BAIN & COMPANY

1999 management tools & techniques

Annual survey of senior executives

Seven years of data separate fleeting fads from enduring strategies

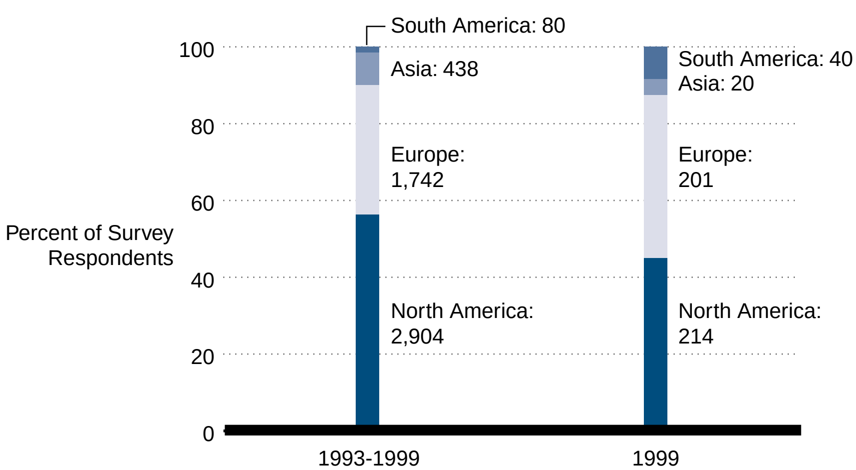
By Darrell K. Rigby

Over the past decade, executives have witnessed an explosion of management tools and techniques such as *One-to-One Marketing*, *TQM*, and *Benchmarking*. The term "management tool" now encompasses a broad spectrum of approaches to management—from simple planning software, to complex organizational designs, to revised philosophies of the business world. ***(Figure 1)***

Many of these tools offer conflicting advice. One may call for keeping all your customers while another will advise you to focus only on those who are most profitable.

But these management tools have one thing in common: They promise to make their users more successful. And beleaguered managers—struggling to demonstrate that they can adapt to rapid change in an increasingly competitive world—have turned to tools in unprecedented numbers.

***Figure 1*: Seven years of data and 5,164 respondents**



Darrell K. Rigby is a Director and Vice President of Bain & Company. Bain & Company's 1999 "Management Tools & Techniques" survey profiles the usage and effectiveness of management tools among 475 companies around the world. The study, based on an analysis of 25 management tools, found that tool usage has declined overall, with an average of 10.9 tools used by each company compared to 13.4 in 1998.

The truth about tools

Tool usage declined in 1999. On average, worldwide respondents used two fewer tools than they had in 1998 (11 versus 13). ***(Figure 2)***

The three most popular tools were used by at least three quarters of respondents.

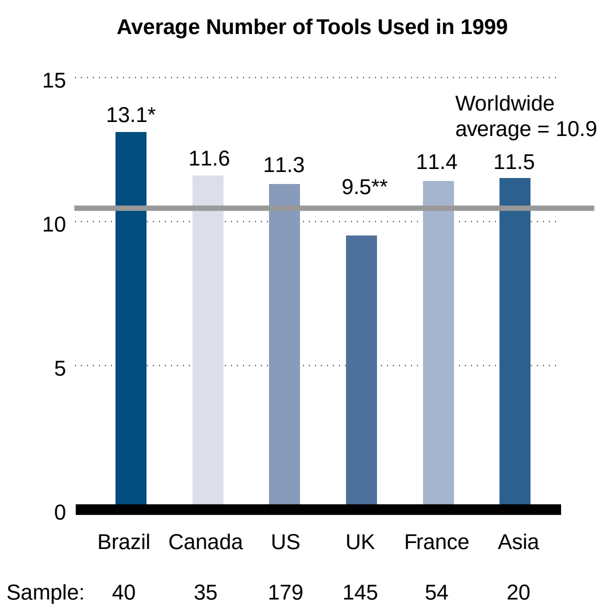
- *Strategic Planning* (81%)
- *Mission and Vision Statements* (79%)
- *Benchmarking* (77%)

Executives believe that companies using the right tools are more likely to succeed and that even the right tools need top-down management support.

Satisfaction rates vary across the tools:

- Worldwide satisfaction is highest for *Cycle Time Reduction*, *One-to-One Marketing*, *Strategic Planning*, and *Mission and Vision Statements*
- Firms worldwide are least satisfied with *Knowledge Management*, *Strategic Alliances*, and *Activity-Based Management*

***Figure 2*: Tool usage differs around the world**



*Significantly higher than the mean; **Significantly lower than the mean
Source: 1999 Worldwide Survey, n=475

Tools utilization rates worldwide

The utilization rates of individual tools vary widely. ***(Figure 3)*** Some tools have been used by more than 80 percent of all managers, while other tools have been used by as few as 9 percent. Our research tested the significance of these differences in two ways:

1. We applied statistical tests (at a 95 percent confidence level) to identify those tools with scores significantly above or below average.
2. We compared the 1999 survey results to those of 1993-1998 to check the consistency of the results over time. The numbers in parentheses at the end of each bar indicate the percentage of years that these tools have differed significantly from the average.

For display purposes, we show only the tools that are significantly above or below average. Tools with statistically “average” scores are left off the charts.

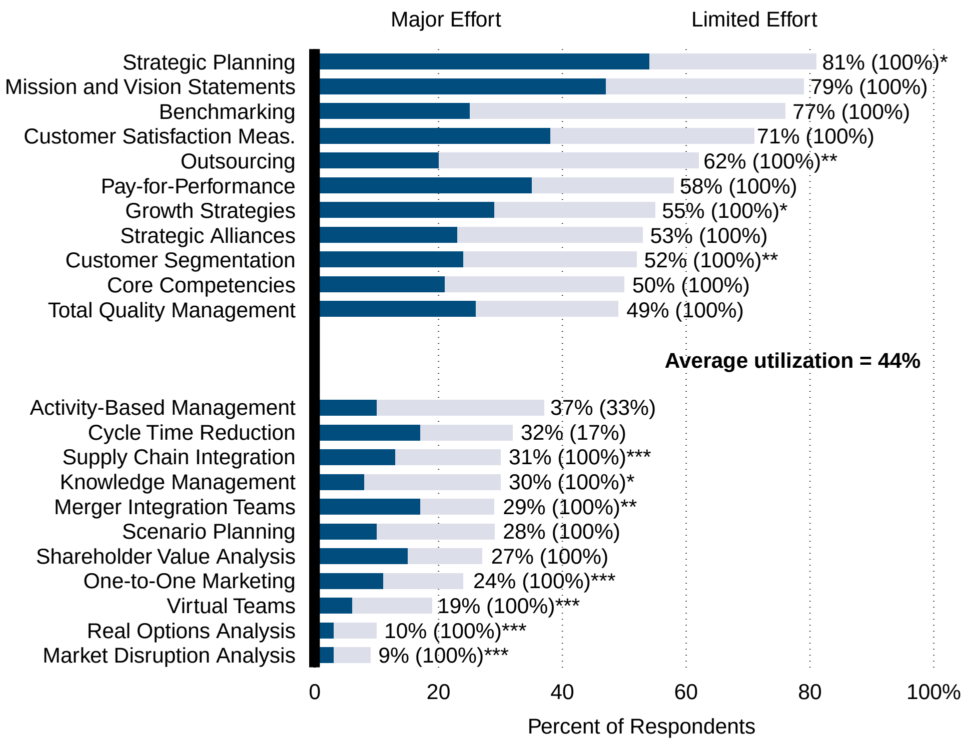
The four most commonly utilized tools are *Strategic Planning*, *Mission and Vision Statements*, *Benchmarking*, and *Customer Satisfaction Measurement*.

Some of the least-used tools, such as *Virtual Teams* and *One-to-One Marketing*, are relatively new. But other little-used tools such as *Scenario Planning* and *Shareholder Value Analysis* have been around much longer.

Top ten tools are highly utilized over time

The top ten tools of 1999 have all been used by about half or more of the corporate population in each of the years we have captured data on them.

Figure 3: Tools utilization rates worldwide



( ) Signify the percentage of years this tool has been significantly above/below the mean; *Tool introduced in 1996; **Tool introduced in 1998; ***Tool introduced in 1999 Note: Only tools significantly above/below the average utilization (95% confidence) are listed; Dark shadowing indicates major efforts; Light shadow indicates limited efforts Source: 1999 Worldwide Survey n= 475

Loyalty to tools varies greatly

We analyzed respondents' loyalty to each tool by calculating the percentage of those who stopped using the tool in 1999 after using it at least once in the previous five years. ***(Figure 4)***

Of course, managers might stop using a tool for many reasons:

- The tool may have served its purpose, and no longer be required
- The company's needs may have changed
- The management team may be dissatisfied with the value of the tool.

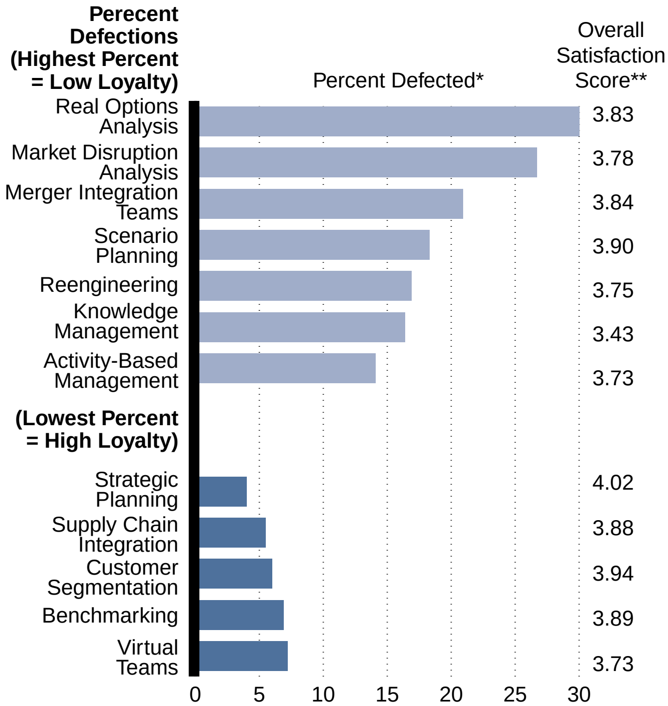
Personal interviews also indicate that a tool was most often dropped because its cost was considered greater than its benefits (with the exception of *Merger Integration Teams*, which was often discontinued because there was no acquisition to integrate), or the tool didn't have management and/or employee support.

Worldwide perspectives of survey respondents

We asked survey respondents to share their attitudes about behaviors with management techniques in the context of their individual organizations. ***(Figure 5)***

Ninety-five percent of respondents agree that tools require top-down support to succeed; and 82 percent say that companies using the right tools are more likely to succeed.

Figure 4: Loyalty to tools varies greatly



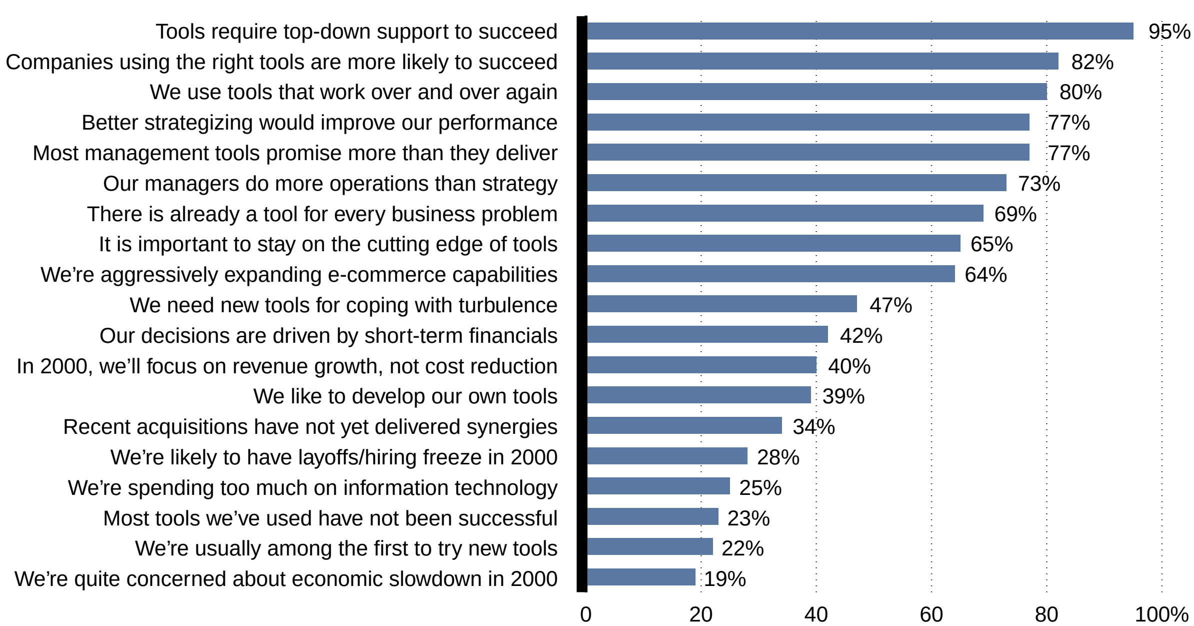
*Used tool in past 5 years but not in 1999; **Satisfaction scale from 1-5 Source: 1999 Worldwide Survey, n=475

Several important insights also emerged on the strategy process. For example:

- 80 percent say that they tend to use tools that work over and over again
- 77 percent say that better strategizing would improve their company's performance
- 73 percent report that their managers do more operations than strategy
- 64 percent say they are aggressively expanding e-commerce opportunities

One belief has changed, only 19 percent of respondents report feeling quite concerned about an economic slowdown in 2000, compared to 55 percent who reported concern in 1998.

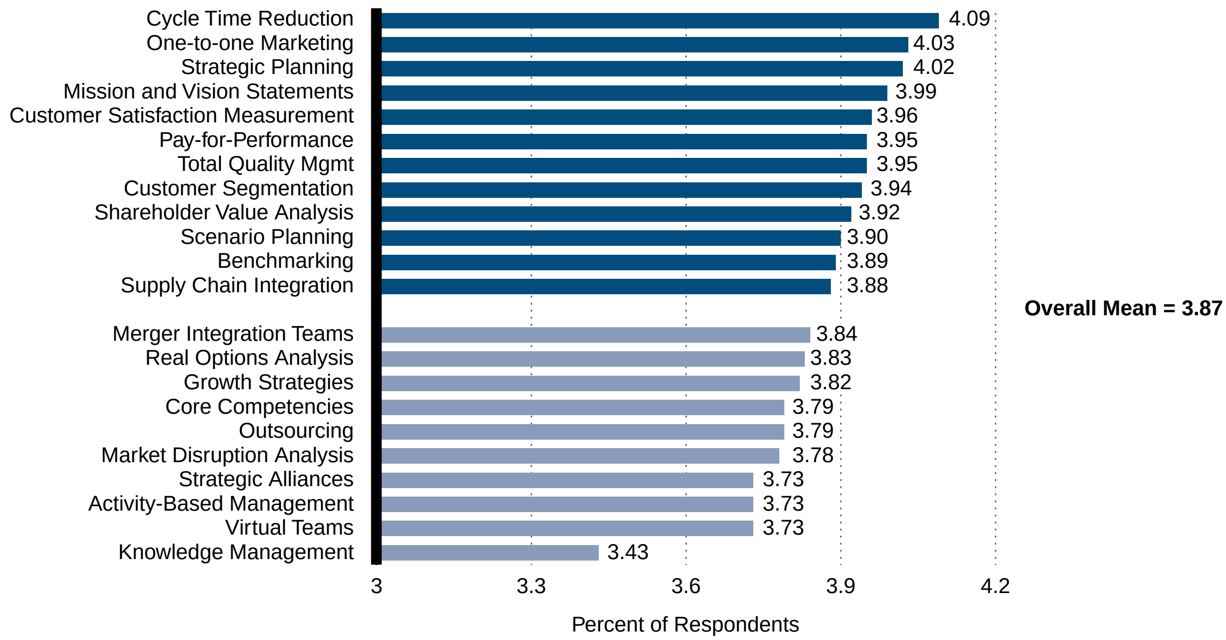
Figure 5: Worldwide perspectives of survey respondents



*Significantly different (95% confidence) from worldwide mean Note: Chart displays Percent of Respondents who agree with statement

Source: 1999 Worldwide Survey, n = 475

***Figure 6*: Satisfaction levels vary by tool**



( ) Signify the percentage of years this tool has been significantly above/below the mean; *Tool introduced in 1996; **Tool introduced in 1998; ***Tool introduced in 1999 Note: Only tools significantly above/below the average utilization (95% confidence) are listed; Dark shadowing indicates major efforts; Light shadow indicates limited efforts Source: 1999 Worldwide Survey n= 475

Satisfaction levels vary by tool

Overall satisfaction with tools is mildly positive. ***(Figure 6)*** The average score is a 3.87 (out of 5.0), or a marginal "B" (1 = highly dissatisfied, an "F"; 5 = highly satisfied, an "A").

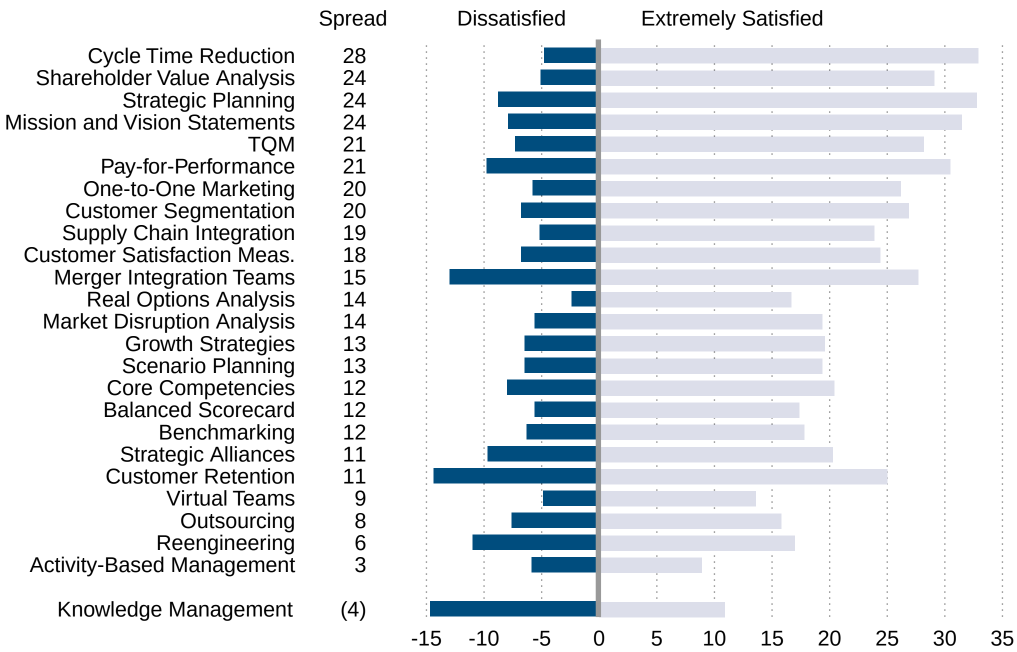
- *One-to-One Marketing* has debuted with a very high level of satisfaction
- *Strategic Planning* has been a top performer since its inclusion in 1996
- *Cycle Time Reduction* has its highest rate of satisfaction ever
- *Mission and Vision Statements* also have high satisfaction rates
- *Knowledge Management* has an extremely low level of satisfaction

The odds of success vary widely

However, the odds of success vary widely for different tools. ***(Figure 7)*** Some tools receive far higher marks than others. For example, 33 percent of those who use *Cycle Time Reduction* reported that they were extremely satisfied with the tool, while only 5 percent said they were dissatisfied, creating a positive "satisfaction spread" of 28 points (33 minus 5).

In some cases, users were dissatisfied as often or more often than they were extremely satisfied. With *Knowledge Management*, for example, more companies were dissatisfied than extremely satisfied. The odds of a successful outcome for tools at the bottom of figure 7 are significantly lower than for those at the top.

Figure 7: **The odds of satisfaction vary widely**



Spread= difference between extremely satisfied and dissatisfied

Source: 1999 Worldwide Survey, n = 475

Major efforts achieve higher satisfaction scores

For all tools, major efforts achieve better satisfaction scores than limited efforts do. Perhaps some tools should not be used on a limited basis at all.

For some tools, the differences are enormous. *Market Disruption Analysis* achieves a fairly high satisfaction score when it is implemented as part of a major organizational effort. However, *Market Disruption Analysis* is less satisfying than most other tools when implemented as a limited effort.

Other tools, such as *Cycle Time Reduction*, achieve reasonably satisfying results even when implemented on a limited or trial basis.

Before deciding which tools to use and how much effort will be devoted to their implementation, it is important to understand the incremental benefits of pursuing a major versus minor effort with each of these tools.

In 1993, Bain & Company launched a multi-year research project into the usage of and satisfaction with management tools and techniques.

The top ten tools of successful companies

Although successful and less successful companies use primarily the same tools, successful companies are generally more satisfied with individual tool usage than are less successful companies.

Several tools, *Pay-for-Performance*, *Strategic Planning*, *Customer Satisfaction Measurement*, *Growth Strategies*, and *Scenario Planning*, achieve a significantly higher satisfaction score at successful companies than at less successful companies.

Growth Strategies is the only tool in the "top 10 tools" of successful companies that never appear in the "top 10 tools" list of less successful companies. ***(Figure 8)***

Figure 8: Top ten tools of successful companies

Satisfaction at Successful Companies		Satisfaction at Less Successful Companies
4.32	Pay-for-Performance*	3.54
4.22	Cycle Time Reduction	4.06
4.17	Strategic Planning*	3.47
4.12	Mission and Vision Statements	3.84
4.11	Customer Satisfaction Measurement*	3.57
4.02	Growth Strategies*	3.32
4.02	Customer Segmentation	3.65
4.00	Total Quality Management	3.59
4.00	One-to-One Marketing	4.00
3.97	Scenario Planning*	3.10

*Statistically significant (95% confidence) difference between successful and less successful companies; ▭ Indicates tool not in top ten of less successful companies Source: 1999 Worldwide Survey n = 475

The best tools for the job

In summary, it appears that very few tools are good at "doing it all"—the tools in ***Figure 9*** featuring a shaded circle have achieved satisfaction scores significantly above average.

In fact, most tools achieved high ratings in only one or two performance categories. The most notable exception is *Strategic Planning*, which received strong marks in four out of the five performance dimensions. *Supply Chain Integration*, a relatively new tool, is also currently considered strong in four areas.

In North America, the Internet was cited as the key reason for the decline in the usage of tools.

Figure 9: The Best Tools for the Job

● = consistently the best tool for the job ○ = often the best tool for the job	Financial Results	Customer Equity	Performance Capabilities	Competitive Positioning	Organizational Integration
Balanced Scorecard*					○
Core Competencies			●		
Customer Retention		●			
Customer Satisfaction Meas.		●		●	
Customer Segmentation**		●		○	
Cycle Time Reduction	●	○	○		
Growth Strategies*	○		○	●	
Mission and Vision Statements					●
One-to-one Marketing***		●		●	
Outsourcing**	●				
Pay-for-Performance	○				
Shareholder Value Analysis	○				
Strategic Alliances		○		●	
Strategic Planning*	●		●	●	●
Supply Chain Integration***	●		●	●	○
Total Quality Management		●		○	○
Virtual Teams***					●

*Tool introduced in 1996; **Tool introduced in 1998; ***Tool introduced in 1999 Source: 1994-1999 Worldwide survey

Based on our research to date, we offer four suggestions for using tools:

1 Get the facts: Every tool carries a set of strengths and weaknesses. Success requires understanding the full effects—and side effects—of each tool and then creatively combining the right ones in the right ways at the right times. Use the research. Talk to other tool users. Don't naively accept hyperbole and simplistic solutions.

2 Champion enduring strategies, not fleeting fads: Line managers and tool gurus don't always have perfectly aligned agendas. Tool gurus may provoke stimulating discussions, but managers must manage. Managers who promote fleeting fads lose their employees' confidence and face increasing skepticism. Executives would be better served by championing realistic and strategic directions, while regarding the specific techniques for achieving them as expendable.

3 Choose the best tools for the job: Managers need a rational system for selecting, implementing, and integrating the tools and techniques appropriate for their companies. A management tool will only improve results to the extent that it:

• Discovers unmet customer needs

• Builds distinctive capabilities

• Exploits competitor vulnerabilities

• Develops breakthrough strategies by effectively integrating these accomplishments

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

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