

Management Tools 2001-Global



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June 2001

- 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.
- 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 that are most profitable.
- All of 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 management tools in unprecedented numbers.

An Explosion of Management Tools

- ABC
- MBO
- TQM
- JIT
- OVA
- SVA
- CPR
- SPC
- Virtual Teams
- Reengineering
- Mass Customization
- System Dynamics
- Creative Destruction
- Concurrent Engineering
- Zero-Based Budgets
- PIMS Analysis
- Quality Circles
- Market Disruption Analysis
- Portfolio Analysis
- Experience Curves
- Mission and Vision Stmts.
- Cycle Time Reduction
- Pay-for-Performance
- Customer Satisfaction Meas.
- Visioning
- Core Competencies
- Baldrige Award
- Micro-Marketing
- MRPI and MRPII
- Technology S-Curves
- Delphi Technique
- Gung Ho!
- ISO 9000
- 7-Ss
- 6-Sigma
- 5-Forces
- 4-Ps
- 3-Cs
- 2x2 Matrices
- 1-Minute Managing
- 0-Defects
- CRM
- Strategic Alliances
- Corporate Venturing
- Self-Directed Teams
- Strategic Planning
- Merger Integration Teams
- Balanced Scorecard
- Benchmarking
- Life Cycle Analysis
- Permission Marketing
- Scenario Planning
- Growth Strategies
- One-to-One Marketing
- Learning Organizations
- Data Mining
- Continuous Improvement
- Value Chain Analysis
- Nominal Group Technique
- Conjoint Analysis
- Competitive Gaming
- Customer Retention
- Groupware
- Psychographics
- Loyalty Management
- Service Guarantees

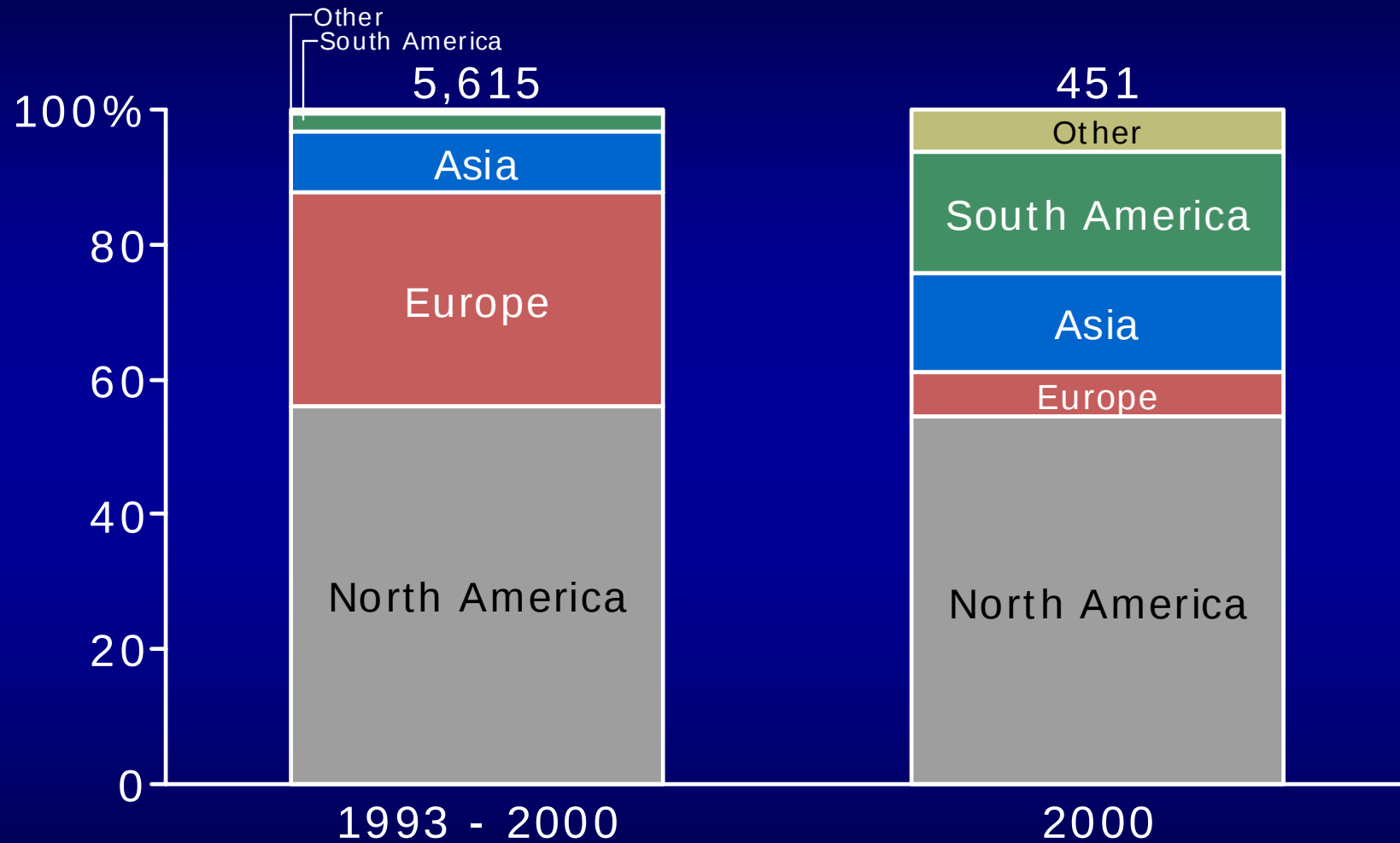
- Keeping up with these techniques and deciding which ones to use is becoming an essential part of every executive's responsibilities. Unfortunately, there has been little objective evidence on whether tool usage is good or bad, or which tools have produced what results over what period of time. There has been no "Consumer Reports" on management tools to help managers sort facts from fictions. In the absence of data, groundless hype can make choosing and using management tools a dangerous game of chance.

The Need for Objective Data

- The slate of management tools and techniques is confounding and compounding
- Managers must determine if and how any of these tools might actually enhance their performance
- But there has been no objective data on:
 - Whether increased tool usage is good or bad
 - Which tools are producing what results
- In the absence of data, groundless hype makes choosing and using management tools a dangerous game of chance

- In 1993, Bain launched a multi-year research project to get the facts about management tools. Our objective is to provide managers with the information they need to identify, select, implement, and integrate the tools that will improve bottom line results.
- Over the past eight years, we have assembled a database that now includes 5,615 respondents from over 20 countries in North America, Europe, Asia , Africa and South America.
- This year, we received 451 completed surveys from a broad range of international managers. We also conducted personal follow-up interviews to further probe the circumstances under how tools are most likely to produce the desired results.

8 Years of Data and 5,615 Respondents



- This year, we focused on 25 of the most popular tools and techniques, listed on the slide below. To qualify for inclusion, a tool had to be:
 - Relevant to senior management
 - Topical (as evidenced by coverage in the business press)
 - Measurable
- We defined these tools in a booklet entitled “Management Tools 2001, An Executive’s Guide.”
- The booklets and surveys were mailed to senior executives (a well-balanced mix of line and staff, corporate and divisional managers) around the world. The survey is reprinted in the appendix at the back of this report.

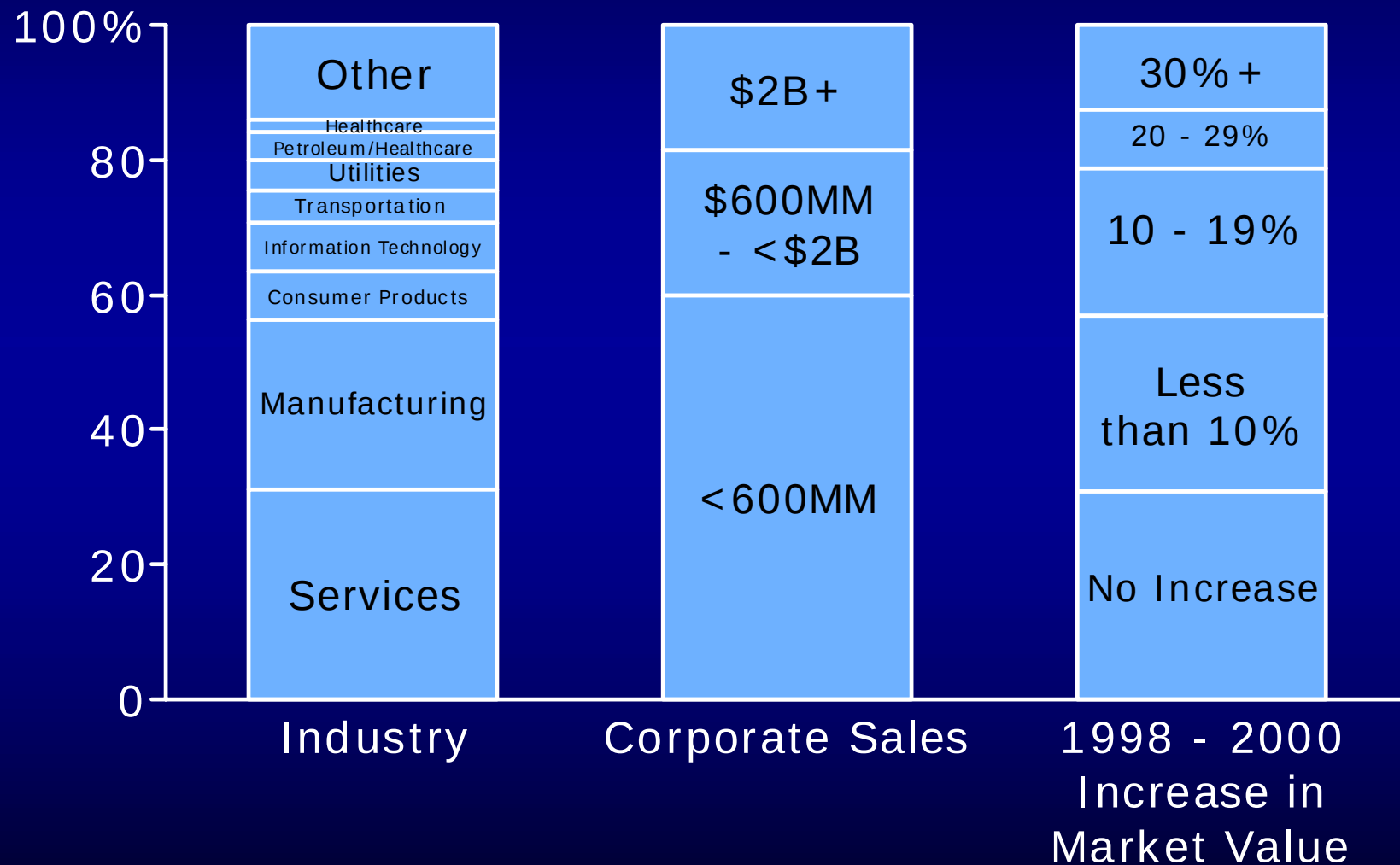
* Tool included in the survey for the first time in 2000

We Focused on 25 of the Most Popular Tools

- Activity-Based Management
- Balanced Scorecard
- Benchmarking
- Core Competencies
- Corporate Venturing *
- Customer Relationship Management *
- Customer Satisfaction Measurement
- Customer Segmentation
- Cycle Time Reduction
- Growth Strategies
- Knowledge Management
- Market Disruption Analysis
- Merger Integration Teams
- Mission and Vision Statements
- One-to-One Marketing
- Outsourcing
- Pay-for-Performance
- Real Options Analysis
- Reengineering
- Scenario Planning
- Shareholder Value Analysis
- Strategic Alliances
- Strategic Planning
- Supply Chain Integration
- Total Quality Management

- The International respondents represent a full range of industries, company sizes, and financial returns.

Demographics of Global Respondents for 2000



- With the results of 5,615 surveys and nearly 300 personal interviews in our database, we have created the world's most comprehensive and definitive fact base on management tools and techniques.
- This year's key findings are summarized on the next four pages.

The Truth About Tools

- Respondents' attitudes reflect their concern regarding the economy
 - 61% of respondents are concerned about the economic slowdown in 2001 (22% disagree)
 - 64% state that financial results are their firm's top priority
 - 59% believe that their managers want more cash compensation, not more stock options (21% disagree)
 - 54% agree that the increased pace of change has made it difficult to make long-term decisions (31% disagree)
 - 39% believe that their company would deliver better long-term results as a private company (25% disagree)
- Firms recognize the value of tools
 - 73% of respondents agree that it is important to stay on the cutting edge of tools and techniques (8% disagree)
 - 90% believe that management tools require top down support to succeed (3% disagree)

The Truth About Tools (continued)

- However, executives remain skeptical of tools that overpromise and underdeliver
 - 77% believe that most management tools promise more than they deliver (8% disagree)
 - 74% agree that once they find a tool that works, they use it over and over again (10% disagree)
- In 2000, the tools with the highest usage and satisfaction were tried-and-true concepts that focused on the fundamentals – minimizing costs, maximizing customer value and navigating economic turbulence

The Truth About Tools (continued)

- The most widely-used tools remain the same as in 1999
 - Strategic Planning (76%)
 - Mission and Vision Statements (70%)
 - Benchmarking (69%)
- The “new economy” tools, such as Corporate Venturing, Market Disruption Analysis and Customer Relationship Management (CRM) had some of the highest defection rates and lowest satisfaction.

The Truth About Tools (continued)

- Despite the bursting of the dot-com bubble, most firms still believe in the value of the Internet
 - 79% of respondents believe that one of their major challenges is getting their managers to adapt to new ways of doing business (10% disagree)
 - 62% agree that their company is not taking full advantage of the Internet (22% disagree)
 - 49% say that they are aggressively expanding their e-commerce capabilities (27% disagree)
 - Only 11% believe that their company has spent too much on e-commerce initiatives (69% disagree)

- Survey respondents were asked to share their attitudes and behaviors about management techniques in the context of their individual organizations.
- 90% of respondents agree that tools require top-down support to succeed; and 77% say that most tools promise more than they deliver.
- Several other important insights emerged. For example:
 - 61% of respondents are concerned about the economic slowdown in 2001 (22% disagree)
 - 59% believe that their managers preferred more cash compensation over stock options (21% disagree)
 - 54% agree that the increased pace of change has made it difficult to make long-term decisions (31% disagree)
 - 39% believe that their company would deliver better long-term results as a private company (25% disagree)
 - Only 25% believe that today's market leaders will still be leaders five years from now (52% disagree)

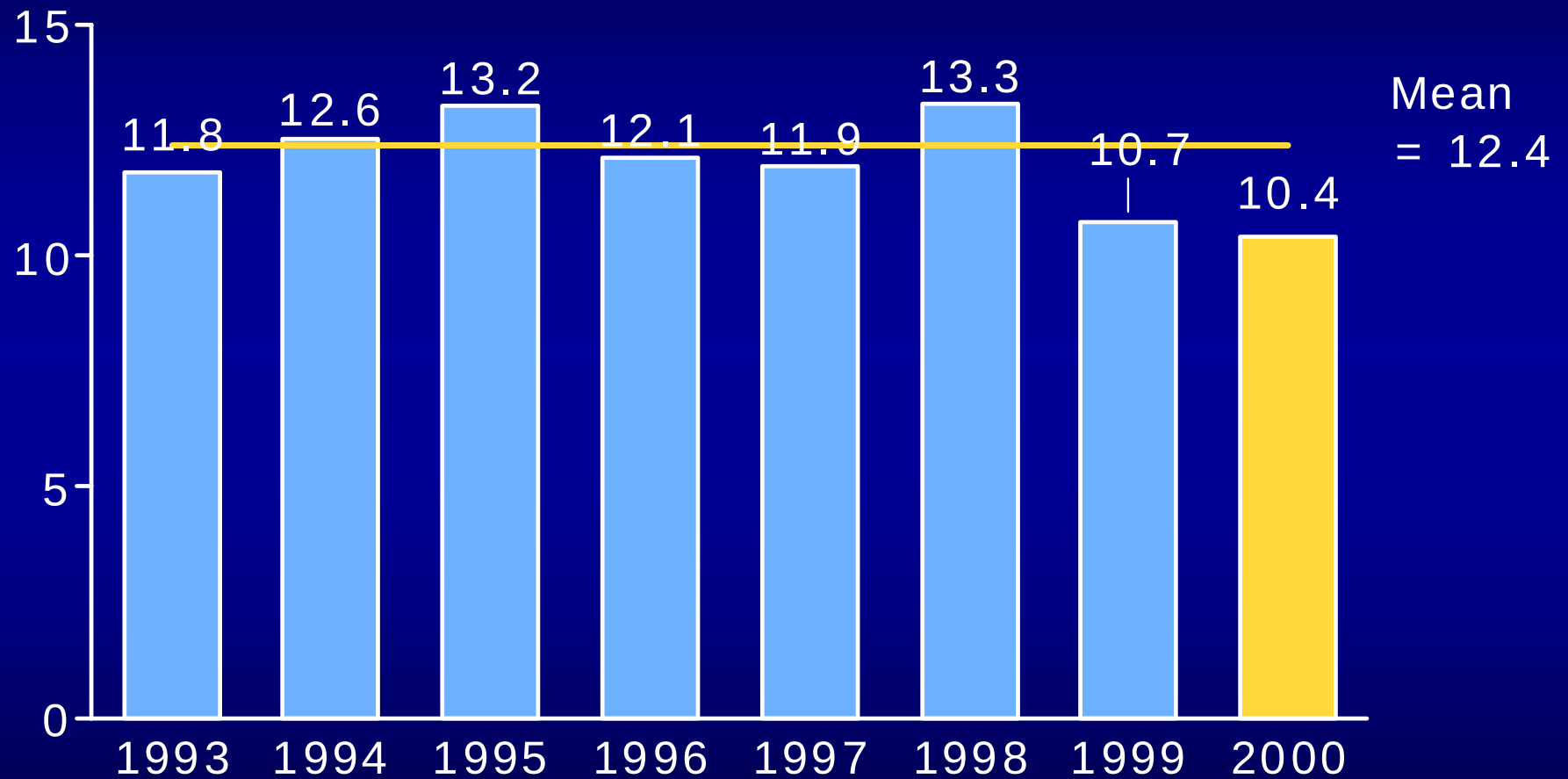
Perspectives of Survey Respondents

	<u>Agree</u>	<u>Disagree</u>
Management tools require top-down support to succeed	90%	3%
One of our major challenges is to get managers to adapt to new ways of doing business	79%	10%
Most management tools promise more than they can deliver	77%	8%
Once we discover a tool that works, we use it over and over again	74%	10%
It is important to stay on the cutting edge of tools and techniques	73%	8%
Our company is not taking full advantage of the Internet	62%	22%
We are quite concerned about an economic slowdown in 2001	61%	22%
Our managers want more cash compensation not more stock options	59%	21%
The increased pace of change has made it difficult to make long-term strategic decisions	54%	31%
We are aggressively expanding our electronic commerce capabilities	49%	27%
In 2001, we will focus on revenue growth, not cost reduction	43%	36%
Technology is making it harder to sustain competitive advantage	43%	42%
Our company would deliver better long-term results as a private firm	39%	25%
Our decisions are driven by short-term financials, not long-term strategies	37%	46%
Almost all young entrepreneurs lack the expertise necessary to build great companies	34%	44%
Most management tools we've used have not been very successful	26%	40%
Almost all of today's market leaders will still be leaders five years from now	25%	52%
Frankly it is fun to watch dot-coms fail	23%	48%
Our company has spent too much money on e-commerce initiatives	11%	69%

- Tool usage in 2000 remained similar to 1999.

Tool Usage Remained Similar in 2000

Average Number of Tools Used

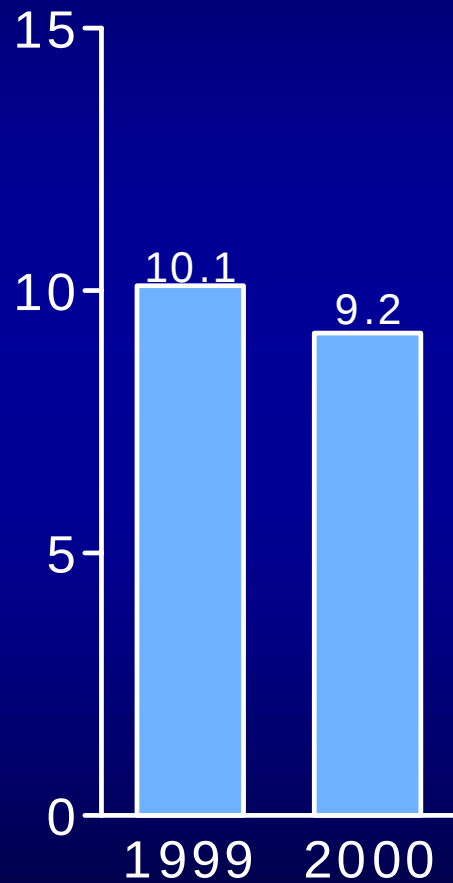


- Smaller companies tend to use fewer tools.

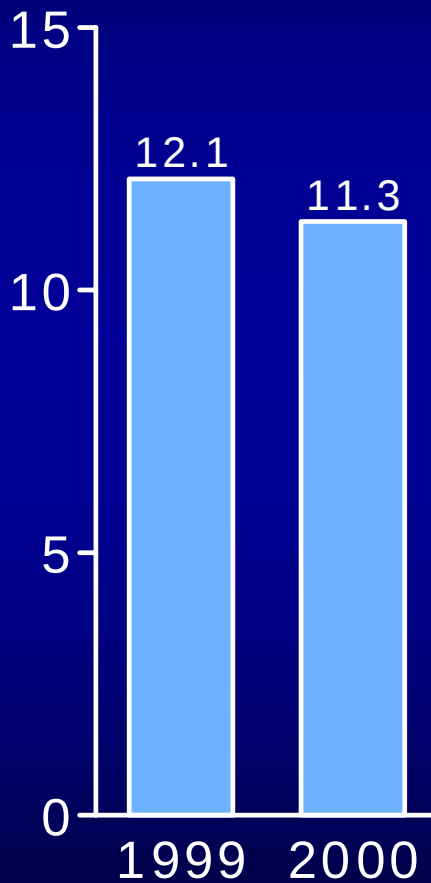
* Based on annual revenues

Tool Usage by Company Size

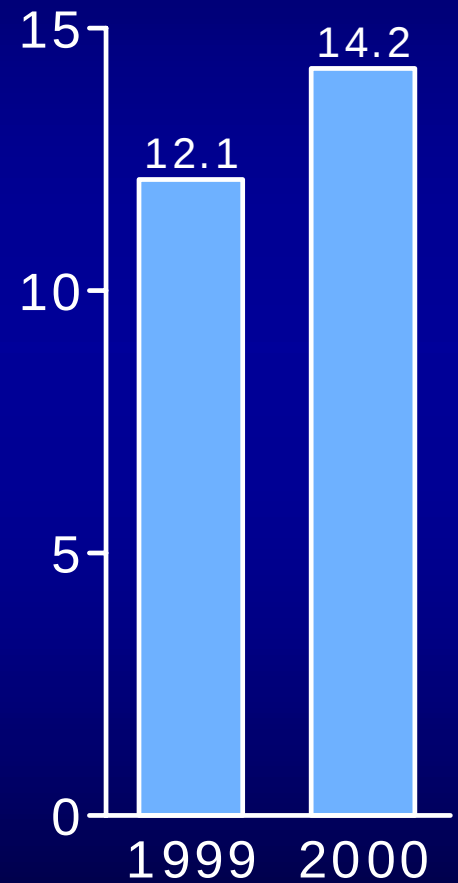
**Small
Companies
(<\$600MM)***



**Medium
Companies
(\$600MM - <\$2B)***



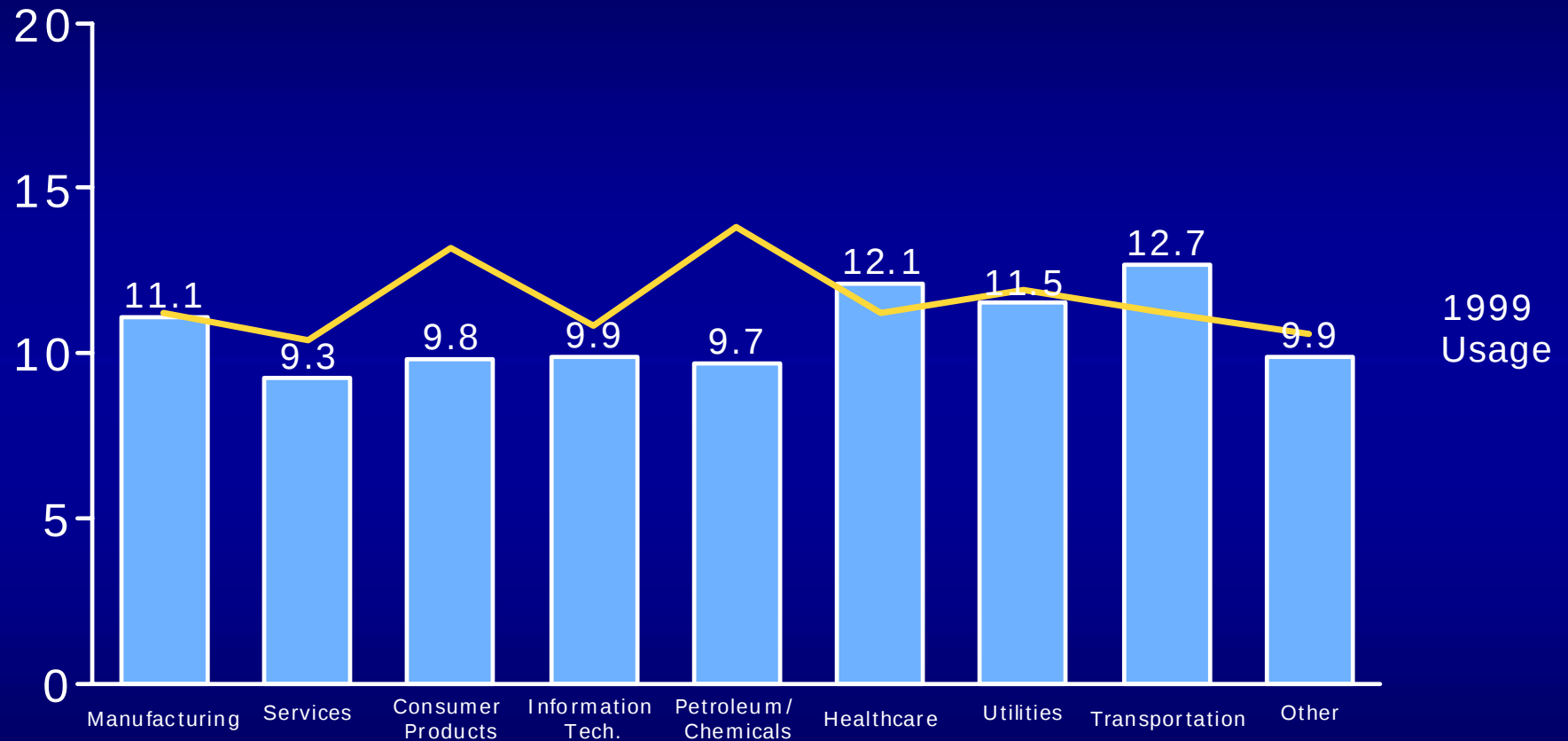
**Large
Companies
(\$2B+)***



- Tool usage continues to be similar across most industries.

Tool Usage is Similar Across Most Industries

Average Number of Tools Used in 2000 (bars) versus 1999 (line)



Respondents 104 129 30 29 17 8 19 20 58

- The average tool was used by 41% of survey respondents in 2000.
- The top five tools were used by 60% or more of companies:
 - Strategic Planning
 - Mission and Vision Statements
 - Benchmarking
 - Outsourcing
 - Customer Satisfaction Measurement
- The least utilized tools were:
 - Corporate Venturing
 - Real Options Analysis
 - Market Disruption Analysis

* Denotes a tool that is significantly above/below the mean

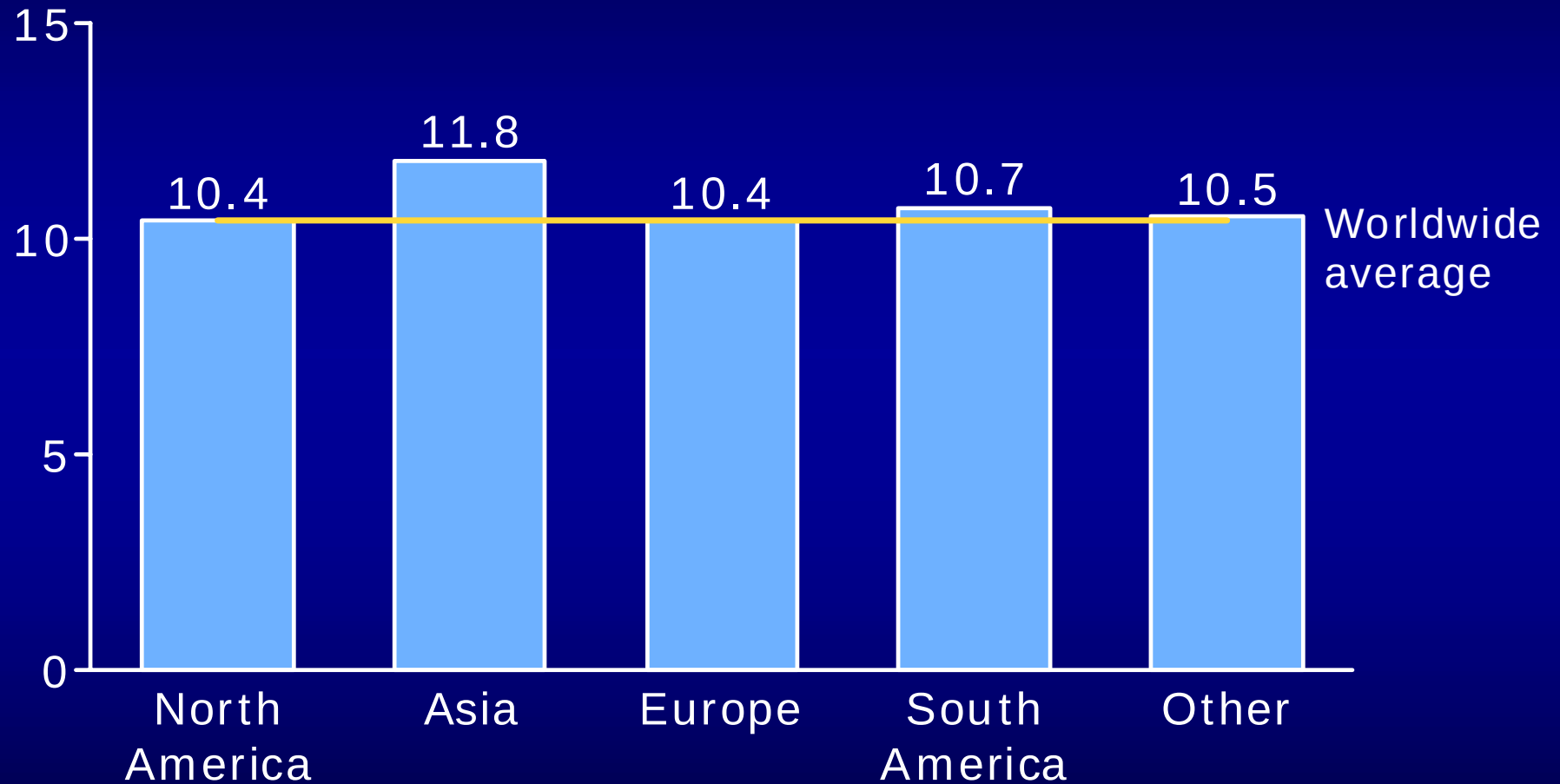
Usage Rates in 2000

Strategic Planning *	76%	Mean = 41%
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%	
Total Quality Management	41%	
Cycle Time Reduction	39%	
Reengineering	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%	

- Tool usage is similar around the world.

Tool Usage is Similar Around the World

Average Number of Tools Used in 2000

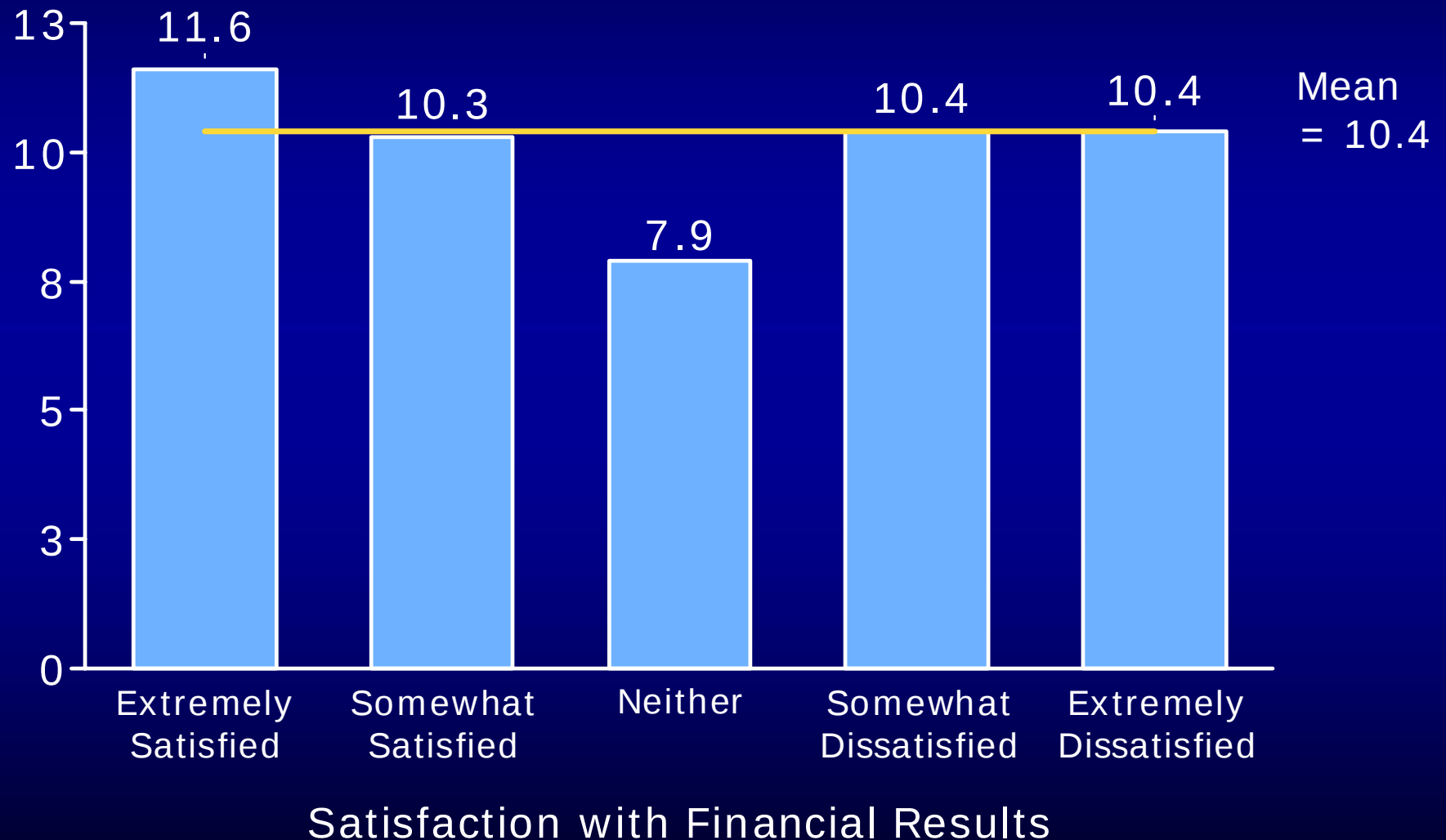


Respondents: 245 66 30 82 28

- There is no relationship between the number of tools used and satisfaction with financial results.

Results Are Not Tied to Number of Tools

Number of Tools Used



- Documenting the life cycles of management tools is a key objective of our research. As we build the multi-year database, we can track the rise and fall of individual tools over time. The largest changes in usage are shown on the page below.
- Several tools have seen large decreases in usage since the first year they were included in the survey.

Largest Percentage Decreases in Tool Usage

	1 st Year Measured <u>Usage</u>	2000 <u>Usage</u>
Total Quality Management	72% (1993)	41%
Reengineering	67% (1993)	38%
Customer Satisfaction Measurement	86% (1993)	60%
Pay-for-Performance	70% (1993)	52%
Cycle Time Reduction	55% (1993)	39%
Activity-Based Management	46% (1993)	31%
Outsourcing	71% (1998)	63%

- The top ten tools of 2000 have all been used by nearly half the corporate population in each of the years we have captured data on them.

* Tool added in 1996

* * Tool added in 1998

Usage of the Top Ten Tools Also Declined

	<u>Lowest Usage</u>	<u>Highest Usage</u>
Strategic Planning*	76% (2000)	84% (1998)
Mission and Vision Statements	70% (2000)	88% (1993)
Benchmarking	69% (2000)	82% (1997)
Outsourcing* *	62% (1999)	71% (1998)
Customer Satisfaction Meas.	60% (2000)	86% (1993)
Growth Strategies*	55% (2000)	63% (1998)
Strategic Alliances	53% (2000)	68% (1995)
Pay-for-Performance	52% (2000)	72% (1995)
Customer Segmentation* *	51% (2000)	60% (1998)
Core Competencies	48% (2000)	69% (1996)

- The most highly utilized tools in 2000 are also expected to have the highest usage in 2001:
 - Strategic Planning
 - Benchmarking
 - Mission and Vision Statements
- The mean projected usage for 2001 is 57%.
- However, these rates should be considered with caution. Nearly every year the survey has been conducted, the actual tool usage has been less than was forecasted the previous year.

* Denotes a tool that is significantly above/below the mean

Projected 2001 Usage

		<u>2001(F)</u>	<u>2000</u>
Strategic Planning *		86%	76%
Benchmarking *		80%	69%
Mission and Vision Statements *		78%	70%
Customer Satisfaction Measurement *		78%	60%
Growth Strategies *		74%	55%
Customer Relationship Management *		72%	35%
Outsourcing *		71%	63%
Pay-for-Performance *		70%	52%
Strategic Alliances *		70%	53%
Customer Segmentation *		68%	51%
Core Competencies *	Mean =	65%	48%
	57%		
Total Quality Management		57%	41%
Knowledge Management		57%	32%
Cycle Time Reduction		55%	39%
Scenario Planning		53%	33%
Supply Chain Integration *		53%	32%
Balanced Scorecard *		51%	36%
Shareholder Value Analysis *		49%	32%
Reengineering *		48%	38%
Activity-Based Management *		48%	31%
One-to-One Marketing *		46%	28%
Merger Integration Teams *		35%	26%
Corporate Venturing *		29%	14%
Market Disruption Analysis *		21%	8%
Real Options Analysis *		20%	9%

- The Overall Satisfaction score is likely driven by how well the tool meets a company's needs on several dimensions and how important those dimensions are to the company.
- The Overall Satisfaction rate mean was 3.89.
- The Satisfaction leaders include:
 - Pay-for-Performance
 - Strategic Planning
- At the bottom of the satisfaction list are:
 - Knowledge Management
 - Corporate Venturing

* Denotes a tool that is significantly above/below the mean

Overall Satisfaction Scores

Pay-for-Performance *	4.10	
Strategic Planning *	4.06	
Customer Segmentation	3.99	
Cycle Time Reduction	3.99	
Real Options Analysis	3.97	
Balanced Scorecard	3.96	
Mission and Vision Statements	3.94	
Merger Integration Teams	3.92	
Shareholder Value Analysis	3.92	
Customer Satisfaction Measurement	3.91	
Total Quality Management	3.91	
One-to-One Marketing	3.90	Mean = 3.89
Benchmarking	3.89	
Activity-Based Management	3.87	
Scenario Planning	3.87	
Reengineering	3.86	
Supply Chain Integration	3.85	
Core Competencies	3.83	
Outsourcing	3.80	
Growth Strategies	3.78	
Strategic Alliances	3.74	
Customer Relationship Management	3.67	
Market Disruption Analysis	3.62	
Knowledge Management *	3.61	
Corporate Venturing *	3.47	

- The odds of success vary widely for different tools. For example, 32% of those who use Pay-for-Performance reported that they were extremely satisfied with the tool, while only 5% said they were dissatisfied, creating a positive “satisfaction spread” of 27 points (32 – 5).
- At the bottom of the page are tools with which users were dissatisfied as often or more often than they were extremely satisfied.
- Corporate Venturing has the only negative spread -- where the number of dissatisfied users outweigh those who are extremely satisfied.

Satisfaction Spreads

	<u>Spread</u>	<u>% Dissatisfied</u>	<u>% Extremely Satisfied</u>
Pay-for-Performance	27	-5%	32%
Strategic Planning	26	-5%	31%
Customer Segmentation	23	-4%	27%
Mission and Vision Statements	23	-9%	32%
Cycle Time Reduction	22	-3%	25%
Shareholder Value Analysis	22	-5%	27%
Merger Integration Teams	22	-8%	30%
Scenario Planning	20	-5%	25%
TQM	19	-7%	26%
Balanced Scorecard	19	-4%	23%
Customer Satisfaction Measurement	18	-7%	25%
One-to-One Marketing	16	-4%	20%
Supply Chain Integration	15	-5%	20%
Core Competencies	13	-4%	17%
Benchmarking	13	-5%	18%
Reengineering	12	-10%	22%
Activity-Based Management	11	-4%	15%
Market Disruption Analysis	9	-9%	18%
Outsourcing	9	-10%	19%
Growth Strategies	8	-11%	19%
Strategic Alliances	8	-11%	19%
Real Options Analysis	7	-1%	8%
Customer Relationship Management	2	-13%	15%
Knowledge Management	1	-14%	15%
Corporate Venturing	-4	-15%	11%

- Major efforts achieve better satisfaction scores than limited efforts do for all of the tools. Perhaps some tools should not be used on a limited basis at all.
- For some tools, the differences are enormous. Market Disruption Analysis achieves the highest satisfaction score of any tool when it is implemented as part of a major organizational effort. However, Market Disruption Analysis ranks near the bottom when implemented as a limited effort.
- Other tools, such as Benchmarking, achieve reasonably satisfying results even when implemented on a limited or trial basis.
- It is important to understand the incremental benefits of pursuing a major versus minor effort with each of these tools before deciding which tools to use and how much effort will be devoted to implementing them.

Major Efforts Achieve Higher Satisfaction

	<u>Major Effort Score</u>	<u>Limited Effort Score</u>
Market Disruption Analysis	4.50	3.42
Total Quality Management	4.45	3.45
Pay-for-Performance	4.40	3.60
Scenario Planning	4.40	3.55
Mission and Vision Statements	4.37	3.46
Cycle Time Reduction	4.37	3.68
Real Options Analysis	4.36	3.77
Balanced Scorecard	4.33	3.66
Activity-Based Management	4.29	3.69
Benchmarking	4.25	3.70
Customer Satisfaction Measurement	4.25	3.52
Customer Segmentation	4.25	3.72
Strategic Planning	4.25	3.69
Supply Chain Integration	4.24	3.62
Merger Integration Teams	4.22	3.48
One-to-One Marketing	4.22	3.61
Core Competencies	4.19	3.56
Reengineering	4.19	3.59
Shareholder Value Analysis	4.17	3.73
Knowledge Management	4.09	3.36
Outsourcing	4.09	3.62
Growth Strategies	4.00	3.50
Strategic Alliances	3.99	3.52
Customer Relationship Management	3.98	3.49
Corporate Venturing	3.75	3.31

- We analyzed respondents' loyalty to each tool by calculating the percentage that stopped using the tool in 2000 after using it at least once in the past five years.
- 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

* Denotes a tool that is significantly above/below the mean

Defection Rates in 2000

Corporate Venturing *	42%	
Market Disruption Analysis *	39%	
Real Options Analysis *	32%	
Merger Integration Teams *	21%	
Customer Relationship Management *	18%	
Reengineering *	17%	
Activity-Based Management	15%	
Supply Chain Integration	13%	
Total Quality Management	12%	
Shareholder Value Analysis	12%	
Knowledge Management	12%	
		Mean =
Scenario Planning	11%	11%
One-to-One Marketing	11%	
Balanced Scorecard	11%	
Core Competencies	10%	
Mission and Vision Statements	8%	
Growth Strategies	8%	
Strategic Alliances *	7%	
Cycle Time Reduction	7%	
Pay-for-Performance *	7%	
Benchmarking *	7%	
Customer Satisfaction Measurement *	7%	
Customer Segmentation *	6%	
Outsourcing *	5%	
Strategic Planning *	4%	

- The top 10 tools remain unchanged from 1999, but some have switched places
 - Outsourcing has moved from the 5th most used tool in 1999 to 4th in 2000
 - Customer Satisfaction Measurement dropped slightly from 4th in 1999 to 5th in 2000
 - Growth Strategies increased from the 7th most used tool to 6th
 - Strategic Alliances moved up from 8th most used in 1999 to 7th in 2000
 - Pay-for-Performance dropped from 6th most used to 8th

* Tool added in 1996

** Tool added in 1998

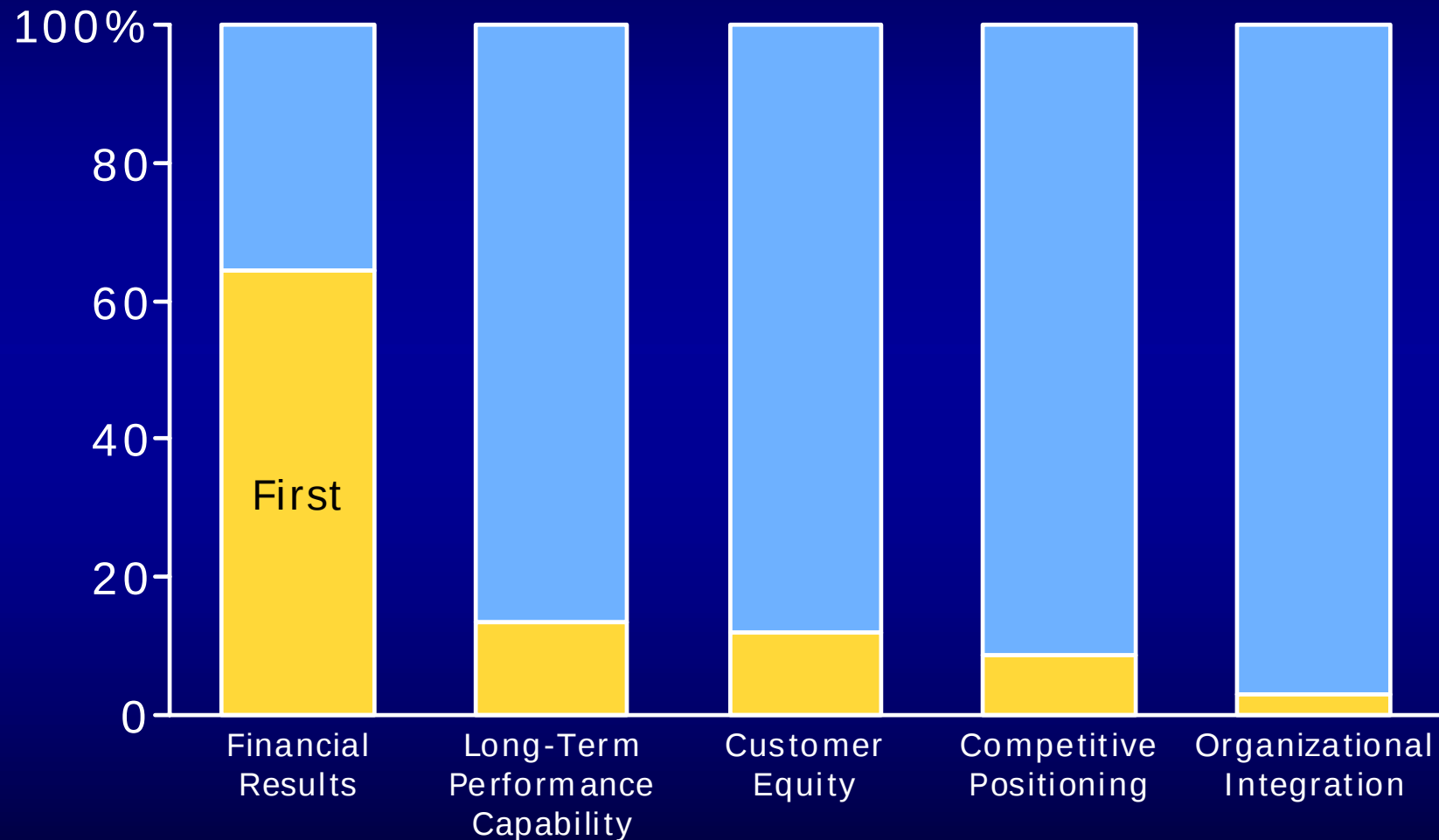
Top 10 Tool Usage Has Shifted

	<u>1st Year</u> <u>Capture</u> <u>Usage</u>	<u>2000</u> <u>Usage</u>	<u>2000</u> <u>Rank</u>	<u>1999</u> <u>Rank</u>
Strategic Planning*	83%	76%	1	1
Mission and Vision Statements	88%	70%	2	2
Benchmarking	70%	69%	3	3
Outsourcing* *	71%	63%	4	5
Customer Satisfaction Meas.	86%	60%	5	4
Growth Strategies*	61%	55%	6	7
Strategic Alliances	62%	53%	7	8
Pay-for-Performance	70%	52%	8	6
Customer Segmentation* *	60%	51%	9	9
Core Competencies	52%	48%	10	10

- We asked respondents to consider how important each of the following five dimensions of performance are to their company:
 - Financial Results
 - Long-Term Performance Capability
 - Customer Equity
 - Competitive Positioning
 - Organizational Integration
- Among the five dimensions, Financial Results continues to be the most important to the majority of firms.

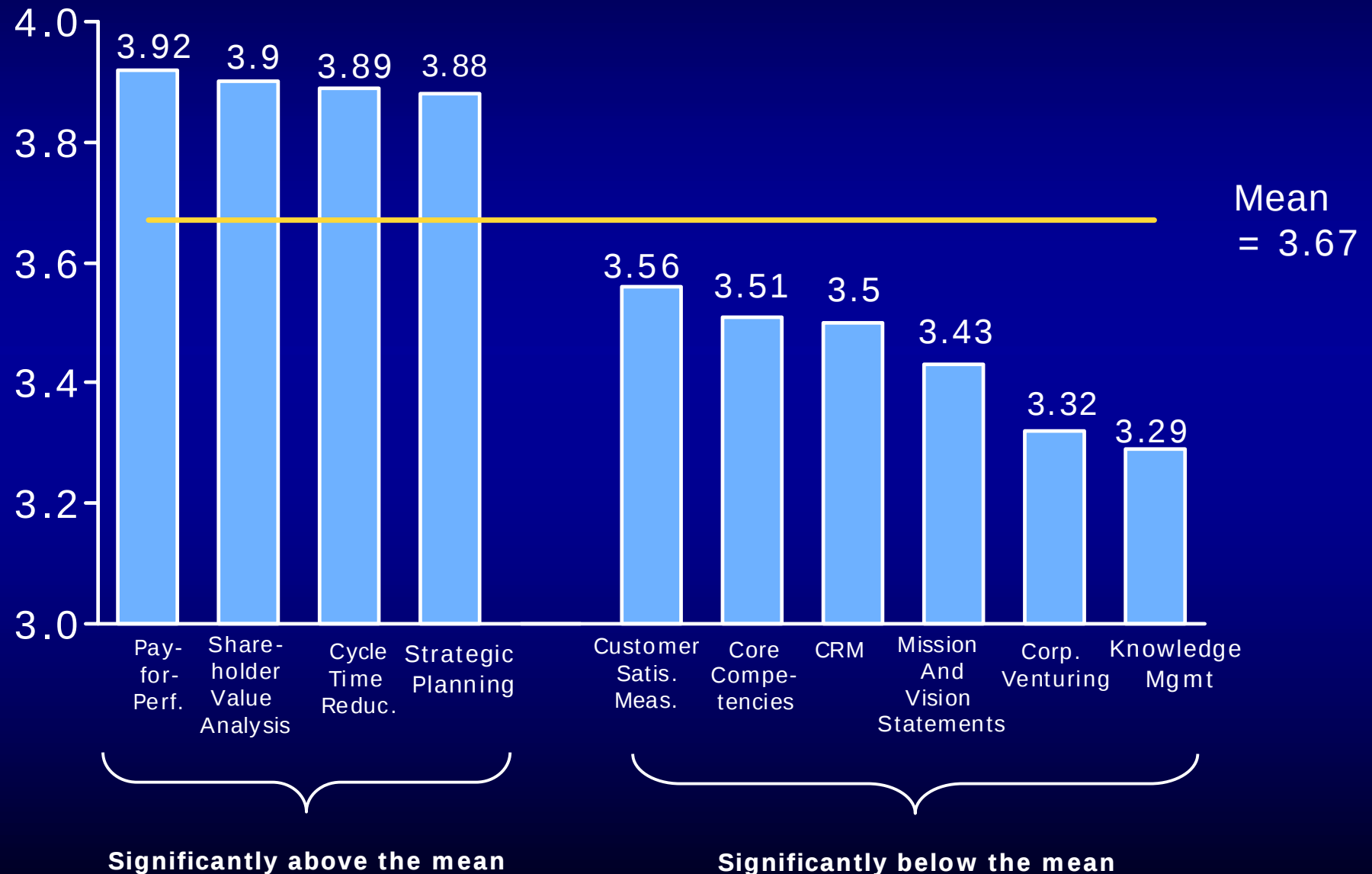
Financial Results are the Number One Priority

Percent of Respondents Ranking the Performance Dimension First Priority



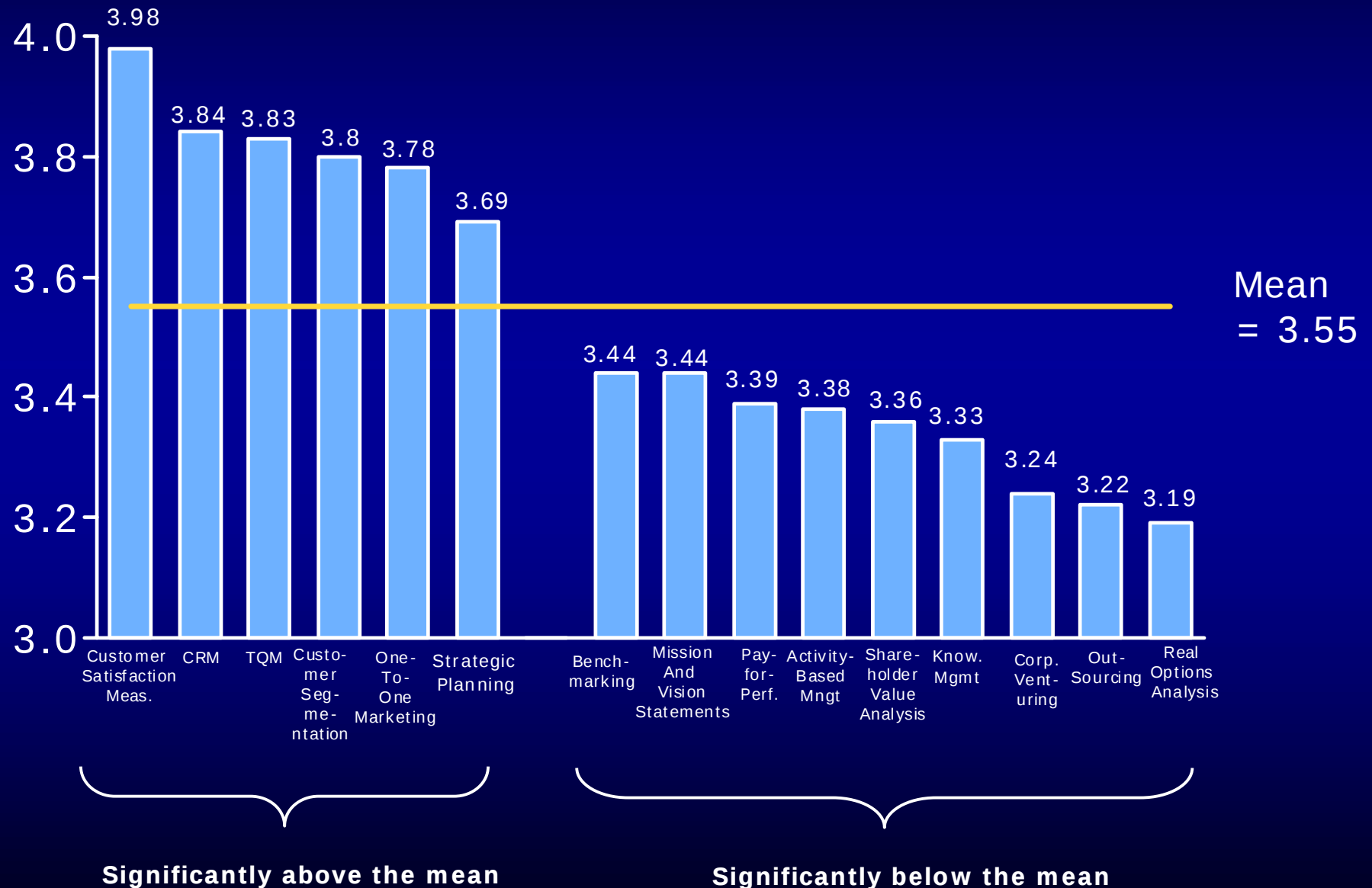
- The purpose of tools is to increase performance, and increasing performance requires that companies:
 - Discover unmet customer opportunities
 - Build distinctive capabilities
 - Exploit competitor vulnerabilities, and
 - Effectively integrate these activities
- Therefore, the next logical question might be: “How good is each tool at performing each of these tasks?”
- We asked survey respondents to rate each tool’s capabilities along all of these dimensions.
- The first dimension of performance is Financial Results. By Financial Results, we mean:
 - Higher profit growth
 - Improved cash flows
 - Higher stock prices

Satisfaction with Impact on Financial Results



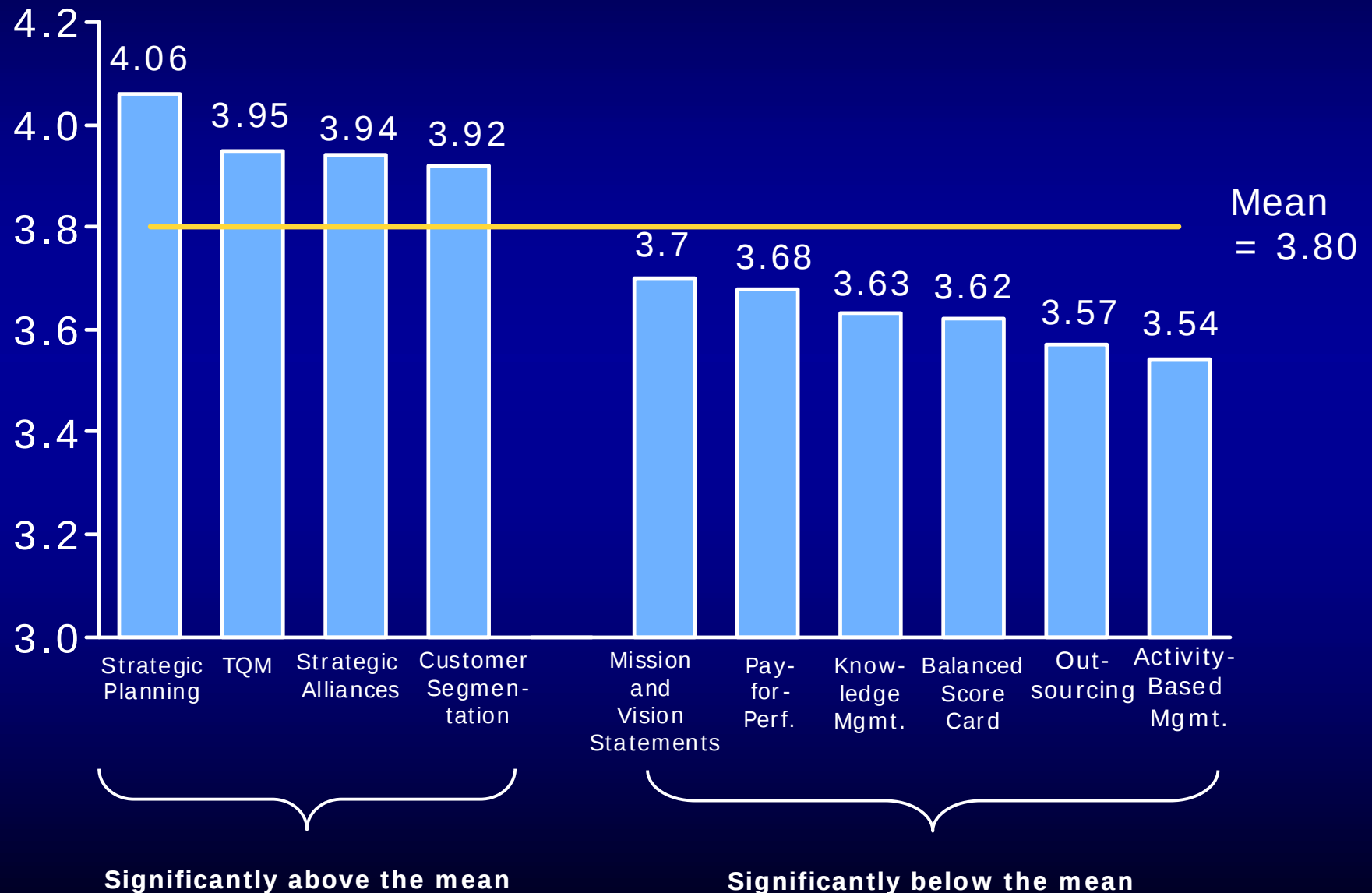
- Respondents reported that tools varied significantly in their ability to help build Customer Equity. By Customer Equity we mean:
 - Increased market share
 - Greater customer loyalty
 - Higher customer value
- The tools with the highest satisfaction levels in building Customer Equity are:
 - Customer Satisfaction Measurement
 - Customer Relationship Management
 - Total Quality Management
 - Customer Segmentation
 - One-to-One Marketing
 - Strategic Planning

Satisfaction with Impact on Customer Equity



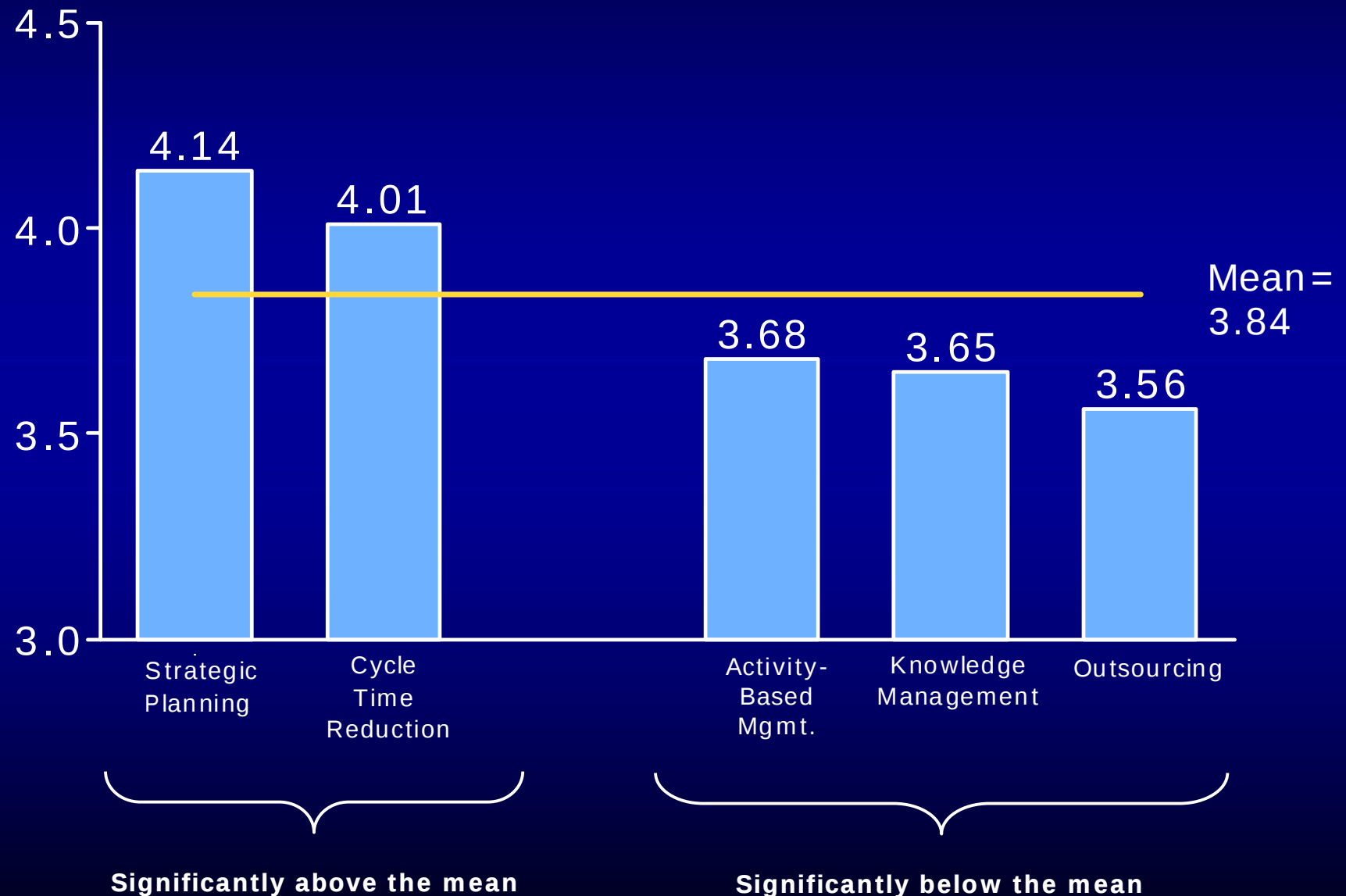
- Respondents reported that tools varied significantly in their ability to help build Competitive Positioning. By Competitive Positioning we mean:
 - Stronger barriers to entry and expansion
 - More advantageous bases for competition
 - Improved relative economics
 - A better position for achieving market leadership
- The tools with higher satisfaction levels in this category are:
 - Strategic Planning
 - Total Quality Management
 - Strategic Alliances
 - Customer Segmentation

Satisfaction with Impact on Competitive Positioning



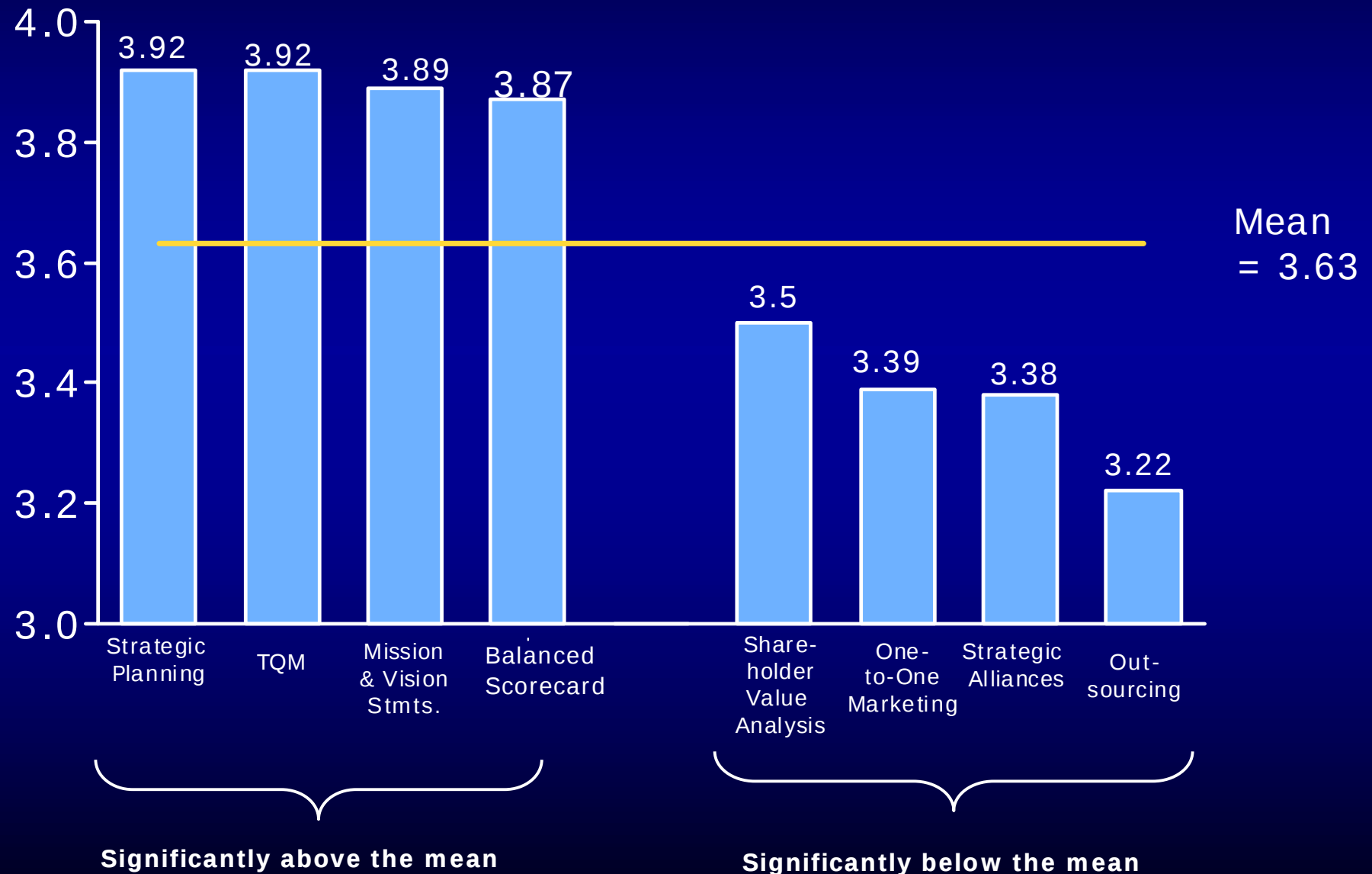
- Respondents found three tools best able to help in their ability to build Long-Term Performance Capabilities:
 - Strategic Planning
 - Cycle Time Reduction
- By Long-Term Performance Capabilities we mean:
 - Enhanced capability for future growth
 - Improved product development
 - Higher employee skills and morale

Satisfaction with Impact on Long-Term Performance Capabilities



- Several tools were found to be successful in aiding Organizational Integration:
 - Strategic Planning
 - Total Quality Management
 - Mission and Vision Statements
 - Balanced Scorecard
- By Organizational Integration we mean:
 - The ability to improve creative collaboration through greater sharing and learning
 - Better teamwork
 - Faster and more innovative decision-making

Satisfaction with Impact on Organizational Integration



- It appears that very few tools are good at “doing it all.” 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 of the performance dimensions.
- In each category with a shaded circle , the tools on the chart below have achieved satisfaction scores over the years that are significantly above average.

The Best Tools for the Job

	Financial Results	Customer Equity	Performance Capabilities	Competitive Positioning	Organizational Integration
Cycle Time Reduction	Consistently the best tool for the job	Often the best tool for the job	Often the best tool for the job		
Pay-for-Performance	Often the best tool for the job				
Strategic Planning	Consistently the best tool for the job		Consistently the best tool for the job	Consistently the best tool for the job	Consistently the best tool for the job
Customer Relationship Management		Consistently the best tool for the job			
Customer Satisfaction Measurement		Consistently the best tool for the job		Often the best tool for the job	
Customer Segmentation		Consistently the best tool for the job		Consistently the best tool for the job	
One-to-One Marketing		Often the best tool for the job			
Total Quality Management		Consistently the best tool for the job			Often the best tool for the job
Core Competencies			Often the best tool for the job		
Growth Strategies				Often the best tool for the job	
Strategic Alliances				Consistently the best tool for the job	
Balanced Scorecard					Often the best tool for the job
Mission and Vision Statements					Consistently the best tool for the job



Consistently the best tool for the job



Often the best tool for the job

On the basis of our research to date, we offer four suggestions for the usage of 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 undermine the confidence of employees in their ability to create needed change, and their programs are greeted with increasing skepticism. Executives would be better served by championing realistic and strategic directions, while regarding the specific techniques for achieving them as expendable implements.
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:
 - a. Discovers unmet customer needs
 - b. Builds distinctive capabilities
 - c. Exploits competitor vulnerabilities
 - d. Develops breakthrough strategies by effectively integrating these accomplishments
4. Adapt their tools to your business system (not vice versa).

Tool Tips

- Get the facts
- Champion enduring strategies, not fleeting fads
- Choose the best tool for the job
- Adapt their tools to your business system

Appendix

Tool Definitions

- **Activity-Based Management:** Tracks costs by activity and traces them to specific products and customers, allowing more accurate cost allocation and decision-making. *Related Topics: Activity-Based Costing, Customer Profitability Analysis, Product Line Profitability*
- **Balanced Scorecard:** Translates Mission and Vision Statements into quantifiable measures and gauges whether management is achieving desired results. *Related Topics: Management by Objectives (MBO), Pay-for-Performance, Strategic Balance Sheet*
- **Benchmarking:** Compares processes and performance to internal and external benchmarks. Companies incorporate identified best practices to meet improvement targets. *Related Topics: Relative Cost Position, Competitor Profiles*

Tool Definitions (continued)

- **Core Competencies:** Identifies and invests in special skills or technologies that create unique customer value. *Related Topics: Core Capabilities, Key Success Factors*
- **Corporate Venturing:** Creates investment arms to fund new businesses or technologies inside and outside the company. *Related Topics: Business Incubation, Core Capabilities, Corporate Entrepreneurship, Direct Investing*
- **Customer Relationship Management:** Collects data about customers to optimize marketing, sales, and service processes to increase customer value. *Related Topics: Collaborative Commerce, Customer Retention, Customer Segmentation, Loyalty-Based Management*

Tool Definitions (continued)

- **Customer Satisfaction Measurement:** Collects input from customers to measure satisfaction, prioritize needs, and determine key customer requirements. *Related Topics: Conjoint Analysis, Customer Retention, Customer Surveys*
- **Customer Segmentation:** Subdivides markets into discrete customer groups that share similar characteristics in order to develop tailored product offerings or marketing programs. *Related Topics: Market Segmentation, One-to-One Marketing, Factor/Cluster Analysis*
- **Cycle Time Reduction:** Decreases the overall time from conception to delivery of products and processes. *Related Topics: Time-to-Market Analysis, Just-In-Time Inventory Management, Manufacturing Resource Planning (MRP)*

Tool Definitions (continued)

- **Growth Strategies:** Identifies and directs resources towards opportunities for profitable growth. *Related Topics: Strategic Planning, Managing Innovation, Market Migration Analysis*
- **Knowledge Management:** Develops systems and processes to capture and share a company's intellectual assets. *Related Topics: Groupware, Intellectual Capital Management, Learning Organization, Managing Innovation*
- **Market Disruption Analysis:** Detects early signs of new technologies and trends that can disrupt established market dynamics. *Related Topics: Disruptive Technologies, Profit Pools, Value Migration*

Tool Definitions (continued)

- ***Merger Integration Teams***: Groups of senior managers from two merged companies charged with delivering the sales and operating synergies identified during the deal's due diligence. *Related Topics: Mergers and Acquisitions, Strategic Alliances*
- ***Mission and Vision Statements***: Codified definitions of a company's business, objectives, approach, and desired future position. *Related Topics: Cultural Transformation, Strategic Planning, Values Statement*
- ***One-to-One Marketing***: Draws on extensive, repeated, and recorded communication with an individual consumer to customize a dialogue with him or her and provide tailored products and services. *Related Topics: Data Mining, Mass Customization*

Tool Definitions (continued)

- **Outsourcing:** Using third-parties to perform non-core business activities. *Related Topics: Core Capabilities, Strategic Alliances, Value Chain Analysis*
- **Pay-for-Performance:** Ties management compensation to measurable and controllable performance targets based on corporate objectives. *Related Topics: Balanced Scorecard, Gain Sharing, Management by Objectives (MBO), Performance Appraisals, Leadership Supply*
- **Real Options Analysis:** Analyzes and invests in real assets (such as facilities, people, and products) as options, in much the same way financial managers analyze and invest in stock options. *Related Topics: Discounted Cash Flows, Scenario Planning, Shareholder Value Analysis*

Tool Definitions (continued)

- **Reengineering:** The radical redesign of core business processes to achieve dramatic improvements in productivity, cycle times, and quality. *Related Topics: Process Redesign, Down-sizing, Cycle Time Reduction, Horizontal Organizations, Overhead Value Analysis, Web Enablement*
- **Scenario Planning:** Defines and projects several alternative futures to aid strategic decision-making. *Related Topics: Contingency Planning, Real Options Analysis, Simulation Models, Strategic Planning*
- **Shareholder Value Analysis:** Measures a company's or business unit's ability to earn more than its total cost of capital. Provides a framework to assess alternatives for increasing value to shareholders. *Related Topics: Discounted Cash Flow Analysis, Free Cash Flow Analysis, Economic Value Added, ROA, ROI, RONA Techniques*

Tool Definitions (continued)

- **Strategic Alliances:** Agreements between firms in which each commits resources to achieve a common set of objectives. *Related Topics: Joint Venture, Networks, Value-Managed Relationships, Virtual Organizations*
- **Strategic Planning:** A comprehensive process for determining what a business should become and how to allocate scarce resources to achieve that objective. *Related Topics: Core Competencies, Mission and Vision Statements, Scenario Planning, Growth Strategies*
- **Supply Chain Integration:** Synchronizes the efforts of multiple parties – suppliers, manufacturers, distributors, dealers, and customers – to enable the seamless exchange of information, goods, and services across organizational boundaries. *Related Topics: Value Chain Analysis, Borderless Corporation, Electronic Commerce*

Tool Definitions (continued)

- ***Total Quality Management***: Marries customer performance requirements to product and service specifications with the goal of producing with zero defects. *Related Topics: Continuous Improvement, Malcolm Baldrige National Quality Award, Six Sigma*

2001 Survey of Management Tools

- ☐ If you are a corporate executive, please check this box and provide survey answers related to your corporation as a whole.
- ☐ If you are a division head, please check this box and provide survey answers related to your division.

All responses will be kept completely confidential and used only in aggregate. No company names will be linked to specific responses.

I. Use of Tools and Techniques

The purpose of this section is to understand your organization's use of management tools and techniques. To record your answers, please check the appropriate box(es) in the grid below.

- 1a. Within the last five years (1996-2000), which of the following techniques have been used by your current employer?
- 1b. In the past year (2000) which of the 25 techniques listed has your organization used? Please indicate whether the technique was *not used at all*, was used on a *limited or trial basis*, or was a *major organizational effort*.
- 1c. To what extent do you think your organization will use each technique in 2001? Please indicate whether you think it is *not likely to be used at all*, it will be used on a *limited or trial basis*, or it will be a *major organizational effort*. Please note whether or not you have used each technique in the past.

II. Overall Satisfaction with Tools

For this next section, please answer only for those techniques that your company has used in the past five years. Also, in thinking about your satisfaction, consider both the benefits achieved and all costs associated with using each technique.

- 2. How satisfied was your organization with the overall results achieved through the usage of each technique? Please use the following scale: *extremely satisfied, somewhat satisfied, neither satisfied nor dissatisfied, somewhat dissatisfied, or extremely dissatisfied*.

CONTINUED



Tools and Techniques	Q. 1a	Q. 1b				Q. 1c				Q. 2			
	Tool Usage Past 5 Years (current employer only)	Tool Usage 2000				Expected 2001 Tool Usage				Satisfaction with Tools (Answer only for those tools used in the past 5 years.)			
	Usage past 5 years	Not used at all	Limited basis	Major effort	Not likely to use at all	Limited basis	Major effort	Extremely satisfied	Somewhat satisfied	Neither satisfied nor dissatisfied	Somewhat dissatisfied	Extremely dissatisfied	
Activity-Based Management	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Balanced Scorecard	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Benchmarking	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Core Competencies	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Corporate Venturing	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Customer Relationship Management	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Customer Satisfaction Measurement	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Customer Segmentation	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Cycle Time Reduction	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Growth Strategies	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Knowledge Management	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Market Disruption Analysis	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Merger Integration Teams	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Mission and Vision Statements	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
One-to-One Marketing	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Outsourcing	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Pay-for-Performance	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Real Options Analysis	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Reengineering	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Scenario Planning	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Shareholder Value Analysis	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Strategic Alliances	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Strategic Planning	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Supply Chain Integration	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Total Quality Management	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Other _____	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	

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III. Satisfaction with Specific Benefits Achieved

We'd like to understand how satisfied organizations are with the specific results achieved using these management tools and techniques. Listed below are five performance dimensions, and some examples of each. Please indicate whether your organization was *extremely satisfied*, *somewhat satisfied*, *neither satisfied nor dissatisfied*, *somewhat dissatisfied*, or *extremely dissatisfied* with each technique on each performance dimension. Again, please answer only for those tools used by your company in the last 5 years.

3a. How satisfied was your organization with the Financial Results achieved through the usage of each technique?

By financial results, we mean:

- Higher profit growth
- Improved cash flows
- Higher stock price

3b. How satisfied was your organization with the impact on Customer Equity? By customer equity, we mean:

- Increased market share
- Greater customer loyalty
- Higher customer value

3c. How satisfied was your organization with the impact on Long-Term Performance Capabilities?

By long-term performance capabilities, we mean:

- Expanded growth capacity
- Improved product development
- Higher employee skills and morale

3d. How satisfied was your organization with the impact on Competitive Positioning?

By competitive positioning, we mean:

- Stronger barriers to entry and expansion
- More advantageous bases for competition
- Improved relative economics
- Better position for achieving market leadership

3e. How satisfied was your organization with the impact on Organizational Integration?

By organizational integration, we mean:

- Greater sharing and learning
- Better teamwork
- Faster and more innovative decision making

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IV. Organizational Needs and Priorities

The purpose of this section is to understand your organization's needs and priorities for management tools. There are no right or wrong answers. We are interested in your opinions.

4. How strongly do you agree or disagree with how well each statement describes your organization or your organization's beliefs? Please check the appropriate box to indicate whether you *strongly agree...strongly disagree* with the statement as a description of your organization.

<u>Organizational Characteristics</u>	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
Our managers want more cash compensation, not more stock options	☐	☐	☐	☐	☐
Frankly, it is fun to watch dot-coms fail	☐	☐	☐	☐	☐
Our company has spent too much money on e-commerce initiatives	☐	☐	☐	☐	☐
Almost all young entrepreneurs lack the experience necessary to build great companies	☐	☐	☐	☐	☐
Technology is making it harder to sustain competitive advantage	☐	☐	☐	☐	☐
One of our major challenges is to get our mgrs. to adapt to new ways of doing business	☐	☐	☐	☐	☐
Almost all of today's market leaders will still be leaders five years from now	☐	☐	☐	☐	☐
We are aggressively expanding our electronic commerce capabilities	☐	☐	☐	☐	☐
In 2001, we will focus on revenue growth, not cost reduction	☐	☐	☐	☐	☐
Our company would deliver better long-term results as a private firm	☐	☐	☐	☐	☐
Our company is <u>not</u> taking full advantage of the Internet	☐	☐	☐	☐	☐
The increased pace of change has made it difficult to make long-term strategic decisions	☐	☐	☐	☐	☐
We are quite concerned about an economic slowdown in 2001	☐	☐	☐	☐	☐
Once we discover a tool that works, we use it over and over again	☐	☐	☐	☐	☐
Management tools require top down support to succeed	☐	☐	☐	☐	☐
It is important to stay on the cutting edge of tools and techniques	☐	☐	☐	☐	☐
Most management tools promise more than they deliver	☐	☐	☐	☐	☐
Our decisions are driven by short-term financials, not long-term strategies	☐	☐	☐	☐	☐
Most management tools we've used have <u>not</u> been very successful	☐	☐	☐	☐	☐

CONTINUED



V. Organizational Performance

5a. How satisfied are executives with your organization's current results on each performance dimension? (Refer to Section III for definitions of performance dimensions.) Please indicate whether they are *extremely satisfied (ES)*, *somewhat satisfied (SS)*, *neither satisfied nor dissatisfied (N)*, *somewhat dissatisfied (SD)*, or *extremely dissatisfied (ED)*.

	ES	SS	N	SD	ED
Financial Results	☐	☐	☐	☐	☐
Customer Equity	☐	☐	☐	☐	☐
Long-Term Performance Capabilities	☐	☐	☐	☐	☐
Competitive Positioning	☐	☐	☐	☐	☐
Organizational Integration	☐	☐	☐	☐	☐

5b. Please **RANK** each dimension based on the extent of senior management focus in the future by assigning a "1" to the dimension that will likely be the primary focus of the organization, a "2" to the dimension which will likely be a secondary focus, and so on, until all five have been ranked. (Please check each number only once.)

	1	2	3	4	5
☐ Financial Results	☐	☐	☐	☐	☐
☐ Customer Equity	☐	☐	☐	☐	☐
☐ Long-Term Performance Capabilities	☐	☐	☐	☐	☐
☐ Competitive Positioning	☐	☐	☐	☐	☐
☐ Organizational Integration	☐	☐	☐	☐	☐

VI. Demographics

This section is for classification purposes only. All responses will remain completely confidential and will be used only in aggregate. Please be assured that specific answers will never be attached to individual companies.

6a. Please record your company's basic business statistics under the first column. If you are responsible for a division, record the statistics for that division under the second column.

	Corporate Statistics	Division Statistics
• 2000 Sales:		
Less than \$600MM	☐	☐
\$600MM to less than \$2B	☐	☐
\$2B or more	☐	☐
• 2000 Assets:		
Less than \$1B	☐	☐
\$1B to less than \$20B	☐	☐
\$20B or more	☐	☐
• 2000 Increase in Market Value		
No increase in value	☐	☐
.1-9.9%	☐	☐
10-19.9%	☐	☐
20-29.9%	☐	☐
Greater than 30%	☐	☐

6b. Describe the industry your organization is in, both at the corporate level and at the division level, if appropriate.

Corporate: _____

Division: _____

6c. What is your title? _____

6d. Is your company's 2000 increase in market value *higher* than, *on par* with, or *lower* than the one of most other companies in your industry?

Higher ☐ On Par ☐ Lower ☐

Please staple a business card or record the information below so that we may send you the results from the survey.

Company name: _____

Division: _____

Name of respondent: _____

Mailing address: _____

Business telephone: _____

E-mail address: _____

Would you be willing to participate in a follow-up discussion on this topic?

Yes ☐ No ☐

Thank you very much for your help with this important project.

