and hone them into organization-wide strengths
- Compare itself with other companies with the same skills to ensure that it is developing unique capabilities
- Develop an understanding of what capabilities its customers truly value, and invest accordingly to develop and sustain valued strengths
- Create an organizational roadmap that sets goals for competence building
- Pursue alliances, acquisitions and licensing arrangements that will further build the organization's strengths in core areas
- Encourage communication and involvement in core capability development across the organization
- Preserve core strengths even as management expands and redefines the business
- Outsource or divest non-core capabilities to free up resources that can be used to deepen core capabilities

Common uses

Core Competencies capture the collective learning in an organization. They can be used to:

- Design competitive positions and strategies that capitalize on corporate strengths

- Unify the company across business units and functional units, and improve the transfer of knowledge and skills among them
- Help employees understand management's priorities
- Integrate the use of technology in carrying out business processes
- Decide where to allocate resources
- Make outsourcing, divestment and partnering decisions
- Widen the domain in which the company innovates, and spawn new products and services
- Invent new markets and quickly enter emerging markets
- Enhance image and build customer loyalty

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Customer Journey Analysis

Related topics

- Net Promoter System®
- Advanced Analytics
- Customer Retention
- Customer Experience Mapping

Description

Customer Journey Analysis helps a company see its products or services through its customers' eyes. A customer's journey is the sum of all experiences he or she has while interacting with a company or brand. That journey can be mapped and then analyzed in its full context, providing insight that companies can then use to design products and services that help customers achieve their objectives as effectively and efficiently as possible.

How a customer's journey plays out across channels—searching online, talking to a contact center agent, visiting a store, buying online—is valuable data that can be challenging to stitch together, but it is especially important to grasp. Sophisticated research helps companies understand their customers' actual experience in a variety of settings and links that to business results, such as a customer's likelihood of becoming a Net Promoter® of the company or rates of product purchase.

Today, Customer Journey Analysis draws insights from large quantities of historical customer and operations data (Big Data), an approach that is especially helpful when identifying complex patterns in customer journeys. Increasingly, this analysis is designed to be predictive. The ultimate goal is to use real-time data to take actions that immediately improve each customer's experience. A similar analysis of employee experiences can help improve service level.

Methodology

What Customer Journey Analysis does:

- Analyzes all steps and aspects of customer interactions
- Combines data about each interaction with information about the impact on customer satisfaction, loyalty and business economics
- Connects performance metrics previously held by separate business units to illuminate how a customer experiences a service from start to finish
- Better interprets data from a customer's experience by connecting pieces to each other and to customers' perceptions of value

Net Promoter®, Net Promoter System®, Net Promoter Score® and NPS® are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

- Illuminates where there is waste in the journey—waste of customers' time and of company resources—especially across distribution channels, revealing opportunities to reduce the cost of serving customers while also improving the customer experience

Common uses

Companies use Customer Journey Analysis to:

- Understand customers' goals and what leaves them satisfied or frustrated
- Identify gaps between what a business thinks it is delivering and what a customer actually experiences
- Improve customer relationships with the company
- Enable mangers to run their businesses around customer episodes (namely, interactions such as paying a bill or researching a purchase) rather than around internal organizational silos (such as managing the help desk or accounts payable)
- Gain insights into which sequence of events leads a customer to a positive result or an unsatisfactory one
- Reduce customer complaints and turnover rates
- Define successful performance
- Increase performance first by doing well what customers value most and then by linking each step of the experience in order to make it feel seamless and easy to navigate
- Cut costs by decreasing waste, cycle times and time to market

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Customer Relationship Management

Related topics

- Collaborative Commerce
- Customer Retention
- Customer Segmentation
- Customer Surveys
- Loyalty Management Tools

Description

Customer Relationship Management (CRM) is a process companies use to understand their customer groups and respond quickly—and at times, instantly—to shifting customer desires. CRM technology allows firms to collect and manage large amounts of customer data and then carry out strategies based on that information. Data collected through focused CRM initiatives helps firms solve specific problems throughout their customer relationship cycle—the chain of activities from the initial targeting of customers to efforts to win them back for more. CRM data also provides companies with important new insights into customers' needs and behaviors, allowing them to tailor products to targeted customer segments. Information gathered through CRM programs often generates solutions to problems outside a company's marketing functions, such as Supply Chain Management and new product development.

Methodology

CRM requires managers to:

- Start by defining strategic "pain points" in the customer relationship cycle. These are problems that have a large impact on customer satisfaction and loyalty, where solutions would lead to superior financial rewards and competitive advantage.
- Evaluate whether—and what kind of—CRM data can fix those pain points. Calculate the value that such information would bring the company.
- Select the appropriate technology platform, and calculate the cost of implementing it and training employees to use it.
- Assess whether the benefits of the CRM information outweigh the expense involved.
- Design incentive programs to ensure that personnel are encouraged to participate in the CRM program. Many companies have discovered that realigning the organization away from product groups and toward a customer-centered structure improves the success of CRM.
- Measure CRM progress and impact. Aggressively monitor participation of key personnel in the CRM program. In addition, put measurement systems in place to track the improvement in customer profitability with the use of CRM. Once

the data is collected, share the information widely with employees to encourage further participation in the program.

Common uses

Companies can wield CRM to:

- Gather market research on customers, in real time if necessary
- Generate more reliable sales forecasts
- Coordinate information quickly between sales staff and customer support reps, increasing their effectiveness
- Enable sales reps to see the financial impact of different product configurations before they set prices
- Accurately gauge the return on individual promotional programs and the effect of integrated marketing activities, and redirect spending accordingly
- Feed data on customer preferences and problems to product designers
- Increase sales by systematically identifying and managing sales leads
- Improve customer retention
- Design effective customer service programs

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Customer Satisfaction Systems

Related topics

- Customer and Employee Surveys
- Customer Loyalty and Retention
- Customer Relationship Management
- Net Promoter® Scores
- Revenue Enhancement

Description

Customer Satisfaction Systems grow a business's revenues and profits by improving retention among its customers, employees and investors. Loyalty programs measure and track the loyalty of those groups, diagnose the root causes of defection among them and develop ways not only to boost their allegiance, but also to turn them into advocates for the company. Customer Satisfaction Systems quantifiably link financial results to changes in retention rates, maintaining that even small shifts in retention can yield significant changes in company profit performance and growth.

Methodology

A comprehensive customer satisfaction program requires companies to:

- Regularly assess current loyalty levels through surveys and behavioral data. The most effective approaches distinguish mere satisfaction from true loyalty. They ask current customers how likely they would be to recommend the company to a friend or a colleague, and also ask frontline employees whether they believe the organization deserves their loyalty.
- Benchmark current loyalty levels against those of competitors.
- Identify the few dimensions of performance that matter most to customers and employees, and track them rigorously.
- Systematically communicate survey feedback throughout the organization.
- Build loyalty and retention targets into the company's incentive, planning and budgeting systems.
- Develop new programs to reduce customer and employee churn rates.
- Revise policies that drive short-term results at the expense of long-term loyalty, such as high service fees and discounts given only to new customers.
- Reach out to investors and suppliers to learn what drives their loyalty.

Common uses

Well-executed customer satisfaction programs enable companies to:

- Build lasting relationships with customers who contribute the most to profitability, and capture a larger share of their business
- Generate sales growth by increasing referrals from customers and employees
- Attract and retain employees whose skills, knowledge and relationships are essential to superior performance
- Improve productivity, and decrease recruitment and training costs
- Strategically align the interests and energies of employees, customers, suppliers and investors in a self-reinforcing cycle
- Improve long-term financial performance and shareholder value

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Customer Segmentation

Related topics

- Customer Surveys
- Market Segmentation
- One-to-One Marketing

Description

Customer Segmentation is the subdivision of a market into discrete customer groups that share similar characteristics. Customer Segmentation can be a powerful means to identify unmet customer needs. Companies that identify underserved segments can then outperform the competition by developing uniquely appealing products and services. Customer Segmentation is most effective when a company tailors offerings to segments that are the most profitable and serves them with distinct competitive advantages. This prioritization can help companies develop marketing campaigns and pricing strategies to extract maximum value from both high- and low-profit customers. A company can use Customer Segmentation as the principal basis for allocating resources to product development, marketing, service and delivery programs.

Methodology

Customer Segmentation requires managers to:

- Divide the market into meaningful and measurable segments according to customers' needs, their past behaviors or their demographic profiles.
- Determine the profit potential of each segment by analyzing the revenue and cost impacts of serving each segment.
- Target segments according to their profit potential and the company's ability to serve them in a proprietary way.
- Invest resources to tailor product, service, marketing and distribution programs to match the needs of each target segment.
- Measure performance of each segment and adjust the segmentation approach over time as market conditions change decision making throughout the organization.

Common uses

Companies can use Customer Segmentation to:

- Prioritize new product development efforts
- Develop customized marketing programs
- Choose specific product features
- Establish appropriate service options
- Design an optimal distribution strategy
- Determine appropriate product pricing

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Digital Transformation

Related topics

- Digital Disruption
- Digitization
- Internet of Things
- Digical® Innovation

Description

Digital Transformations integrate digital technologies into an organization's strategy and operations. Focusing the entire organization on opportunities to merge the best of both digital and physical worlds, Digital Transformations examine each link in the customer experience chain, explore new technology links that can bolster the base business and weave them into holistic systems that create superior customer experiences. The process aims to profoundly extend competitive advantages and accelerate profitable growth.

Methodology

Managers begin by determining whether they must prepare for Digital Disruption or Digital Transformation. Digital Disruption ultimately destroys and replaces physical businesses with purely digital solutions. Management's primary task, therefore, is to change the mix of business to compete effectively in a purely digital world. Digital Transformation, on the other hand, merges the best of digital and physical worlds into Digical® innovations that create wholly new sources of value.

Digital Transformations require that managers change not only the mix of businesses but also the capabilities of people in and around those businesses. The following actions help to maximize the chances that a Digital Transformation will succeed:

- Understand the **degree of digitization** in the current environment and assess future threats
- **Develop a vision** for how to engage the customer and achieve profitable growth using digital technology
- **Design a plan** to tap the best sources of value from digitization, adding links and strengthening linkages in the customer experience chain
- **Mobilize** the organization to win. Transform the approach to innovation, develop appropriate operating models and build a digital-savvy leadership team

Common uses

Digital Transformations engage every function in the organization. They use digital technologies to reinvent each link in the customer experience chain, including:

- New product and service development
- Marketing personalization to help customers discover and evaluate company offerings

- Product and service customization
- Purchasing processes
- Supply chain and fulfillment networks
- Product usage and service models
- Return and upgrade processes
- Product review and feedback systems

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Employee Engagement Systems

Related topics

- Employee Satisfaction
- Empowerment
- Human Resource Management
- Organizational Commitment

Description

Employee Engagement Surveys measure whether employees are fully involved and enthusiastic about their work and company. Intellectually and emotionally engaged employees help to create satisfied, more loyal customers and improved business performance. Employee Engagement Surveys gauge the degree of employees' attachment to their jobs, colleagues and organization, helping to determine their willingness to go beyond the basic parameters of their job. They can also be used to understand what factors have the greatest impact on engaging employees and to predict employee retention. Employee Engagement Surveys are closely linked to customer engagement and are measured in similar ways.

Methodology

Employee Engagement Surveys help companies identify and build on the strengths and talents of their workforces to gain a competitive edge. Managers should:

- Evaluate a variety of data sources to understand key drivers of engagement. Key data sources often include anonymous surveys, employee suggestions, predictive modeling based on previous surveys, in-depth discussions with employees at all levels and social media. Engagement motivators usually include employee satisfaction with the impact of their work, rewards, relationships, values, mission, sustainability and working environment.
- Translate key engagement motivators into a short survey that respects employees' time and yields the most important insights.
- Conduct the surveys frequently enough to generate a steady stream of information about engagement levels and ideas for improvement.
- Make sure employee engagement is a top priority for front-line managers and employees themselves, with reliable procedures for quickly responding to feedback and developing solutions to key issues.

Common uses

Companies use Employee Engagement Surveys to:

- Develop more productive, satisfied and motivated employees by instilling a sense of purpose and autonomy, as well as a strong affiliation with the company and its offerings
- Create an emotionally safe environment, with the right tools to perform work for fair compensation
- Understand what investments will have the greatest impact on employee engagement
- Cultivate more satisfied and loyal customers by improving employee engagement and overall business performance
- Increase workforce retention, reducing the costs of turnover and training

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Internet of Things

Related topics

- Digital Disruption
- Machine Learning
- Internet-Connected Devices
- Smart Devices

Description

The Internet of Things (IoT) is an expansive network of connected sensors and smart devices combined with advanced analytics to draw insights from the data they produce in order to monitor equipment and improve services. Among other things, smart devices include wearables, smart home mechanisms (such as thermostats and lighting controls), connected cars and industrial equipment. As a category, they are experiencing a compound annual growth rate of 20%, and some experts predict that there will be 50 billion connected things by the year 2020. Many smart devices are shifting analyses and services to the edge—or close to the source of data rather than the data center. Certain autonomous machines such as robots, drones and autonomous cars can process data locally. Manufacturers of these devices are not only makers of a component of the IoT but entities with a unique connection to, and insights into, customers. Potential barriers to growth of the IoT include concerns about data security, the ability to operate across devices and systems, cost, and the difficulty of integrating new and existing operations. Still, nearly every industry is exploring emerging opportunities to capitalize on the IoT.

Methodology

How the IoT works:

- Sensors and devices built into consumer goods (such as smart thermostats) and industrial equipment (such as gas turbines) collect data about how they are functioning and their environment.
- Networks connect that data to analytic engines, generally in the cloud, where both people and machines can interpret and mine the information for insights, often in combination with other sources of data.

Common uses

Companies use the IoT to:

- Create and obtain data on their business and customers
- Monitor equipment performance to improve management, maintenance and replacement decisions
- Reduce waste and cost of materials
- Improve employee efficiency
- Broaden product and service offerings (for instance, equipment makers adding services that evaluate when a machine requires maintenance); expand relationships with customers
- Establish partnerships with adjacent industries

- Perform analysis close to the source of data (for example, evaluating real-time customer experiences in stores or monitoring patients in hospitals)
- Automate systems

Many industries are investing in the IoT:

- Automakers are competing to develop IoT-enabled applications such as autonomous driving systems.
- Telcos are building services to secure and maintain networks of connected devices for services such as patient monitoring in hospitals and quality control in factories.
- Mobile platform providers such as Apple, Google and Samsung are promoting smart home technologies, smart watches and other consumer technologies.

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Mergers and Acquisitions

Related topics

- Merger Integration Teams
- Strategic Alliances

Description

Over the past decade, Mergers and Acquisitions (M&As) have reached unprecedented levels as companies use corporate financing strategies to maximize shareholder value and create a competitive advantage. Acquisitions occur when a larger company takes over a smaller one; a merger typically involves two relative equals joining forces and creating a new company. Most Mergers and Acquisitions are friendly, but a hostile takeover occurs when the acquirer bypasses the board of the targeted company and purchases a majority of the company's stock on the open market. A merger is considered a success if it increases shareholder value faster than if the companies had remained separate. Because corporate takeovers and mergers can reduce competition, they are heavily regulated, often requiring government approval. To increase the chances of a deal's success, acquirers need to perform rigorous due diligence—a review of the targeted company's assets and performance history—before the purchase to verify the company's standalone value and unmask problems that could jeopardize the outcome.

Methodology

Successful integration requires understanding how to make trade-offs between speed and careful planning and involves these steps:

- Set integration priorities based on the merger's strategic rationale and goals
- Articulate and communicate the deal's vision by merger leaders
- Design the new organization and operating plan
- Customize the integration plan to address specific challenges: act quickly to capture economies of scale while redefining a business model; and sacrifice speed to get the model right, such as understanding brand positioning and product growth opportunities
- Aggressively implement the integration plan: by Day 100, the merged company should be operating and contributing value

Common uses

Mergers are used to increase shareholder value in the following ways:

- Reduce costs by combining departments and operations, and trimming the workforce
- Increase revenue by absorbing a major competitor and winning more market share
- Cross-sell products or services

- Create tax savings when a profitable company buys a money-loser
- Diversify to stabilize earnings results and boost investor confidence

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Mission and Vision Statements

Related topics

- Corporate Values Statements
- Cultural Transformation
- Strategic Planning

Description

A Mission Statement defines the company's business, its objectives and its approach to reach those objectives. A Vision Statement describes the desired future position of the company. Elements of Mission and Vision Statements are often combined to provide a statement of the company's purposes, goals and values. However, sometimes the two terms are used interchangeably.

Methodology

Typically, senior managers will write the company's overall Mission and Vision Statements. Other managers at different levels may write statements for their particular divisions or business units. The development process requires managers to:

- Clearly identify the corporate culture, values, strategy and view of the future by interviewing employees, suppliers and customers
- Address the commitment the firm has to its key stakeholders, including customers, employees, shareholders and communities
- Ensure that the objectives are measurable, the approach is actionable and the vision is achievable
- Communicate the message in clear, simple and precise language
- Develop buy-in and support throughout the organization

Common uses

Mission and Vision Statements are commonly used to:

Internally

- Guide management's thinking on strategic issues, especially during times of significant change
- Help define performance standards
- Inspire employees to work more productively by providing focus and common goals
- Guide employee decision making
- Help establish a framework for ethical behavior

Externally

- Enlist external support
- Create closer linkages and better communication with customers, suppliers and alliance partners
- Serve as a public relations tool

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Organizational Time Management

Related topics

- Productivity Benchmarking
- Time Discipline
- Personal Time-Management Dashboards
- Talent Management

Description

Organizational Time Management views time as a scarce resource that must be invested as effectively as financial resources. Companies that track organizational time can measure not just the amount of time that managers spend on various tasks, but with whom they spend time and even their level of engagement during meetings. By bringing the same discipline to time budgets that they apply to capital budgets, companies can curb time pressure on executives, lower costs and boost productivity.

Methodology

Organizational Time Management requires managers to set time priorities by considering both the urgency and the importance of all tasks. Companies may use time-management tracking tools such as Google Calendar, Microsoft Outlook and iCal to analyze time allocations, meeting attendance and organizational behaviors such as parallel processing and double booking. Personal Time-Management Dashboards automate the process of tracking executives' time use against actual priorities. Although these tools require strong safeguards to protect employee privacy, they enable firms to measure and manage time more effectively.

Organizational Time Management is most powerful when it's combined with analytic tools such as productivity benchmarking, and it spans and layers analysis. The goal is to eliminate low-value activities and use the time saved to redeploy talent or reduce head count. It involves the application of eight related principles:

- Setting selective agendas
- Using a zero-based time budget
- Requiring a business case for each initiative
- Simplifying the organization
- Delegating authority for time investments
- Standardizing the decision process
- Making time discipline organization-wide
- Using feedback to manage organizational load

Common uses

Companies use Organizational Time Management to:

- Measure employee time usage
- Eliminate unproductive meetings
- Reduce dysfunctional behaviors like parallel processing and double booking
- Free up executives' time for value creation

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Price Optimization Models

Related topics

- Demand-Based Management
- Pricing Strategy
- Revenue Enhancement

Description

Price Optimization Models are mathematical programs that calculate how demand varies at different price levels and then combine that data with information on costs and inventory levels to recommend prices that will improve profits. The modeling allows companies to use pricing as a powerful profit lever, which often is underdeveloped. Price Optimization Models can be used to tailor pricing for customer segments by simulating how targeted customers will respond to price changes with data-driven scenarios. Given the complexity of pricing thousands of items in highly dynamic market conditions, modeling results and insights helps to forecast demand, develop pricing and promotion strategies, control inventory levels and improve customer satisfaction.

Methodology

Price Optimization Models should factor in three critical pricing elements: pricing strategy, the value of the product to both buyer and seller, and tactics that manage all elements affecting profitability. Practitioners should:

- Select the preferred optimization model, and determine desired outputs and required inputs
- Collect historical data, including product volumes, the company's prices and promotions, competitors' prices, economic conditions, product availability, seasonal conditions, and fixed and variable cost details
- Clarify the business's value proposition and set strategic rules to guide the modeling process
- Load, run and revise the model
- Establish decision-making processes that incorporate modeling results without alienating key decision makers
- Monitor results and upgrade data input to continuously improve modeling accuracy

Common uses

Price Optimization Models help businesses determine initial pricing, promotional pricing and markdown (or discount) pricing:

- Initial price optimization works well for companies with a stable base of long life-cycle products—grocery stores, drug chains, office-supply stores and commodities manufacturers.
- Promotional price optimization helps set temporary prices to spur sales of items with long life cycles—newly introduced products, products bundled together in special promotions and loss leaders.
- Markdown optimization helps businesses selling short life-cycle products subject to fashion trends and seasonality—airlines, hotels, specialty retailers and mass merchants.

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Scenario and Contingency Planning

Related topics

- Crisis Management
- Disaster Recovery
- Groupthink
- Real-Options Analysis
- Simulation Models

Description

Scenario Planning allows executives to explore and prepare for several alternative futures. It examines the outcomes a company might expect under a variety of operating strategies and economic conditions. Contingency Planning assesses what effect sudden market changes or business disruptions might have on a company and devises strategies to deal with them. Scenario and contingency plans avoid the dangers of simplistic, one-dimensional or linear thinking. By raising and testing various “what-if” scenarios, managers can brainstorm together and challenge their assumptions in a nonthreatening, hypothetical environment before they decide on a certain course of action. Scenario and Contingency Planning allows management to pressure-test plans and forecasts, and equips the company to handle the unexpected.

Methodology

Key steps in a Scenario and Contingency Planning process are:

- Choose a time frame to explore
- Identify the current assumptions and thought processes of key decision makers
- Create varied, yet plausible, scenarios
- Test the impact of key variables in each scenario
- Develop action plans based on either the most promising solutions or the most desirable outcome the company seeks
- Monitor events as they unfold to test the company’s strategic direction
- Be prepared to change course if necessary

Common uses

By using Scenario and Contingency Planning, a company can:

- Achieve a higher degree of organizational learning
- Raise and challenge both implicit and widely held beliefs and assumptions about the business and its strategic direction
- Identify key levers that can influence the company’s future course
- Turn long-range planning into a vital, shared experience
- Develop a clearer view of the future
- Incorporate globalization and change management into strategic analysis

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Strategic Alliances

Related topics

- Corporate Venturing
- Joint Ventures
- Value-Managed Relationships
- Virtual Organizations

Description

Strategic Alliances are agreements among firms in which each commits resources to achieve a common set of objectives. Companies may form Strategic Alliances with a wide variety of players: customers, suppliers, competitors, universities or divisions of government. Through Strategic Alliances, companies can improve competitive positioning, gain entry to new markets, supplement critical skills and share the risk or cost of major development projects.

Methodology

To form a Strategic Alliance, companies should:

- Define their business vision and strategy in order to understand how an alliance fits their objectives
- Evaluate and select potential partners based on the level of synergy and the ability of the firms to work together
- Develop a working relationship and mutual recognition of opportunities with the prospective partner
- Negotiate and implement a formal agreement that includes systems to monitor performance

Common uses

Strategic Alliances are formed to:

- Reduce costs through economies of scale or increased knowledge
- Increase access to new technology
- Inhibit competitors
- Enter new markets
- Reduce cycle time
- Improve research and development efforts
- Improve quality

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Strategic Planning

Related topics

- Core Competencies
- Mission and Vision Statements
- Scenario and Contingency Planning

Description

Strategic Planning is a comprehensive process for determining what a business should become and how it can best achieve that goal. It appraises the full potential of a business and explicitly links the business's objectives to the actions and resources required to achieve them. Strategic Planning offers a systematic process to ask and answer the most critical questions confronting a management team—especially large, irrevocable resource commitment decisions.

Methodology

A successful Strategic Planning process should:

- Describe the organization's mission, vision and fundamental values
- Target potential business arenas and explore each market for emerging threats and opportunities
- Understand the current and future priorities of targeted customer segments
- Analyze the company's strengths and weaknesses relative to competitors and determine which elements of the value chain the company should make vs. buy
- Identify and evaluate alternative strategies
- Develop an advantageous business model that will profitably differentiate the company from its competitors
- Define stakeholder expectations and establish clear and compelling objectives for the business
- Prepare programs, policies and plans to implement the strategy
- Establish supportive organizational structures, decision processes, information and control systems, and hiring and training systems
- Allocate resources to develop critical capabilities
- Plan for and respond to contingencies or environmental changes
- Monitor performance

Common uses

Strategic Planning processes are often implemented to:

- Change the direction and performance of a business
- Encourage fact-based discussions of politically sensitive issues
- Create a common framework for decision making in the organization

- Set a proper context for budget decisions and performance evaluations
- Train managers to develop better information to make better decisions
- Increase confidence in the business's direction

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Supply Chain Management

Related topics

- Borderless Corporation
- Collaborative Commerce
- Value-Chain Analysis

Description

Supply Chain Management synchronizes the efforts of all parties—suppliers, manufacturers, distributors, dealers, customers and so on—involved in meeting a customer's needs. The approach often relies on technology to enable seamless exchanges of information, goods and services across organizational boundaries. It forges much closer relationships among all links in the value chain in order to deliver the right products to the right places at the right times for the right costs. The goal is to establish such strong bonds of communication and trust among all parties that they can effectively function as one unit, fully aligned to streamline business processes and achieve total customer satisfaction.

Methodology

Companies typically implement Supply Chain Management in four stages:

- Stage One seeks to increase the level of trust among vital links in the supply chain. Managers learn to treat former adversaries as valuable partners. This stage often leads to longer commitments with preferred partners.
- Stage Two increases the exchange of information. It creates more accurate, up-to-date knowledge of demand forecasts, inventory levels, capacity utilization, production schedules, delivery dates and other data that could help supply chain partners improve performance.
- Stage Three expands efforts to manage the supply chain as one overall process rather than dozens of independent functions. It leverages the core competencies of each player, automates information exchange, changes management processes and incentive systems, eliminates unproductive activities, improves forecasting, reduces inventory levels, cuts cycle times and involves customers more deeply in the Supply Chain Management process.
- Stage Four identifies and implements radical ideas to transform the supply chain completely and deliver customer value in unprecedented ways.

Common uses

Recognizing that value is leaking out of the supply chain, but that only limited improvement can be achieved by any single company, managers turn to Supply Chain Management to help them deliver products and services faster, better and less expensively.

Supply Chain Management capitalizes on many trends that have changed worldwide business practices, including just-in-time (JIT) inventories, electronic data interchange (EDI), outsourcing of non-core activities, supplier consolidation and globalization.

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Total Quality Management

Related topics

- Continuous Improvement
- Malcolm Baldrige National Quality Award
- Quality Assurance
- Six Sigma

Description

Total Quality Management (TQM) is a systematic approach to quality improvement that marries product and service specifications to customer performance. TQM then aims to produce these specifications with zero defects. This creates a virtuous cycle of continuous improvement that boosts production, customer satisfaction and profits.

Methodology

In order to succeed, TQM programs require managers to:

Assess customer requirements

- Understand present and future customer needs
- Design products and services that cost-effectively meet or exceed those needs

Deliver quality

- Identify the key problem areas in the process and work on them until they approach zero-defect levels
- Train employees to use the new processes
- Develop effective measures of product and service quality
- Create incentives linked to quality goals
- Promote a zero-defect philosophy across all activities
- Encourage management to lead by example
- Develop feedback mechanisms to ensure continuous improvement

Common uses

TQM improves profitability by focusing on quality improvement and addressing associated challenges within an organization. TQM can be used to:

- Increase productivity
- Lower scrap and rework costs
- Improve product reliability
- Decrease time-to-market cycles
- Decrease customer service problems
- Increase competitive advantage

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Zero-Based Budgeting

Related topics

- Activity-Based Budgeting
- Complexity Reduction
- Cost-Benefit Analysis
- Performance Budgeting

Description

Zero-Based Budgeting is a broad-reaching cost transformation effort that takes a “blank sheet of paper” approach to resource planning. It differs from traditional budgeting processes by examining all expenses for each new period, not just incremental expenditures in obvious areas. Zero-Based Budgeting forces managers to scrutinize all spending and requires justifying every expense item that should be kept. It allows companies to radically redesign their cost structures and boost competitiveness. Zero-Based Budgeting analyzes which activities should be performed at what levels and frequency and examines how they could be better performed—potentially through streamlining, standardization, outsourcing, offshoring or automation. The process is helpful for aligning resource allocations with strategic goals, although it can be time-consuming and difficult to quantify the returns on some expenditures, such as basic research.

Methodology

For Zero-Based Budgeting, companies should take the following steps:

- Re-envision the business and ask what activities and resources will truly be needed to compete under future market conditions, then set a clear strategic vision and cost target
- Build a comprehensive fact base of current offerings, functions and expenses
- Use a “blank sheet of paper” approach to build the ideal state and identify vital initiatives
- Build the future state, bottom up, by justifying what activities should be performed
- Reset budgets and full-time employee levels, redesigning the organization and planning for implementation

Common uses

Zero-Based Budgeting is used to:

- Confront conventional thinking and resource allocations by challenging every line item and assumption, including the most sacred of cows
- Help organizations that are overly complex due to mergers or acquisitions
- Fund key strategic imperatives while removing large non-value-adding costs
- Align resources with the mission of the function and enterprise
- Justify proposed activities and resources

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Notes

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ISBN 0-9656059-7-3
$14.95 US