Strategic Planning, Benchmarking, Pay-for-Performance, Outsourcing, Customer Segmentation, Reengineering, Balanced Scorecard, and Total Quality Management are among the many management tools that companies have experimented with in recent years. To what extent are these tools actually used in companies? How happy are the companies using them? Do companies using these tools do better than the ones that don’t? These are a few of the questions we at Bain & Company set out to answer seven years ago in an annual survey of management tool usage in U.S. firms as well as firms in other selected countries.

Implementation and use of most management tools is expensive, sometimes costing firms tens of millions of dollars to implement, and the benefit derived from their use is not always obvious. Many of the tools are difficult to implement and can be very disruptive to the entire organization (e.g., Reengineering). Nevertheless, companies continue to experiment with and use the tools.

There is no equivalent of the Consumer Reports for management to use in evaluating the tools available to them. Our goal was to provide managers with an objective, fact-driven assessment of management tools and techniques based on feedback from the actual users of the tools. We hoped that our assessment would help managers to choose the right tool(s) for their firms and avoid wasting time and money on the wrong ones.

The term “management tool” can mean many things, but often involves a set of concepts, processes, exercises, and analytic frameworks. Some tools, such as Benchmarking and Conjoint Analysis, are specific analytical exercises with very tangible outputs. Others, such as Visioning, Creative Destruction, and Market Disruption Analysis, are processes that have less-tangible outcomes.

This article presents the results of our survey research to understand and document the use of tools in companies around the world, the level of satisfaction experienced in using those tools, and some of the ins and outs of their implementation.
Methodology

We started administering the “tools and techniques survey” in 1993. In each of the past seven years, we mailed over 10,000 surveys to senior executives of companies in 15 countries in North America, Europe, Asia, and South America (see Appendix A for more details). Respondents are asked to reply for their company as a whole, not just for their particular organization or division. We provide all those sent a survey a copy of the previous year’s results and promise those who respond a copy of the new results when compiled. In 1998, 276 of 12,116 North American executives responded for a response rate of 2.3%. In 1999, 214 of 11,824 responded for a response rate of 1.8%.

Each potential respondent is mailed a letter that explains the purpose of the survey. Respondents may then either complete a paper version of the survey that is included with the letter, or go to a web site where they can take the survey online. The survey focuses on six areas:

- respondent company’s tool usage over the past 5 years,
- the company’s prior year tool usage,
- expected tool usage in the coming year;
- satisfaction with the tools they have used (in general and specifically in regard to certain aspects of their business),
- attitudes towards tools and general business issues, and
- corporate demographics.

Respondents are assured that all responses are confidential and used only in aggregate, and that no company names will be linked to specific responses.

Tools are selected for inclusion in or exclusion from the survey based on their relevance to senior managers and the degree to which they can be measured. We assess relevancy through a number of methods: the usage and usage trajectory of tools for which we have data; literature searches to track the number of mentions of specific tools each year; the input of senior business executives and professors of leading business schools; and the discretion of the author. Of the 15 tools dropped from the survey since its inception, three tools (Competitor Profiling, Horizontal Teams, and Self-Directed Teams) were not below the mean usage levels when dropped. They were dropped for a variety of reasons. The remaining 12 tools were all below the mean usage in the year prior to that in which they were dropped. The collective average usage rating for those 12 tools in the year before they were dropped was 29%.

When analyzing the data, all stated comparisons were tested for statistical significance at the 95% confidence level. Unless noted otherwise, data cited in this article are from North American respondents only. This is because our North American data goes back further and is more consistent than our international data, and our sample sizes for international analysis were not always sufficient to warrant significant answers.
Tool Usage

Figure 1 shows the average number of tools used by an individual company in a given year. In 1999, North American companies used an average of 11.4 of the 25 tools the survey asked about, down from 13.4 tools used on average in 1998. On average over the seven years of the survey, North American firms have used 13.0 tools in any given year. Outside North America, results are similar. Companies in France, Asia, and Brazil all used between 11 and 13 tools last year. British companies used only 10 tools on average, the smallest of any nation surveyed.

Four tools—Strategic Planning, Mission and Vision Statements, Benchmarking, and Customer Satisfaction Measurement—are used universally. More than 70% of managers worldwide reported using them (see Figure 2). Other tools are used to different degrees in different parts of the world. North American firms, for example, are more likely to use tools that deal with growth (Growth Strategies and Merger Integration Teams), that help them focus on key issues (Strategic Planning and Vision Statements), and that help them speed up the business process (Cycle Time Reduction and Supply Chain Integration). (Figure 3 shows all 25 of the tools we tracked, ranked by percent of respondents using the tool in 1999.) International firms (those outside North America) are somewhat more likely to use tools designed to deal with market uncertainty (Market Disruption Analysis, Real Options Analysis, and Scenario Planning) and quality improvements (Total Quality Management).
The types of tools companies use have changed significantly over the years (Figure 4). In 1993, the five most popular tools were Mission and Vision Statements, Customer Satisfaction Measurement, Total Quality Management, Competitor Profiling, and Pay-for-Performance. In 1999, the five most popular were Strategic Planning, Mission and Vision Statements, Benchmarking, Customer Satisfaction Measurement, and Core Competencies (in order of usage). Strategic Planning, Mission and Vision Statements, and Benchmarking were all used by 75% or more of North American respondents in 1999 and have remained in the top 10 tools used in North America since we started tracking them. In other words, although the most popular tools have changed since 1993, managers do keep coming back to a handful of the same tools year after year. Figure 4 shows the Top Ten tools used for 1993 and 1999. Five tools that were in the Top 10 tools of 1993 remain in 1999's Top 10 tools, and six of the ten are still used by more than 50% of respondents.1

These numbers even understate the resilience of those tools. This is because four of the five tools in the 1999 Top Ten were only included in the survey after 1993. Had they been counted in 1993, it is possible that some of them might have also been in the 1993 Top 10. This is almost certainly the case for Strategic Planning, which debuted in 1996 with an 89% usage rating. (The one tool that was counted all seven years and worked its way into the top 10 is Core Competencies.)

Tool usage overall fell slightly from 1998 to 1999, but follow-up interviews did not yield enough answers to define the reasons for this decline in a statistically significant way. Yet the feedback provided some guidance. First, respondents told us that the speed of the new economy has caused people and firms to believe they don't have time to implement tools. Secondly, many North American firms are feeling understaffed. As a result, they are postponing new initiatives and/or focusing on the "tried and tested" tools they are confident will produce results.

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**FIGURE 2. 1999 Top Five Tools Used, by Region**

**Worldwide (n=475)**
- Strategic Planning (81%)
- Mission and Vision Statements (79%)
- Benchmarking (77%)
- Customer Satisfaction Measurement (71%)
- Outsourcing (62%)

**North America (n=214)**
- Strategic Planning (89%)
- Mission and Vision Statements (85%)
- Benchmarking (76%)
- Customer Satisfaction Measurement (74%)
- Growth Strategies (64%)

**Europe (n=201)**
- Benchmarking (77%)
- Mission and Vision Statements (74%)
- Strategic Planning (71%)
- Customer Satisfaction Measurement (67%)
- Outsourcing (60%)

**South America (n=40)**
- Strategic Planning (95%)
- Benchmarking (85%)
- Customer Satisfaction Measurement (85%)
- Pay-for-performance (83%)
- (tie) Mission and Vision Statements (80%)
  Total Quality Management (80%)

**Asia (n=20)**
- (tie) Benchmarking (70%)
  Outsourcing (70%)
  Pay-for-Performance (70%)
  Strategic Alliances (70%)
- (tie) Customer Segmentation (65%)
  Strategic Planning (65%)
Some 82% of executives in the 1999 survey agree with the statement, “Most tools promise more than they deliver.” On a scale of 1 to 5, the average tool produced an average satisfaction score of 3.76. Figure 5 shows the average overall satisfaction rating for each tool tracked. (Satisfaction scores are only recorded for those respondents who report actually using the tool in question.) Five tools—One-to-One Marketing, Cycle Time Reduction, Mission and Vision Statements, Pay-for-Performance, and Strategic Planning—show satisfaction scores that are significantly higher than the average. One tool—Knowledge Management—scored significantly lower than average.

If one examines both usage (Figure 3) and satisfaction (Figure 5), “winning” and “losing” tools can be identified.
Winners

Strategic Planning, Mission and Vision Statements, and Benchmarking were used by over 75% of all respondents in 1999, and have consistently ranked in the top ten set of tools over the seven years of this research. Strategic Planning and Mission and Vision Statements also scored higher than average satisfaction scores in 1999, while Benchmarking was just average. Pay-for-Performance also rated above average satisfaction scores and was used by nearly 63% of the respondents. Satisfaction with Pay-for-Performance was likely buoyed by the remarkable growth in the equity markets in the 1990s, and may not fare as well in the upcoming survey.

Losers

Knowledge management—systems and processes for capturing and sharing intellectual assets—not only had relatively low utilization (28.5%), but had very low satisfaction scores (3.22) relative to the average. Yet even the tool with the lowest satisfaction score had some very satisfied users. 1.7% of respondents were Extremely Satisfied with Knowledge Management and 37% were Somewhat Satisfied (Figure 6). This supports the conclusion that satisfaction with tools is driven at least in part by the user—which tool they choose to use and how they use it. It also says that no tool can be completely dismissed; each one is useful for someone.
Defection Rates

In addition to examining satisfaction rates, we look at defection rates to get a sense for how well certain tools are working.

The defection rate of a tool is defined as the percent of respondents who used the tool in the last five years, but do not use it anymore. Figure 7 shows the 1999 defection rates for all 25 tools. The five tools with the lowest defection rates (indicating consistent usage) were Strategic Planning, Customer Satisfaction Measurement, Growth Strategies, Pay-for-Performance, and Mission and Vision Statements. Those with the highest defection rates, indicating declining usage, were Real Options Analysis, Market Disruption Analysis, Scenario Planning, Virtual Teams, and Merger Integration Teams.

One tool stands out on the defection chart. One-to-one Marketing, the tool with the highest satisfaction rating (4.09) also had a 16.4% defection rate. Although analysis of the
data does not directly explain this paradox, one possible explanation comes to mind. One-to-One Marketing is not a new tool; it has been around in one form or another for a decade or more. Yet it is only with the advent of the Internet and improvements in technology that companies have been able to employ it to its full potential. Successful One-to-One Marketing requires the ability to capture reams of customer data and sophisticated analysis capabilities to make use of it. Without these, firms may find One-to-One Marketing frustrating and a waste of time. (For more on One-to-One Marketing, see the Up-and-Comer Sidebar.)

Since our defection rating asks users if they used the tool in the last five years, it is possible that some users tried One-to-One Marketing before they, their technology infra-
structure, or their customers were ready for it. This could have led them to abandon the tool, thus raising its defection rates above that of other tools.

It is not clear from the data whether high defection rates are due to user dissatisfaction or simply because users have used a tool successfully and have no more need for it. Certainly for Merger Integration Teams, one can make a case for the latter. For some companies, mergers are one-time events with relatively finite periods, and use of Merger Integration Teams for a short duration would mirror that. The same cannot be said as clearly for the other tools listed.

Satisfaction does seem to be a leading indicator of defection. Figure 8 plots 1998 satisfaction scores against 1999 defection rates. This implies that when people are dissatisfied with tools, they are more likely to stop using them.
Tool Usage and Financial Results

Over the seven years of our research, executives have increased their attention to delivering financial results. We asked our respondents to rank-order five dimensions of their company’s performance according to the degree of senior management focus each received. The five dimensions were: delivering financial results, building customer equity, strengthening core competencies, improving competitive positioning, or increasing the level of organizational integration. In 1993, 57% ranked delivering financial results number one. That number increased to 68% by 1999. Management tools are perceived to be one possible path to delivering financial results, and in 1999, 78% percent of those surveyed say that companies using the right tools are more likely to succeed.

Our research, however, finds no consistent correlation between satisfaction with financial results and the number or type of tools used (Figure 9). It is not necessarily surprising that both successful and less-successful companies should be trying to use approximately the same number of tools.

For many tools, however, user satisfaction is significantly higher at successful companies than less-successful ones (Figure 10). In 1999, 24 of the 25 tools received higher overall satisfaction scores from successful companies than unsuccessful ones.

Up-and-Comer Profile: One-to-One Marketing

The Stats (for 2000)

Satisfaction Rank: #1
Satisfaction Score: 4.09 (out of 5)
Usage Rank: #21
Percent of Respondents Using It: 24%
Share Gain from Last Year: N/A (first year in survey)
Aliases and Related Topics: Data Mining, Mass Customization

What Is It?

One-to-One Marketing, also referred to as direct or relationship marketing, is marketing that focuses on an individual customer. It draws on extensive, repeated, and recorded communication with the customer. A company stores (or purchases) and analyzes relevant customer information, then applies that information to customize a dialogue—through phone calls, emails, or direct mailing—with the individual customer. One-to-One Marketing either selectively offers a limited set of products to individual customers (based on a personal profile that shows they are likely to be interested), or in some cases develops a tailored product offering for him or her. It is the polar opposite of Mass Marketing, which takes a standard product and looks for a customer to buy it.
Eight of these 24 were scored significantly higher on satisfaction by successful companies. What does this say about tools and their users?

While our survey data do not directly address this question, there are several possible explanations. One is that managers at more successful companies are just generally more satisfied, with tools and everything else. A second explanation is that there are circumstantial or environmental factors at more successful companies that actually make the tools more effective. Certainly a strong case can be made for this logic when considering Pay-for-Performance. Because this tool links pay to company performance, and our definition of success relies in part on company financial performance, it follows that managers at successful companies receive better rewards for Pay-for-Performance and would be more satisfied. Conversely, follow-up interviews with employees at less-
successful companies indicate that many of them view Pay-for-Performance as an underhanded way to pay them less than they deserve, substituting worthless stock options or incentives that never materialize for real bonuses.

Although we don’t have the data to show it, it seems most likely that managers in more successful firms are simply better managers who get more value out of what they invest in, tools included. These managers know how to use tools more effectively, and by using those tools more effectively they drive more value to the bottom line than do their peers (who are using the same tools). At the end of the day, these managers are more satisfied with the results.

I have argued that certain managers know how to make tools more effective than do their peers. Can a case be made for the corollary, that certain tools make managers more effective, and companies more successful, than do other tools?

The research is equivocal. Little obvious relation exists between specific tools and successful companies. In 1999, only two tools, Core Competencies and Customer Segmentation, appeared in the Top 10 Tools list (ranked by usage) of the most successful companies but were absent from the Top 10 list of less-successful companies. Since 1994, between zero and two tools per year have fallen into this category, with no consistency as to which tools they were.

In short, although the number of tools used by successful and less-successful companies is the same, it appears that there are differences in the ability to use the tools.
FIGURE 9. Satisfaction with Financial Results is Not Tied to Number of Tools Used

![Bar Chart]

Satisfaction with Financial Results

Note: None are statistically different from the mean (95% confidence level).

FIGURE 10. Satisfaction for Tools as Rated by Successful vs. Unsuccessful Companies

<table>
<thead>
<tr>
<th>Tool</th>
<th>Satisfaction at Successful Companies</th>
<th>Satisfaction at Less Successful Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay-for-Performance</td>
<td>4.32</td>
<td>3.54</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>4.17</td>
<td>3.47</td>
</tr>
<tr>
<td>Balance Scorecard</td>
<td>3.95</td>
<td>3.31</td>
</tr>
<tr>
<td>Benchmarking</td>
<td>3.91</td>
<td>3.57</td>
</tr>
<tr>
<td>Customer Satisfaction Measurement</td>
<td>4.11</td>
<td>3.57</td>
</tr>
<tr>
<td>Customer Retention</td>
<td>3.97</td>
<td>3.35</td>
</tr>
<tr>
<td>Growth Strategies</td>
<td>4.02</td>
<td>3.32</td>
</tr>
<tr>
<td>Virtual Teams</td>
<td>3.90</td>
<td>2.50</td>
</tr>
</tbody>
</table>
Successfully Using Tools

Successful implementation of tools appears to depend on two things. First, pick a handful of tools and use each in a major effort, not a limited initiative. In other words, go deep, not broad. Second, make sure each tool has strong top-down management support.

For each tool, we compared user satisfaction for the tool when used in a major initiative versus when used in limited efforts. For every single tool, satisfaction scores were higher when the tool was used as part of a major initiative (Figure 11). Market disruption analysis, for example, only received a satisfaction rating of 3.25 when implemented as a limited effort, but received a 4.80 rating when implemented as a major initiative.

In addition, 94% of our 1999 respondents agreed with the statement: “Management tools require top-down support to succeed.”

For an example of how these two principles work in practice, consider the experiences of Great-West Life, the Winnipeg, Canada, based insurer. Great-West Life has used many management tools over time and found success with several of them, in particular Benchmarking. Benchmarking compares the performance of internal products and processes with those of competitors, best-in-class companies, and other internal business units to establish cost, price, and performance targets. Around 1992, following a Reengineering effort, Great-West kicked off a major initiative to reduce costs. Benchmarking was a key component.

However, this wasn’t just an “initiative,” says Paul Mahon, Great-West Life’s Senior Vice President of Group Planning and Financial Management. Cost management and Benchmarking were established as linchpins of Great-West’s corporate strategy. Says Mahon, “In 1991, our new CEO set the tone that cost position would be the primary driver of Great-West’s success. And, in fact, cost management, enabled by Benchmarking, contributed significantly to our EPS (Earnings Per Share) growth for the better part of the 1990s.” Indeed, in a slow-growth industry, Great-West Life has managed to grow EPS at a compound annual rate exceeding 20%, and its stock has outperformed its industry group significantly, in part because of a focus on constant cost reduction.

Line managers and the financial heads of each business unit carry out Benchmarking exercises regularly. Great-West shares its cost data with competitors in return for comparable information. Using both internal and external benchmarks, strict cost and productivity targets are set for line managers and business unit heads. Incentives and bonuses are then paid—or withheld—based on managers’ ability to meet those targets.

Mahon attributes much of Benchmarking’s success to the fact that it has become such an integral part of Great-West’s culture. “It’s true that management matters more than the tools they use. But it’s also been our experience that tools are more leveraged when accompanied by a change in the organization’s focus. The tool won’t succeed on its own; it has to be part of the culture.”

Another key to the success of Benchmarking at Great-West Life has been its tight integration with other tools. It was Benchmarking, says Mahon that made Merger
Integration successful in the 1997 acquisition of London Life Insurance Company. Based on extensive benchmarking, cost reduction goals were established for the integration of the two companies. “Benchmarking brought discipline to our integration efforts,” says Mahon. It paid off: the targeted acquisition cost synergies were achieved ahead of schedule.

Benchmarking has been a huge success at Great-West Life. However, Mahon can also speak from experience about what happens when tools are employed at the wrong time or not properly integrated with the company’s culture. The company’s first attempt at Reengineering was less than completely successful. The key differences between the first and second attempts at Reengineering, says Mahon, were communication, commit-
ment, and morale. All were intricately linked. “The first time around, most people didn’t really understand why we were Reengineering,” says Mahon. That made it hard to gain support from staff and management.

When the company tried again in 1992-1993, Reengineering was a success, for several reasons. First, senior management did an excellent job of communicating why the company needed to Reengineer. The CEO and senior management communicated directly to employees, explaining why change was necessary and why it would ultimately be positive for the organization. The staff understood the logic behind each step of the project. Secondly, Reengineering was closely tied in with the organization’s new focus of cost management. It was a goal that people could understand. As a result, people were much more willing to be creative and invest themselves in the process. Employees understood that Reengineering was a necessary character in a larger play. “Reengineering,” says Mahon, “was no longer the objective. Cost management was. Reengineering was just a tool to achieve that objective, and people could get behind that.”

Knowing Which Tools to Use When

To better understand which tools are best in certain situations, we asked respondents to rate tools for their effectiveness along five dimensions of company performance: Financial Performance, Customer Equity, Long-Term Performance Capabilities, Competitive Positioning, and Organizational Integration. Figure 12 reports the results of our analysis of this question combined with satisfaction scores. A bubble is shown in each square for which there is a positive correlation between the tool and the performance factor. Bubbles are then shaded to show degree of satisfaction with the particular tool. Light gray bubbles indicate tools for which the mean satisfaction score was greater than average in every year for which we have results. Dark gray bubbles indicate a tool that has greater than average satisfaction scores in at least one year.

Very few tools are good at “doing it all.” Most tools scored highly in only one or two performance categories. The most notable exceptions are Strategic Planning, which received strong marks in four out of five performance dimensions, and One-to-One Marketing, a relatively new tool considered strong in all areas. (It is worth noting that in the 1994 survey, Reengineering also received above-average satisfaction scores in 4 of the 5 categories. By 1995, however, Reengineering had dropped from all these categories. This suggests several possible conclusions: that in some cases it takes several years for the true effects of a tool—positive and negative—to be felt; and that initial enthusiasm for a tool may cause people to temporarily attribute other qualities to it, deserved or not.)
The implementation of new management tools is often an expensive proposition costing companies millions of dollars in training and development, consulting fees, and other related costs. Still, companies continue to use them; our survey results show that the average company is using on average 11.4 tools each year. Some tools—such as Strategic Planning, Mission and Vision Statements, Benchmarking, and Customer Satisfaction Measurement—are universally popular and have been so over several years. Others—such as Core Competencies, Total Quality Management, Cycle Time Reduction, and Activity-Based Management—are more transient.

Despite the fact that 82% of managers responding to the 1999 survey feel that tools promise more than they deliver, there are a number of tools that achieve higher than average satisfaction scores. Strategic Planning and Mission and Vision Statements have consistently been rated quite high, while satisfaction with other tools ebbs and flows over the years. Declining satisfaction ratings are often a precursor to companies’ ceasing to use the tools altogether.

### Conclusion

<table>
<thead>
<tr>
<th>Customer Retention</th>
<th>Customer Satisfaction Measure</th>
<th>Customer Segmentation**</th>
<th>Cycle Time Reduction</th>
<th>Growth Strategies</th>
<th>Merger Integration Teams**</th>
<th>Mission and Vision Statements</th>
<th>One-to-one Marketing***</th>
<th>Pay-for-Performance</th>
<th>Strategic Alliances</th>
<th>Strategic Planning*</th>
<th>Supply Chain Integration***</th>
<th>Total Quality Management</th>
<th>Virtual Teams***</th>
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</tbody>
</table>

* = significantly above the mean satisfaction score every year.
** = significantly above the mean satisfaction score at least one year.


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* Tool introduced in 1996.
** Tool introduced in 1998.
*** Tool introduced in 1999.
Reengineering: Fad or Rising Phoenix?

The Stats
Highest Historical Usage Rank: #5 (1995)
Highest Percent of Respondents Using: 78% (1995)
Highest Satisfaction Rank: #5 (1993)
Highest Satisfaction Score: 3.81 out of 5 (1993)
Aliases and Related Topics: Process Redesign, Down-Sizing, Cycle Time Reduction, Horizontal Organizations, Overhead Value Analysis, Web Enablement

What Is It and How Does It Work?
Business Process Reengineering involves the radical redesign of core business processes to achieve dramatic improvements in productivity, cycle times, and quality. Companies start with a blank sheet of paper and rethink existing processes, typically placing increased emphasis on customer needs. They reduce organizational layers and unproductive activities in two ways: they redesign functional organizations into cross-functional teams, and they use technology to improve data dissemination and decision making.

Where’s the Value?
Costs are lowered as entire levels of management and scores of employees are eliminated. Cycle times are reduced, often dramatically, and quality is improved. Organizational focus is directed more closely to the customer’s needs, leading to better products and services. On the down side, Reengineering can take a huge human toll, both for those who are laid off and in the morale of those who remain.

The History
Reengineering first emerged on the scene in the 1980s with two fundamental and sound premises: that most corporations had inefficient business processes poorly suited to meeting customer needs, and that years of rubber-stamp promotions and effective life-time tenure had left corporate America with a bloated management structure. The tool was employed early on by many high-profile companies. In theory, it was designed not only to reduce costs, but to fundamentally improve the way companies did business. Reengineering did streamline some businesses, but in other companies, when not accompanied with real changes in business processes, the down-sizings simply left fewer people doing the same, and sometimes more, work. The results were declining morale, lower employee loyalty, loss of innovation, an erosion of trust, and weakened teamwork.

By the early and mid-1990s, Reengineering was a standard part of corporate America’s toolkit. In 1995, more than three-quarters of our North American survey respondents were using Reengineering (Figure A). Thousands and thousands of mid-level managers were laid off at scores of companies, and analysts and investors encouraged companies to undergo such radical restructuring in order to keep pace with domestic and foreign competitors.
Reengineering achieved above-average satisfaction scores in 4 of the 5 categories we measured (financial results, performance capabilities, competitive positioning, and organizational integration), and its 1993 overall satisfaction rating of 3.81 ranked it fifth among all tools. Its usage climbed from 67% of respondents in 1993 to 78% in 1995. But by 1995, Reengineering’s satisfaction scores had dropped to 3.57, a significant decline that lowered it into the bottom half of the group on satisfaction.

Despite these warning signs, Reengineering’s usage climbed even higher, to a peak of 78% in 1995. Then the news began to spread. In 1996 and 1997, its satisfaction scores were in the lowest quartile of tools tracked, and usage declined to 64%. By 1999, usage had fallen to 45%. (Figure A) Why? Most companies had already completed a round (or more) of Reengineering; the economy was in the midst of a historic boom; and many of the most unpalatable side effects of Reengineering had become abundantly clear. Today, few companies are publicly using Reengineering.

So Why Does It Still Matter?

There are three reasons Reengineering still matters. Reengineering dramatically influenced the corporate landscape and the way companies look and operate today. Nearly every major North American company, and many European and Asian firms, went under the Reengineering knife. Many still bear the scars.

Secondly, Reengineering permanently influenced many people’s ideas of what a management tool is. For many, Reengineering can be summed up as: great idea, very hard to do, over-
hyped, and leaves a bitter aftertaste. For many managers this remains their assumption of what every new management tool will become.

Finally, Reengineering may be coming back (albeit in slightly different guise). As the economy softens, lay-offs are suddenly common news again, bringing back memories of the massive “down-sizings” of the 1980s and 1990s. More importantly, the Internet is profoundly affecting how companies and consumers do business, rendering many existing processes obsolete and inefficient. A number of new tools, including Web Enablement, are seeking to redesign core processes to capture the potential efficiencies offered by business-to-business and business-to-consumer Internet commerce.

The relationship between use of tools and the financial performance of a company does not show up clearly in our research. We do find that financially successful companies are more satisfied with the tools they are using, but we cannot conclude from our data that tools are a driving factor in a successful company’s financial performance.

Finally, we have learned that to successfully implement a management tool, a company must have strong top-down support for the implementation of the tools and that it should choose to implement in a “major initiative” rather than a “limited effort.” The company must choose the tools that best support its strategic objectives and focus on the implementation of that limited set of tools.

This research can hopefully help prevent managers from wasting time and money on inappropriate, useless, or even dangerous tools. Furthermore, when managers do pick a tool, this research can help them use it more effectively.
APPENDIX A
Survey Methodology

The annual survey is sent to people in the following positions: Chairman, CEO, COO, CFO, CIO (2001 only), President, Planning Director, Planning and Development Director, VP of Corporate Planning and VP of Strategic Planning.

The North American sample list is created from a combination of: lists purchased from Cahners and the Strategic Leadership Forum; a list of Canadian contacts purchased from Survey Sampling, Inc.; a list of Fortune 1000 CEOs; and respondents from the previous year’s survey.

The total number of completed surveys we have received each year is:
1993: 500 North America (no international surveys sent)
1994: 508 North America, 279 International (total n=787)
1995: 622 North America, 540 International (total n=1162)
1996: 409 North America, 375 International (total n=784)
1997: 375 North America, 443 International (total n=818)
1999: 214 North America, 261 International (total n=475)

The number of respondents has dropped over time. This is due to several factors. First, the number of surveys sent out has declined slightly. Secondly, we have received consistent feedback from executives that they are receiving more and more surveys every year, and our response rate has reflected their limited capacity to spend time on surveys—more surveys means fewer responses for each survey. However, there continues to be a broad spread in the number of tools used by our respondents, so we are confident that if there is bias in our sample, it is not centered around usage. Finally, we continue to see new respondents represented in our survey, suggesting limited sample bias. In 1998, 20% of the respondents had participated in the 1997 survey; whereas in 1999, only 9% of the respondents had participated in the 1998 survey.

In 1998, 6 of the 631 responses duplicated the responses of others from the same company, and in 1999 4 of the 475 responses did so.

Notes
1. Of the four 1993 Top 10 tools not used in 1999 by 50% or more of respondents, Self-Directed Teams and Competitor Profiling were both dropped from the survey since 1993. Total Quality Management and Cycle Time Reduction are still in the survey and are used by 41% and 38% of users, respectively.
2. It must be noted that the sample is largely drawn from new respondents each year, so true time cohorts are not possible. Thus, we don’t necessarily actually know whether or not the companies who were using a tool during a previous survey are still using it or not.
3. “Successful” companies were those that had a market value increase above the industry average and indicated they were satisfied with their financial results. “Unsuccessful” companies had a market value increase below the industry average and were dissatisfied with their financial results. Our sample size for this analysis was n=102, with 76 successful companies and 26 unsuccessful.