

MOST WIDELY USED MANAGEMENT TOOLS AND TECHNIQUES

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Abstract: Over the past three decades, management tools have become a common part of executives' lives. Whether trying to boost revenues, innovate, improve quality, increase efficiencies or plan for the future, executives have looked for tools to help them. The current environment of globalization and economic turbulence has increased the challenges executives face and, therefore, the need to find the right tools to meet these challenges.

Keywords: MANAGEMENT TOOL, MANAGEMENT TREND, BENCHMARKING, STRATEGIC PLANNING, BALANCED SCORECARD

1. Introduction

To be successful executives must be more knowledgeable than ever as they select the right management tools for their companies. The selection process itself can be as complicated as the business issues they need to solve. They must choose the tools that will best help them make the business decisions that lead to:

- enhanced processes and products
- result in superior performance and profits.

Successful use of such tools requires an understanding of the strengths and weaknesses of each tool as well as an ability to creatively integrate the right tools, in the right way, at the right time.

2. World-wide study on management tool usage

In 1993, world's leading business consulting firm Bain & Company launched a multi-year research project to get the facts about management tools and trends. Every year or two they have conducted research to identify 25 of the most popular and pertinent management tools and they have tracked executives' attitudes and behaviors through a wide range of economic cycles. Over the past 18 years, they have completed 13 surveys, assembling a database that now includes 11,163 respondents from more than 70 countries in North America, Europe, Asia, Africa, the Middle East and Latin America. In 2011 they received 1230 completed surveys from a broad range of international executives. [1]

Over time, they research has provided a number of **important insights** [2]:

- Overall satisfaction with tools is moderately positive, but the rates of usage ease of implementation, effectiveness, strengths and weaknesses vary widely.
- Management tools are much more effective when they are part of a major company effort.
- Managers who switch from tool to tool undermine employees' confidence.
- Decision makers achieve better results by championing realistic strategies and viewing tools simply as a means to a strategic goal.
- No tool is a cure-all.

Nowadays executives state **revenue growth** as their company's the most important priority, followed by customer satisfaction and increasing profitability.

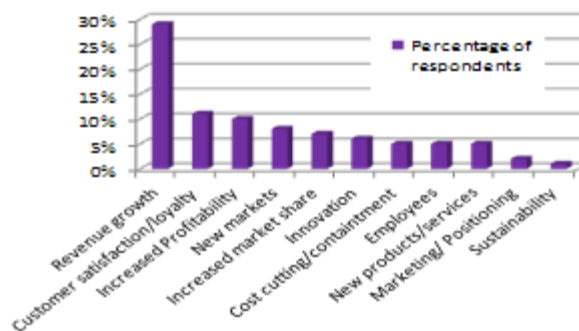


Fig. 1 Key priorities for executives
Source: [3]

Survey offers the view on the most common **management trends** [1]:

1. Culture is as important as strategy for business success
2. Ability to change is a significant competitive advantage
3. Innovation is more important than cost reduction for long
4. It feels like economic conditions are improving in our industry
5. Countries should reduce trade barriers and increase free trade agreements
6. Taking care of customers and employees should come before shareholders
7. We have used the recession to improve our competitive position
8. The recent downturn has changed consumer behavior for at least 3 more years
9. Government regulation of business will increase over the next 5 years
10. Top executives are comfortable taking higher risks for potentially higher returns

Generally, nearly all executives believe innovation is vital to their company's success, but few feel they have learned to harness its power effectively. Few executives are extremely satisfied with their company's performance on any of the key metrics, few are somewhat satisfied as presents Figure 2.

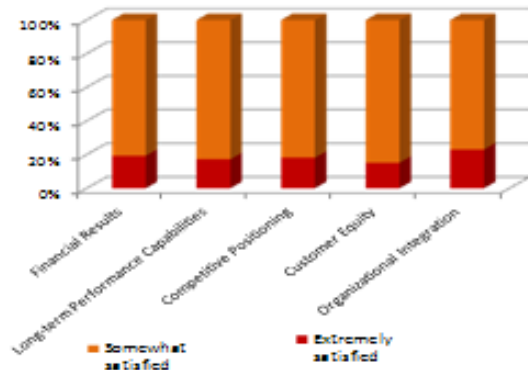


Fig. 2 Satisfaction with company performance
Source: [1]

Managers need a rational system for selecting, implementing and integrating the tools appropriate for their companies. We focused on **20 of the most popular tools and techniques** which have become a common part of executives' lives.

Top 10 tools have varied over time. As company's needs may have changed, managers might stop using or start to use a tool for many reasons (e.g. the tool may have served its purpose, and no longer be required or the management team may be dissatisfied with the value they received from the tool).

Table 1: Top management tools and techniques used in companies from 1993, Sources: [1], [4], [5], [6], [7]

	1993	1996	2000	2004	2006	2008	2010
1	Vision Statement	Strategic Planning	Strategic Planning	Strategic Planning	Strategic Planning	Benchmarking	Benchmarking
2	Customer Satisfaction	Mission and Vision Statement	Mission and Vision Statement	CRM	CRM	Strategic Planning	Strategic Planning
3	Total Quality Management (TQM)	Benchmarking	Benchmarking	Benchmarking	Customer Segmentation	Mission and Vision Statement	Mission and Vision Statement
4	Competitor Profiling	Customer Satisfaction	Outsourcing	Outsourcing	Benchmarking	CRM	CRM
5	Benchmarking	Core Competencies	Customer Satisfaction	Customer Segmentation	Mission and Vision Statement	Outsourcing	Outsourcing
6	Pay-for-Performance	TQM	Growth Strategies	Mission and Vision Statement	Core Competencies	BSC	BSC
7	Reengineering	Reengineering	Strategic Alliances	Core Competencies	Outsourcing	Customer Segmentation	Core Competencies
8	Strategic Alliances	Pay-for-Performance	Pay-for-Performance	Strategic Alliances	BPR	BPR	Change Management Programs
9	Cycle Time Reduction	Strategic Alliances	Customer Segmentation	Growth Strategies	Scenario and Contingency Planning	Core Competencies	Strategic Alliances
10	Self-Directed Teams	Growth Strategies	Core Competencies	Business Process Reengineering (BPR)	Knowledge Management	Mergers and Acquisitions	Customer Segmentation
11			TQM	TQM	Strategic Alliances	Strategic Alliances	Supply Chain Management
12			Cycle Time Reduction	Change Management Programs	BSC	Supply Chain Management	Knowledge Management
13			Reengineering	BSC	Supply Chain Management (SCM)	Scenario and Contingency Planning	TQM
14			Balanced Scorecard (BSC)	Supply Chain Management	Growth Strategy Tools	Knowledge Management	BPR
15			Customer Relationship Management (CRM)	Knowledge Management	TQM	Shared Service Centers	Mergers and Acquisitions
16			Scenario Planning	Scenario and Contingency Planning	Shared Service Centers	Growth Strategy Tools	Satisfaction and Loyalty Management
17			Shareholder Value Analysis	Activity-Based Management	Lean Operations	TQM	Enterprise Risk Management
18			Supply Chain Integration	Economic Value-Added Analysis	Collaborative Innovations	Downsizing	Scenario and Contingency Planning
19			Knowledge Management	Loyalty Management	Loyalty Management Tools	Lean Six Sigma	Social Media Programs
20			Activity-Based Management	Price Optimization Models	Mergers and Acquisitions	Voice of the Customer Innovation	Shared Service Centers

The six tools used by the largest percentage of companies remained the same as in 2008. Benchmarking, Strategic Planning, Mission and Vision Statements were once again the satisfaction and usage leaders in 2010.

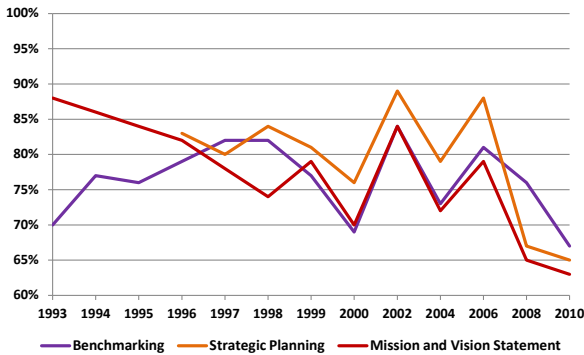


Fig. 3 Percentage usage of three the most popular management tools from the year 1993

3. Description of three the most popular management tools

Benchmarking improves performance by identifying and applying best demonstrated practices to operations and sales. Managers compare the performance of their products or processes externally with those of competitors and best-in-class companies and internally with other operations within their own firms that perform similar activities. The objective of Benchmarking is to find examples of superior performance and to understand the processes and practices driving that performance. Companies then improve their performance by tailoring and incorporating these best practices into their own operations - not by imitating, but by innovating. [2]

Companies use Benchmarking to [9]:

- Improve performance. Benchmarking identifies methods of improving operational efficiency and product design;
- Understand relative cost position. Benchmarking reveals a company's relative cost position and identifies opportunities for improvement;
- Gain strategic advantage. Benchmarking helps companies focus on capabilities critical to building strategic advantage;
- Increase the rate of organizational learning. Benchmarking brings new ideas into the company and facilitates experience sharing.

Strategic Planning is a comprehensive process for determining what a business should become and how it can best achieve that goal. It appraises the full potential of a business and explicitly links the business's objectives to the actions and resources required to achieve them. Strategic Planning offers a systematic process to ask and answer the most critical questions confronting a management team - especially large, irrevocable resource commitment decisions. [2], [11]

Strategic Planning processes are often implemented to [9]:

- Change the direction and performance of a business;
- Encourage fact-based discussions of politically sensitive issues;
- Create a common framework for decision making in the organization;
- Set a proper context for budget decisions and performance evaluations;
- Train managers to develop better information to make better decisions;

- Increase confidence in the business's direction.

A **Mission Statement** defines the company's business, its objectives and its approach to reach those objectives. A Vision Statement describes the desired future position of the company. Elements of Mission and Vision Statements are often combined to provide a statement of the company's purposes, goals and values. However, sometimes the two terms are used interchangeably. [2]

Mission and Vision Statements are commonly used to [2]:

Internally:

- Guide management's thinking on strategic issues, especially during times of significant change;
- Help define performance standards;
- Inspire employees to work more productively by providing focus and common goals;
- Guide employee decision making;
- Help establish a framework for ethical behavior.

Externally:

- Enlist external support;
- Create closer linkages and better communication with customers, suppliers and alliance partners;
- Serve as a public relations tool.

4. Expected changes in management tools usage

Top ten management tools in 2010 are projected to have higher usage levels in 2011 as shows Figure 4.

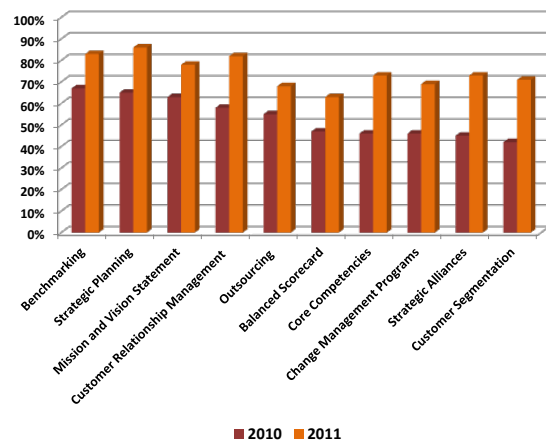


Fig. 4 Expected change in tools usage
Source: [1]

The three tools that the largest numbers of executives say they will start using in 2011 are **open innovation, scenario and contingency planning and price optimization**.

	Projected Increase	Projected 2011 Usage	Actual 2010 Usage
<i>Open Innovation</i>	36%	57%	21%
<i>Scenario and Contingency Planning</i>	35%	65%	30%
<i>Price Optimization Models</i>	34%	55%	21%

Fig. 5 Projected increase in some tools usage
Source: [1]

Although we have consistently found that executives predict higher increases in usage than actually ends up happening, the fact that these tools currently have the largest predicted increases - more than 30 percent - reflects the current mindset of executives.

Open innovation allows companies to expand the sources of breakthrough products; scenario and contingency planning helps executives test the "what ifs" to prepare for the future better and minimize risks.

Price optimization addresses another future concern - rising commodity prices. As prices increase, executives are unsure about how much of the cost they realistically can pass on to customers, especially in uncertain economic times. Price optimization models, used correctly, will help them identify the optimal price point. [3]

The pursuit of growth is also leading executives to try new tools like **social media programs** - use online communities like Facebook, micro-blogging sites such as Twitter and corporate websites to try to strengthen bonds and grow loyalty with employees, customers and partners. While only 29 percent of all respondents say they used social media in 2010, usage is expected to surge to 56 percent in 2011. Even so, executives tell us they're uncertain about how to measure the effectiveness of this tool. [3]

5. The most successful performance measurement tool

Companies are trying to bridge the gap between strategy and performance of processes with the aim to optimize their performance. Probably the best known, the most sophisticated and in terms of implementation the most successful performance measurement system is called **Balanced Scorecard (BSC)**. It was found to be **the sixth most widely used management tool** across the globe which also had one of the highest overall satisfaction ratings. [10]

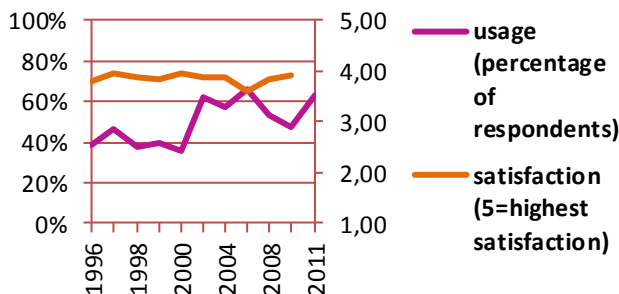


Fig. 6 Percentage usage and satisfaction with BSC

The Balanced Scorecard translates Mission and Vision Statements into a comprehensive set of objectives and performance measures that can be quantified and appraised. These measures typically include the following **categories of performance** [2]:

- **Financial performance** (revenues, earnings, return on capital, cash flow);
- **Customer value performance** (market share, customer satisfaction measures, customer loyalty);
- **Internal business process performance** (productivity rates, quality measures, timeliness);
- **Innovation performance** (percent of revenue from new products, employee suggestions, rate of improvement index);
- **Employee performance** (morale, knowledge, turnover, use of best demonstrated practices).

In general, BSC defines what management means by performance and measures whether management is achieving desired results.

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