by Roger Siddle and Darrell Rigby

Which management tools are most popular?

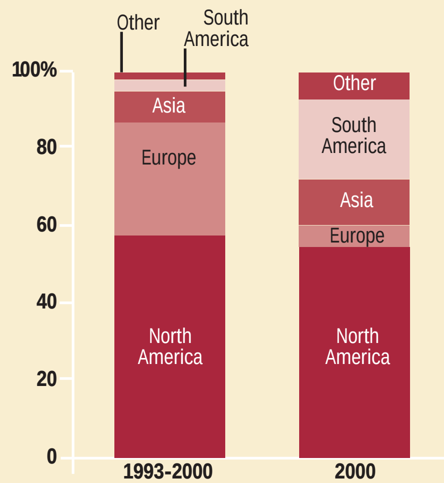
New economy management tools are being thrown to the wayside as businesses brace for a more turbulent economic outlook.

If soft sales following a year of chaotic growth have your company whipsawing from expansion to layoffs, you'll appreciate the insights of 451 senior executives from around the world who responded to Bain & Company's 8th annual Management Tools Survey, (See Figure 1). This year, respondents opted for 'tried-and-true' tools to manage the fundamentals of cost and corporate direction. Meanwhile, executives defected – at up to four times the mean – from new economy tools like Corporate Venturing and Customer Relationship Management, once thought to provide quick and easy paths to growth.

The survey examined the usage, satisfaction and effectiveness, across more than 30 industries, of 25 management tools widely used in 2000 as well as predictions of what tools companies are likely to use in 2001. Sixty-one per cent of respondents reported, when they cast their votes in early 2001, that they were concerned about an economic slowdown this year. Within this context, responses show executives continue to focus on improving the financial performance of their companies. But four out of ten companies that set up corporate venturing funds (often to take stakes in, or create, Internet startups) abandoned that tool.

Globally, the most widely used tools by senior managers in 2000 remain the same as in 1999 (See Figure 2).

Figure 1: Eight years of data and 5,615 respondents



- Strategic planning – 76 per cent
- Mission and Vision Statements – 70 per cent
- Benchmarking – 69 per cent

In the main, European companies' usage of management tools shadows that of their North American counterparts. Although this year's sample from Europe was unusually small, responses fit historical patterns (See Figure 3). The most widely used tool among European managers is Benchmarking, followed in equal second place by Strategic Planning and Mission and Vision Statements. In North America, senior executives use the same top tools with 80 per cent of senior executives using Strategic Planning; 76 per cent, Mission and Vision Statements; and 68 per cent, Benchmarking. South America strengthened the consensus with 89 per cent of respondents voting for Strategic Planning, 78 per cent for Benchmarking and 70 per cent for Mission and Vision Statements.

On another side of the world, however, Asian managers report Outsourcing to be their most popular tool, used by 70 per cent of respondent companies. Benchmarking comes a close second, though, at 68 per cent, followed by Mission and Vision Statements at 64 per cent.

Regional peculiarities notwithstanding, senior executives the world over endorsed all the top ten tools. All of these tools were used by nearly half the North American corporate population in each of the eight years that Bain has captured data on their use. And usage of these tools has remained consistent year on year in Asia and Europe. It's clear that when times get tough, we trust the familiar. Managers are falling back on widely understood tools that have helped them in the past. And all tools fare better when they are part of a major corporate effort. Ninety per cent of managers agreed that tools need top-down support to succeed.

'New economy' tools falter

Meanwhile, only a third or fewer respondents adopted the 'new economy' tools most frequently cited in the press, including:

- Market Disruption Analysis, used to identify where to launch new businesses to compete with startups,
- Corporate Venturing, used to build those new businesses with venture capital disciplines, often in hopes of creating public spin-off,
- Customer Relationship Management (CRM), which aspires to turn internet technology toward identifying and building loyalty among valuable customers. (See Sidebar: What's the

In short...

- It appears that executives are opting away from 'new economy' tools to those that have yielded bottom line results in the past.
- The majority of executives interviewed are concerned about this year's economic slowdown.
- Senior executives the world over endorse the use of the same ten management tools.
- Different sets of tools are best spread across three areas; ability to achieve financial results, those best at growing customer equity and those that could improve customer positioning.

Matter with CRM?) Asian companies bucked this trend, with 55 per cent of respondent companies using CRM and a respectable 27 per cent of Asian firms utilising Corporate Venturing.

But when customers across all regions were asked about these tools, Market Disruption Analysis, Corporate Venturing and CRM also posted the lowest satisfaction ratings and among the highest defections (See Figure 4). For example, 42 per cent of users abandoned Corporate Venturing in 2000, versus an 11 per cent defection rate from tools on average. Thirty-nine per cent of users dropped Market Disruption Analysis, and 18 per cent defected from CRM. Follow-up interviews showed that these tools proved tricky to implement. In the case of Corporate Venturing, respondents said their companies had trouble mastering the venture-capital disciplines required to succeed, including managing a swift exit from ventures that failed the test of progress.

But hunger for e-commerce high

Despite dissatisfaction with trendy tools, 73 per cent of respondents said they wanted to stay on the cutting edge of tools and techniques, even though 77 per cent felt most tools promise more than they deliver. This seemed particularly true in e-commerce. Although new economy tools netted low ratings, 62 per cent of executives said they felt their company was not taking full advantage of the Internet. Only 11 per cent agreed their company had spent too much money on e-commerce initiatives, while 69 per cent disagreed. Forty-nine percent of respondents said they were aggressively expanding their e-commerce offerings. Meanwhile, only 23 per cent of managers agreed it was 'fun to watch the dot-coms fail,' and 44 per cent disagreed that 'almost all young entrepreneurs lack the expertise necessary to build great companies,' versus 34 per cent who agreed.

If this means there's still a place for young visionaries to create radical offerings, please note they'll be wanting cold cash for their efforts: 59 per cent of executives said their managers want cash compensation not more stock options, versus 21 per cent who disagreed. And executives would like to hedge their bets, too: 39 per cent said their company would deliver better long-term results as a private company – without pressure from shareholders over quarterly earnings.

Right tool can net results

Meanwhile, executives said satisfaction with tools varied with the job. Much as hammers are effective tools, but poor at trimming hedges, different management tools proved more or less useful at achieving different goals. Tools generating the most satisfaction for achieving financial results (the No. 1 goal of 64 per cent of respondents) included Pay-for-Performance, Shareholder Value Analysis and, Cycle Time Reduction. Tools best at growing customer equity included Customer Satisfaction Measurement, Total Quality Management (TQM), and, despite eliciting high dissatisfaction overall, CRM. To improve competitive positioning, those surveyed vouched for Strategic Planning, TQM and

Figure 2: 2000 global usage rates

Strategic planning	76%
Mission and vision statements	70%
Benchmarking	69%
Outsourcing	63%
Customer satisfaction measurement	60%
Growth strategies	55%
Strategic alliances	53%
Pay-for-performance	52%
Customer segmentation	51%
Core competencies	48%
Mean	41%
Total quality management	41%
Cycle time reduction	39%
Re-engineering	38%
Balanced scorecard	36%
Customer relationship management	35%
Scenario planning	33%
Shareholder value analysis	32%
Supply chain integration	32%
Knowledge management	32%
Activity based management	31%
One-to-one marketing	28%
Merger integration teams	26%
Corporate venturing	14%
Real options analysis	9%
Market disruption analysis	8%

Figure 4: 2000 global satisfaction rates/defection rates

Pay-for-performance	4.10	7%
Strategic planning	4.06	4%
Customer segmentation	3.99	6%
Cycle time reduction	3.99	7%
Real options analysis	3.97	32%
Balanced scorecard	3.96	11%
Mission and vision statements	3.94	8%
Merger integration teams	3.92	21%
Shareholder value analysis	3.92	12%
Customer satisfaction measurement	3.91	7%
Total quality management	3.91	12%
One-to-one marketing	3.90	11%
Mean	3.89	
Benchmarking	3.89	7%
Activity-based management	3.87	15%
Scenario planning	3.87	11%
Re-engineering	3.86	17%
Supply chain integration	3.85	13%
Core competencies	3.83	10%
Outsourcing	3.80	5%
Growth strategies	3.78	8%
Strategic alliances	3.74	7%
Customer relationship management	3.67	18%
Market disruption analysis	3.62	39%
Knowledge management	3.61	12%
Corporate venturing	3.47	42%

Figure 3: Top 3 tools North America vs. Europe 1998-2000

1998

North America (N=276)	Europe (N=248)
• Strategic planning (92 per cent)	• Benchmarking (88 per cent)
• Mission and vision statement (86 per cent)	• Strategic planning (77 per cent)
• Customer satisfaction measurement (80 per cent)	• Customer satisfaction measurement (75 per cent)

1999

North America (N=214)	Europe (N=200)
• Strategic planning (89 per cent)	• Benchmarking (77 per cent)
• Mission and vision statement (85 per cent)	• Mission and vision statement (74 per cent)
Benchmarking (76 per cent)	• Strategic planning (71 per cent)

2000

North America (N=245)	Europe (N=30*)
• Strategic planning (80 per cent)	• Benchmarking (57 per cent)
• Mission and vision statement (76 per cent)	• Mission and vision statement (50 per cent)
• Benchmarking (68 per cent)	• Strategic planning (50 per cent)

*While the direction of responses from Europe this year were consistent with past years, the small sample size renders them inconclusive.

Strategic Alliances.

To bolster long-term performance, respondents expressed highest satisfaction with Strategic Planning, Cycle-Time Reduction and TQM. And to strengthen integration efforts across an organisation, executives voted for Strategic Planning, TQM and Mission and Vision Statements.

Overall, executives are focusing on slightly fewer tools this year than last, with the average number employed decreased slightly to 10.3 from 10.7. Still, executives' aspirations for using tools remain high.

And well they might. Only 25 per cent of respondents thought today's market leaders will still be leaders five years from now. By this score, turbulence is poised to become the steady state of business, and executives will need all the sound navigational equipment they can muster.

Roger Siddle is Managing Partner of Bain & Company's London office. Darrell Rigby is a Bain director based in Boston, and founder of Bain's Management Tools Survey.

What's the matter with CRM?

You've no doubt heard this many times now – the theory that good marketing today means having a close relationship with your customers. The implied message? Learn everything you can about your customers; somehow all that information will guide you to deliver the kinds of products and services that make them giddy with joy and unwaveringly loyal to your company.

So swiftly has this message become management orthodoxy that Customer Relationship Management (or CRM), which harnesses technology in pursuit of increasing customer loyalty, has been the fastest-growing management tool we've come across in eight years of analysis.

The problem is, all that gathering of customer data invariably fails to reveal your customers' likes, dislikes, or hopes. What's more, in your zeal to uncover your customers' deepest desires, you may be alienating many of them.

Bain & Company's most recent findings do indeed show a projected doubling of CRM usage this year over last. Thirty-five per cent of respondents affirmed that they used CRM in 2000, and 72 per cent say they expect to introduce the tool before the end of this year (Figure 2). But the sharp upturn in growth is, we conclude, testimony more so to the urge for quick fixes and the persuasiveness of clever CRM software vendors than to an enduring satisfaction with the tool.

In fact, Bain's experience with clients spanning many industrial sectors echoes the rest of our survey results in finding much that is wanting about CRM. The companies we talked to are profoundly disillusioned with the CRM approach.

We found an extremely low satisfaction rate and correspondingly high defection rate among those respondents who were already using CRM programmes (see Figure 4 on page 47). Of the 25 tools rated by respondents, CRM ranked fourth-from-last for user satisfaction. Small companies were even less satisfied with the tool than larger companies, reporting a 58 per cent satisfaction rate versus 72 per cent for larger companies – with 18 per cent of respondents having given up on the tool altogether; giving it the fifth-highest defection rate of the tools reviewed by the survey.

Although senior executives did rate CRM the number two tool last year for improving customer equity (after Customer Satisfaction Measurement), they also rated CRM fifth from the bottom for bolstering financial results, which survey respondents say is their primary goal when using a

In my opinion...

By Rene Schuster

I, more than most, now know the perils of expounding great management theories from the consultants' side of the table. Sitting on the other side of the lonely expanse of the board room table, it's a very different feeling and suddenly all those theories don't seem so compelling.

Bain & Company's study points to a resurgence of business leaders using 'tried-and-true' tools and, with the current downturn, we certainly need a 'back to basics' approach, in which the focus is put back on the customer and we are not tempted to move away from our core capabilities.

Sounds like common sense? Well, yes; but we were all tempted to pursue a different route during the giddy days of the dot.com phenomenon

The rise of the dot-com and the advent of the internet created widespread hype about what we could do better – we could have a single view of the customer, we could re-engineer whole supply chains, we could venture into uncharted territory and make money fast, we, and particularly the 'bricks and mortar' businesses, had to innovate or die. And at the core of this was the internet – technology

And yet, as we all now know, few of these promises quite came off and delivered the results we expected

The promise that technology could enable us to understand our customers as individuals has left us drowning in data, and yet the challenge remains how to turn that data into valuable management information that enables us to make more informed decisions about the business.

The dot-com phenomenon tempted us all into some unlikely partnerships, based on a new vision of how services and products could be delivered. With the bursting of the bubble, it's not so surprising that many of these ventures were destined to fail.

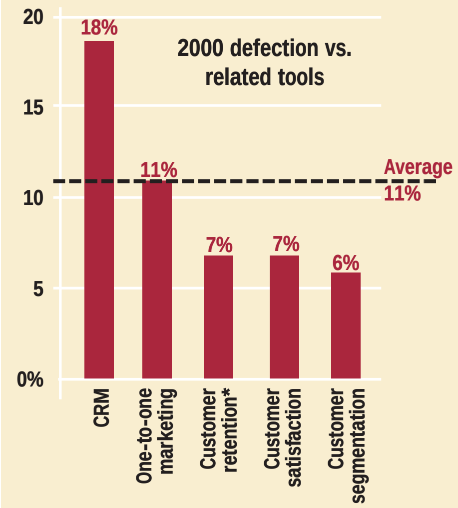
With the advent of the internet, there were predictions that the supply chain would never look the same again. Whole processes could be removed and made obsolete. But the reality is that few of these concepts, have lived up to the hype and delivered the predicted value to each party.

The fear of missing the boat led bricks and mortar

Figure 6: Where does CRM help most?

	Satisfaction score (out of 5)		Mean response	Rank out of 25 tools
Customer equity	3.84	vs.	3.55	2
Competitive positioning	3.79	vs.	3.8	14
Long-term performance	3.71	vs.	3.84	18
Organisational integration	3.5	vs.	3.63	19
Financial results	3.5	vs.	3.67	21

Figure 7: What's the matter with CRM?



management tool. CRM was also placed in the lower tier for the realisation of other key corporate objectives, such as improving competitive positioning, organisational integration and long-term performance (Figure 6).

So what's the matter with CRM?

Face up to true costs

For one thing, it's costly and therefore demands an enormous payoff. The cost of CRM includes not only the US$60-130m Forrester Research says companies spend to purchase and implement related software programs, but also the two years it takes to embed the new processes into your organisation. Yet, the highest potential toll could in fact be the destruction of your relationship with your clients – the very relationship you are prepared to invest so heavily to nourish. Before you undertake CRM, investigate the existence of a sound business case within your organisation.

Managers are ignoring the health warnings because the concept behind CRM is so obviously a sensible one at face value. From loyalty flows profits, reduced costs, growth, and a whole bevy of other benefits. Trusting, loyal relationships with customers should be every company's goal. Indeed, CRM's precursor tool – good-old-fashioned Customer Retention – had below average defections in 1999, its last year on our survey (Figure 7).

CRM promises to improve customer retention by using technology which automatically gathers information to better identify their needs, thus increasing the loyalty of particularly valuable customers as well as adding more customers that fit this profile. At the same time it promises to reduce the costs associated with serving less-valuable customers. But this technology layer has somehow made the task trickier and masked the fact that CRM's origins and piece-parts lie in traditional management tools like Customer Segmentation, Customer Satisfaction Measurement and One-to-One Marketing, all of which rate above average for satisfaction and below average for defection in our Tools' Survey.

What has gone wrong for so many of the early exponents of CRM software packages

companies to invest heavily in re-inventing their infrastructures and web-enabling supply chains and CRM capabilities. The likes of CISCO were chanting the new mantra of 'e' and it was easy to forget that the CISCOs of this world did not have to contend with years of legacy systems and infrastructures that had to be integrated with the new.

The bursting of the dot.com bubble and the resulting downturn in the market has caused us all a lot of pain – life at Compaq for the past few months is evidence enough.

But there have been benefits and some good lessons learned. Having flirted with some new bedfellows, tried some new tools, we are returning to the basics with fresh eyes.

'Having flirted with some new bedfellows we are returning to the basics with fresh eyes'

Neatly labelled management tools are frequently euphemisms for management intuition – gut instinct. My gut instinct today is telling me to focus on my core strengths and tackle the realities of the balance sheet.

The challenge today is to leverage those core strengths, protect and grow them while identifying where in the market the opportunities lie. We should focus less on benchmarking ourselves against our competitors and more on measuring our success against the market.

If we are tempted to dip a toe into a new venture, we must do so with a clear view of the return on investment that can be achieved in a short time frame – not three years out, but three months.

And, as we venture forth, we must make our people feel that there is a firm hand on the tiller and a clear articulation of the direction in which we are heading.

Technology – and the internet – is a vital ingredient in managing and growing a business but recent experience should have taught us that technology in itself is not the solution and neatly packaged management tools aren't the answer either. Nothing can replace the value of understanding the market, knowing your core strengths and having the best people on board to deliver an organisation's vision for the future.

Rene Schuster is Chief Executive Officer, Compaq UK&I and Vice President, Compaq Computer Corporation. Prior to joining Compaq, Rene was a senior partner at KPMG Consulting.

and how can their mistakes be avoided?

Top-down support is critical

First of all, a strategy and business case needs to be established long before a software solution is selected and sufficient management time needs to be given over to ensure its success.

Too many senior managers substitute leadership with technology. They parachute in an off-the-shelf CRM programme and expect it – almost single-handedly – to transform the business. Managers who leave implementation to the Information Software department are sure to find the trouble the new system creates far outweighs the problems CRM was introduced to remedy.

And such problems are seldom software-related. In a recent CRM-Forum survey, only 4 per cent ascribed the problems they had encountered with their CRM programmes to the software itself. Eighty-seven per cent of respondents put the difficulties down to leadership and change management issues.

> 'CRM's origins and piece-parts lie in traditional management tools like Customer Segmentation, Customer Satisfaction Measurement and One-to-One Marketing'

It is hardly surprising that at least one company was forced into a full reorganisation, as a direct result of appointing a relatively junior IS professional to oversee the introduction of a formal CRM programme. Not only did staff dissatisfaction rise through the roof, but customers were alienated and frustrated.

One idea might be to create your own name for CRM at your company. It will help you personalise the programme and resist the things you don't need or want. Jack Welch calls reengineering 'workouts'. He calls supply chain management 'boundary-less'. Why? In large part so that he can make these concepts his own – and give ownership of them to his company.

Companies that are serious about CRM will realign their leadership and organisation around its goals.

Vet the low-tech alternatives

Resist succumbing to the temptation to lean too heavily on technology, when lower-tech alternatives might serve you better.

Ask yourself the following questions: 'If I gave this amount of money and time to my customers and asked them how they would have me spend it, what would they say? Would they rather have a sales assistant know them by name, or receive more direct and individually tailored marketing mail and phone calls?

Walmart understands and responds to its customers' views on that question very well. As a result, at Wal-Mart, using sophisticated supply chain management tools to get the right product to the right stores is a much higher priority than customer data warehousing and data mining. They still don't know their customers' names, instead they treat all alike – the 'technology' they use to build customer relationships being low-tech, flesh-and-blood greeters at every shop entrance.

Get real about relationships

The right choice of CRM tool boils down to identifying what type of relationship you want with your customers – the solution will vary by industry and by type of customer. Is your business the kind where customers crave interaction? Where it is important to them that you are trying to find out more about their buying habits, their lifestyles, their desires? Or are you in a business where customers would just as soon be left alone – where any contact beyond the purchase transaction may be perceived as intrusion, even if they are long-time patrons?

Begin by asking yourself: 'Do my customers really want an open relationship with my company, or would they rather be anonymous?, (at one European web site that requires registration for access to the more valuable content, the most common registered visitor, according to Gartner research, is 'Mickey Mouse').

Profile your best customers. Find out who they are and what they buy. Then map what we call the 'customer corridor'; the entire life-cycle of a valuable customer at different stages of their 'life-cycle' relative to your company, collecting highly relevant customer data in the process that may help address their needs.

That map will tell you a lot about the kinds of customers you have. And, if you use the map as a jumping-off point to conduct limited, focused research, it can help you identify your best customers' unmet needs without launching a data-warehouse-scale investigation.

Identify the 'win-win' customers

One way to look at CRM is as a 'souped-up' version of a familiar tool – customer segmentation – which had the third highest satisfaction rating in this year's survey. You need to identify which customers you could establish 'win-win' relationships with and which interactions need to be managed for cost effectiveness.

It isn't necessary to invest in the biggest and most powerful data-gathering tools, or ask customers their phone number or zip code every time they do business with you in order to build loyalty. Good relationships and trust are built over time, with give and take on both sides, and not too much pressure.

In his recent book, *Loyalty Rules: How Today's Leaders Build Lasting Relationships*, Fred Reichheld believes USAA provides a good example of this. USAA, a premier insurer of military personnel and veterans, was historically organised into six large, regional units, each comprising large functional departments (claims, underwriting, policyholder services etc).

Today, in response to a greater understanding of what customers value, those six units have been broken into 110 teams, each of which focuses on the specific needs of smaller and more uniform segment of customers. Within these teams, the thousands of phone reps are divvied up even further into groups of 10 to 12. The members of each group work out their own schedules and vacations, solve problems together, and are evaluated together.

Team members know the regional idiosyncrasies of the insurance business. They also know their customers, and each other, better than they did in they old system. Customers value this 'small company touch'. USAA's former CEO – Bob Herres – believes this small-team structure is a key reason USAA has been able to grow while simultaneously shrinking its bureaucratic structures.

Technology is a means rather than an end. It's an enabler. That's why it's important to remember, even as you witness what a cutting-edge CRM software app can do, that the Biggest Answer regarding technology isn't necessarily the Best Answer.

by Roger Siddle and Darrell Rigby