Making the most of management tools and techniques: a survey from Bain & Company

Introduction

Contemporary management tools and techniques such as market disruption analysis and knowledge management all promise to make managers more successful in a digital age, so why are firms not using them much these days and why are they not satisfied when they do? The answer, according to Bain & Company’s 1999 international survey of management tool usage, is that the new economy is growing so fast that managers have neither the time nor the resources to experiment with tools that would alter the way they run their businesses. Instead, they are sticking with the ‘classics’, the tried and tested tools that have a practical and immediate impact.

Companies worldwide are using fewer tools—an average 10.9 per company compared with 13.4 in 1998—according to Bain’s latest tools and techniques survey. It profiles the use and the satisfaction ratings of 25 management tools.

Follow up interviews with survey respondents indicates that the Internet may be the principal reason for this decline. Management tools can be useful but using them successfully requires time and resources. Furthermore, many managers feel pressured for both as they try to keep pace in an accelerating economy. With unemployment at an all time low and Internet companies snapping up talent, they are doing more business with a shorter supply of skilled workers and they do not expect this trend to change in the near future. Indeed, many managers surveyed plan to exacerbate it: some two-thirds of the companies interviewed are saying that they will be aggressively expanding E-commerce capabilities and only 10% were concerned about an economic slowdown, compared with 55% in 1998.

Aims and objectives

Bain & Company began surveying management tools and techniques in 1993 to promote enhanced understanding in the use and assessment of management tools. Companies’ worldwide were spending millions of dollars on management tools without confirmation of whether they worked and whether they result
in more good than harm. There were no objective data on whether these tools and techniques were good for companies, what results were produced and what problems they created. In the absence of objective data, the choice of tools by organisations was often based on groundless hype. This vacuum can have serious consequences. It is too easy for companies to latch on to the latest fad with negative results.

- Promoting the latest fad takes an extraordinary amount of energy and resources. The result: shortages of some strategic management elements and toxic overdoses of others.
- A single solution fad creates winners and losers, which is divisive. Organizational units fight for recognition, functionalism rises and teamwork declines.
- New fads can raise unrealistic expectations. When those expectations are not met, the organisation suffers. Employees lose money and jobs and the organisation loses trust in senior management as well as confidence in its ability to succeed.
- Employees are robbed of responsibility. Fads transfer responsibility away from management — the only place where things can really happen — to senior staff and staff executives and outside experts. Line operators’ turn into spectators waiting for chief executive officers to pull the next magic rabbit out of their hat.
- Fads undermine strategy. Companies cannot win by doing the same things that everyone else is doing. Effective strategies adopt the same strategy, no one gains sustainable advantages or superior profits.

Not surprisingly, there is a lot at stake, which is why Bain & Company has been trying to take the guesswork out of the business of selecting management tools. For the last seven years we have been polling managers and executives on the latest management theories, techniques and concepts. The database begun in 1993 now includes thousands of survey responses and hundreds of personal interviews from senior managers in 15 countries around the world. At last executives have consumer reports on management tools and techniques based on the actual experiences of managers using the most popular ones.

**Key findings**

In our latest survey, we have found that companies are still using a lot of tools — on average 10.9 per company world-wide. However, we found that the Internet revolution is having an impact on the use of tools especially in North America, which is on the vanguard of the digital economy. Managers in North America are using fewer tools — 11.3 last year, down from 13.6 the year before. What is more, they used only 4.8 tools as part of a major corporate strategic initiative. The type of tools North Americans are using are the ‘classics’ — the ones that keep them focused, help them to grow or speed up the pace of business. North Americans used six particular tools significantly more than managers did in the rest of the world:

- **Mission and vision statements**: These describe what the company will become and how it will get there: 85% of North American companies use them compared with 74% elsewhere.
- **Strategic planning**: Which develops a comprehensive programme to position business for long-term success: 89% in North America compared to 74% elsewhere.
**Growth strategies:** That aim to lift profits by expanding revenues rather than cutting costs: 65% in North America and 47% elsewhere.

**Merger integration teams:** A group of senior managers from two merged companies charged with delivering on sales and operating synergies: 38% in North America and 20% elsewhere.

**Cycle time reduction:** Which aims to decrease the time a company takes to perform key activities through its value chain: 38% in North America and 27% elsewhere.

**Supply chain integration:** The aim of which is to synchronize the efforts of all parties involved in meeting the customer’s needs: 35% in North America and 27% elsewhere.

**Business re-engineering:** The red-hot tool of the 1990s, dropped out of the top 10 management tools but its decline began before the Internet ignited the North American economy. It is supposed to radically redesign business processes to improve productivity and in 1993 and 1994 it was extremely fashionable. Early adopters gave it impressive ratings but since 1995 users have been complaining about its side effects—such as declining moral, loss of innovation, erosion of trust and weakened teamwork.

The high speed of business in North America has also reduced interest in a few other tools. Four management tools are used significantly less frequently in North America than elsewhere:

**Real options analysis:** This allows managers to analyse and invest in real asset options: 6% in North America and 13% elsewhere. Nearly half of the North American companies that tried this tool have now dropped it.

**Scenario planning:** Which explores the implications of several alternative futures: 21% in North America and 34% elsewhere.

**Total quality management:** Which seeks to eliminate errors in order to reduce costs and better serve customers: 40% in North America and 56% elsewhere.

**Market disruption analysis:** Which examines trends or events that lead to a shift of market power from established to emerging players: 5% in North America and 13% elsewhere.

According to the survey, North American managers are more sceptical about the merits of tools in general. They are more likely than managers elsewhere to say that tools promise more than they deliver and have not been proven very successful. However, the satisfaction rating, is not we believe, the reason for the decline in the use of tools in North America. Newer tools that are geared to the Internet economy are not being widely used either. That is even the case for tools that have earned good reviews from users, such as one-to-one marketing, which encourages focus on individual customers, and supply chain integration.

Ironically, knowledge management, a tool that is broadly seen as indispensable in today’s knowledge-driven economy, has received the lowest satisfaction score of any management tool. On a 1 to 5 scale, (with 1 being very dissatisfied—and 5 being extremely satisfied)—the average rating was 3.87 last year. Knowledge management was rated 3.43 while the mean score was 3.87. That was a significantly lower score than cycle time reduction (4.09), one-to-one marketing (4.03), strategic planning (4.02), and mission and vision statements (3.99).

Nevertheless, a lot of companies still want to try out knowledge management in 2000. If that is the case they had better understand how the tool is implemented and make sure their employees buy in before reaching for it.

Why is this? It appears that knowledge management requires enormous time and financial commitments, while the payback is frustratingly slow. What is more, many employees do not have the time or the motivation to share their knowledge. After all special knowledge can be the path to fame and fortune in today’s economy. Employees know it and so they are less enthusiastic about sharing valuable information.

In Europe, where economic growth is slower than in North America, managers are also less enthusiastic about using particular management tools. In the UK for instance, tool
usage has dropped to 9.5 per firm, from 11.7 one year earlier. Firms in Europe used 10 tools on average, significantly less than the number used in North and South American firms.

In fact, European firms were less likely than companies elsewhere to use nine management tools:

**Strategic planning:** 71% use it in Europe compared with 88% elsewhere.

**Mission and vision statements:** 74% in Europe and 83% elsewhere. Mission and vision statements jumped into the second position from seventh one-year earlier.

**Pay-for-performance:** 47% in Europe and 66% elsewhere.

**Growth strategies:** 44% in Europe and 63% elsewhere.

**Customer segmentation:** 46% in Europe and 57% elsewhere.

**Cycle time reduction:** 22% in Europe and 40% elsewhere.

**Merger integration teams:** 17% in Europe and 37% elsewhere.

**Supply chain integration:** 22% in Europe and 37% elsewhere.

**Virtual teams:** 15% in Europe and 22% elsewhere.

It would seem that firms in the UK are more satisfied with two tools—core competencies and strategic planning—than firms elsewhere. And although knowledge management got the worst marks for effectiveness in our survey, it was more popular in Europe than elsewhere.

In Asia, where much of the economy is recovering from crisis, tool usage was higher than in Europe—11.5 per company, this being close to the worldwide average. Asians are confident about the economy and want to use the tools that may help them to thrive. Outsourcing, which was not even in the top 10 in 1998, was the second most popular tool in Asia last year. Asians were less enthusiastic about mission and vision statements than managers elsewhere. Some 60% of firms used them compared with 80% elsewhere.

In South America, which is also recovering from an economic crisis, tool usage is the highest worldwide. The results show usage at 13.1 per company and 7.6 on evaluating major strategic initiatives. South American managers are also far more enthusiastic about them than managers elsewhere. Like the Asians, South American firms feel more comfortable about survival and are looking for new ways to prosper.

Over the years our research has shown that managers are not overly happy with the tools they are using. On a 1 to 5 scale, (with 1 being very dissatisfied—and 5 being extremely satisfied)—the average rating was 3.87 last year. The top marks worldwide, according to our survey went to cycle time reduction (4.09), followed by strategic planning (4.02), mission and vision statements (3.99), customer satisfaction measure (3.96), and pay for performance (3.95). At the bottom of the scale was knowledge management (3.43).

Satisfaction with a management tool or technique can be driven by many factors:

- The tool’s fitness for use
- The level of organisational effort applied
- The general health of the business
- The specific needs of the business
- The influence of other tools and programmes
- The readiness of the organisation
- The accuracy of expectations

We have found that major efforts to implement a tool produce higher satisfaction levels than limited efforts. In fact, some management tools should not be used on a limited basis at all. It is important to understand the incremental benefits of pursuing a major versus a minor effect with each of these tools before deciding which tool to use and how much effort will be devoted to implementing them.

In our surveys, we have found no correlation between the number of tools used and the financial results of a business. We have found however, a strong correlation between financial results and a company’s ability to build distinctive capabilities that serve customer needs better than the compe-
Management tools and techniques vary widely in their ability to improve a company’s performance in terms of five critical dimensions—financial results, customer equity, long-term performance capabilities, competitive positioning and organisational integration.

Tools are only valuable if they are used to increase performance. Used properly, management tools should be part of the change management process to improve or modify organisational decisions and behaviours. Improved decisions should enable the business to build capabilities that serve customer needs better than the competition. Those competitive advantages can then lead to increased performance and better bottom-line results.

But tools should come with warning labels. The full effects of using a particular tool, including its side effects, must be understood before adopting it.

What then is the right bag of tools for top executives today? It is a mistake to put too much emphasis on the tools themselves. We feel that you can no more judge the quality of a manager by his choice of tools than you can a skier by his or her choice of skis and boots. What counts is the skill of the management team and its ability to choose and use the tools effectively. Some of the classics proven tools are used more often than we might think, while some of the ‘hottest’ new tools have received poor reviews from the managers who have tried them.

Management tool tips

Always get the facts
Every management tool has its 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.

Champion enduring strategies, not fleeting fads
Management tool gurus may provoke stimulating discussions, but managers must manage. Managers who promote fleeting fads undermine the confidence of employees in their ability to create needed change and their programmes are greeted with increasing scepticism. Executives would be better served by championing realistic and strategic decisions, while regarding the specific techniques for achieving them as expendable implements.

Choose the best tools for the job
A management tool will only improve results to the extent that it discovers unmet customer needs, builds distinctive capabilities, exploits competitor vulnerabilities, or develops breakthrough strategies by effectively integrating these accomplishments.

Adapt the tools to your business system (not vice versa)
Every organisation has unique characteristics. Some 86% of respondents’ report they believe tools must be customized for each individual company. The secret to the successful usage of tools is not in discovering one magic tool but in learning which tools to use and how and when.

Biographical information

Bain & Company, one of the world’s leading management consulting firms, has been conducting its management tools and techniques survey since 1993. With headquarters in Boston and offices in all major cities around the world, Bain has worked with 1,500 major multinational and other corporations from every economic sector, in every region of the world.
Crawford Gillies, the Managing Partner of Bain’s London office, oversees the UK survey effort.

Darrell Rigby, a Director in the Boston office, supervises the overall effort worldwide.

Further information

Please contact Katie Smith Milway, Bain Editorial Director, Two Copley Plaza, Boston, MA 01226. Tel: 1-800-265-0685; Email: katie.smith.milway@bain.com.