Management Tools & Trends 2013

With more realistic expectations and a more focused approach, executives are pushing for revenue growth they missed in the downturn and an uneven recovery.

By Darrell Rigby and Barbara Bilodeau

BAIN & COMPANY

Darrell Rigby, a partner with Bain & Company and leader of Bain's Global Retail and Global Innovation practices, has conducted Bain's Management Tools & Trends survey since 1993. Barbara Bilodeau is director of Bain's Customer Insights Group.

The slow and uneven emergence from the global economic downturn has left many executives in a bind. They need to grow their businesses at a time when forces inside and outside their organizations make that task much more difficult. Having pinned their hopes on a relatively swift recovery, many global business leaders are coming to recognize they may have been overly optimistic. With more realistic expectations, executives are taking a more focused approach to the management tools they use to guide their businesses—using fewer tools to pursue revenue and profit growth, but using them more strategically.

Overall, a majority of the 1,208 global executives interviewed for Bain & Company's 14th Management Tools & Trends survey see economic conditions improving in their industries. But their confidence level has slipped dramatically since our last survey in 2010, amid a slower recovery than many anticipated—and with some additional new challenges. As a result, 55% of executives we surveyed are concerned about meeting their earnings targets in 2013 *(see Figure 1)*.

The same dynamic is forcing business leaders to reassess the investments they must make to grow revenues, in areas ranging from information technology, hiring, healthcare and taxes, to sustainability, price reductions and product differentiation. Having maximized the benefits of such cost-cutting tools as Downsizing and Outsourcing, many are now scouting for new and creative approaches to cost reduction to help them fund investments or meet earnings targets. Survey results show that the need is felt most acutely by leaders of large companies in North America and Europe.

Twenty years ago we launched our first global survey of Management Tools & Trends to track executives' behaviors and attitudes through a full range of economic cycles (see Figure 2 and the sidebar, "A history of Bain's Management Tools & Trends survey"). The results this year, as in the past, provide instructive insights into what is working and what is not, as well as what is on the minds of executives around the globe. Not surprising, growth is the top priority. The survey responses also reveal some of the major challenges that make growth

Figure 1: The view on management trends

	Agree	Disagree
We believe substantial opportunities exist to improve both sustainability and profitability	81%	5%
Our ability to adapt to change is a significant competitive advantage	75%	10%
Innovation is more important than cost reduction for long-term success	74%	10%
Preferences of younger generations are forcing us to change our culture and processes	69%	12%
We are very good at innovation	68%	14%
Customers are less loyal to brands than they used to be	67%	17%
Over the next three years, our spending on IT must increase as a percent of sales	65%	13%
Our management actions favor long-term results over short-term earnings	64%	19%
Excessive complexity is raising our costs and hindering our growth	63%	17%
Increased price transparency has had a major impact on our pricing strategy	61%	12%
We will pursue sustainability initiatives even if they increase our costs	60%	17%
Healthcare costs will significantly impact our number of full-time employees over the next five years	57%	19%
Over the next three years, we will focus more on revenue growth than cost reduction	57%	21%
It feels like economic conditions are improving in our industry	57%	21%
Social media has improved our relationships with customers	56%	17%
I am very concerned about how we will meet earnings targets in 2013	55%	24%
Our top management is comfortable taking greater risks for higher returns	53%	24%
I am very concerned about the impact a cyber attack could have on our business	50%	26%
Insufficient consumer insight is hurting our performance	50%	24%
Our current information systems are constraining profitable growth	49%	27%

Source: Bain & Company's Management Tools & Trends survey, 2013

Figure 2: We focused on 25 of the most popular tools

• Balanced Scorecard	• Decision Rights Tools	• Satisfaction and Loyalty Management
• Benchmarking	• Downsizing	• Scenario and Contingency Planning
• Big Data Analytics*	• Employee Engagement Surveys*	• Social Media Programs
• Business Process Reengineering	• Mergers and Acquisitions	• Strategic Alliances
• Change Management Programs	• Mission and Vision Statements	• Strategic Planning
• Complexity Reduction*	• Open Innovation	• Supply Chain Management
• Core Competencies	• Outsourcing	• Total Quality Management
• Customer Relationship Management	• Price Optimization Models	• Zero-based Budgeting*
• Customer Segmentation		

* Tool added to the survey in 2013
Source: Bain & Company's Management Tools & Trends survey, 2013

difficult to achieve—from price transparency (which constrains the ability of companies to notch up prices as demand improves) to healthcare costs that executives say will make it more difficult to boost their ranks.

The differences between established and emerging markets became even more pronounced in this year's survey, with respect to both the outlook of executives and the management tools they use and regard as effective. For example, while executives in all regions have lowered expectations for their industries, only half of North American executives are optimistic about improving economic conditions in their industries—a decline of 20 percentage points since 2010. Only 43% of Europe, the Middle East and Africa (EMEA) executives see their industries improving. By comparison, 80% of Latin American and 67% Asia-Pacific respondents express optimism about the future of their industries—reflecting expectations that the path to revenue growth will be easier in emerging markets than in advanced markets *(see Figure 3)*.

A desire for profitable growth and the challenges to it

The most urgent priority indicated by all the global executives in the survey was the need to increase the pace of revenue growth and to find additional ways to make that growth profitable. When asked "What is your organization's most important priority over the next three years?" executives cited revenue growth twice as often as the second most cited priority *(see Figure 4)*. In some regions, executives perceived conditions that could significantly improve growth—for instance, 78% of leaders in Brazil and 83% in Mexico said economic conditions in their industries were improving.

Businesses need to recapture growth lost in the downturn and in a recovery that proved weaker than many had hoped. A majority of those surveyed were confident in the capabilities they've had in place to help them grow: for example, in their ability to adapt to change, to innovate and to use social media to improve customer relationships.

Figure 3: Attitudes vary by region

	North America	EMEA	APAC	Latin America
We believe substantial opportunities exist to improve both sustainability and profitability	80%	76%	$\boxed{88\%}$	86%
Our ability to adapt to change is a significant competitive advantage	68%	71%	$\boxed{89\%}$	79%
Innovation is more important than cost reduction for long-term success	70%	71%	$\boxed{83\%}$	79%
Preferences of younger generations are forcing us to change our culture and processes	70%	61%	$\boxed{79\%}$	67%
We are very good at innovation	60%	63%	$\boxed{80\%}$	$\boxed{78\%}$
Customers are less loyal to brands than they used to be	$\boxed{71\%}$	68%	60%	63%
Over the next three years, our spending on IT must increase as a percent of sales	60%	55%	$\boxed{78\%}$	$\boxed{79\%}$
Our management actions favor long-term results over short-term earnings	55%	59%	$\boxed{79\%}$	$\boxed{77\%}$
Excessive complexity is raising our costs and hindering our growth	61%	60%	$\boxed{73\%}$	62%
Increased price transparency has had a major impact on our pricing strategy	50%	62%	$\boxed{76\%}$	65%
We will pursue sustainability initiatives even if they increase our costs	50%	54%	$\boxed{84\%}$	64%
Healthcare costs will significantly impact our number of full-time employees*	$\boxed{63\%}$	42%	$\boxed{69\%}$	55%
Over the next three years, we will focus more on revenue growth than cost reduction	49%	51%	$\boxed{72\%}$	$\boxed{69\%}$
It feels like economic conditions are improving in our industry	51%	43%	$\boxed{67\%}$	$\boxed{80\%}$
Social media has improved our relationships with customers	48%	43%	$\boxed{74\%}$	$\boxed{76\%}$
I am very concerned about how we will meet earnings targets in 2013	50%	49%	$\boxed{65\%}$	$\boxed{64\%}$
Our top management is comfortable taking greater risks for higher returns	46%	47%	$\boxed{68\%}$	$\boxed{63\%}$
I'm very concerned about the impact a cyber attack could have on our business	43%	47%	$\boxed{59\%}$	$\boxed{61\%}$
Insufficient consumer insight is hurting our performance	34%	$\boxed{56\%}$	$\boxed{64\%}$	$\boxed{56\%}$
Our current information systems are constraining profitable growth	44%	43%	$\boxed{60\%}$	$\boxed{55\%}$

*Over the next five years

Source: Bain & Company's Management Tools & Trends survey, 2013

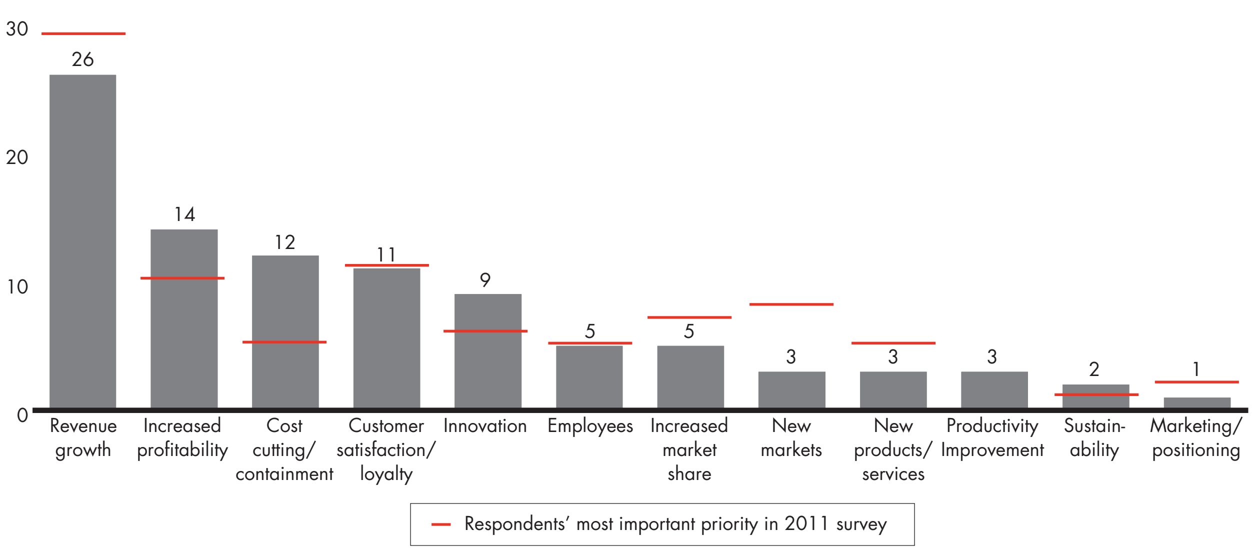
Significantly higher than executives not in that region

Significantly lower than executives not in that region

Figure 4: Revenue growth is a key priority for executives, followed by increased profitability and cost-cutting

"What is your organization's most important priority over the next three years?"

Percentage of respondents who mentioned



Source: Bain & Company's Management Tools & Trends survey, 2013

But leaders said they would need to overcome a range of challenges that vary widely around the globe and have executives of large companies (more than $2 billion in revenues) more worried than their counterparts at midsize or small companies. As the recovery drags on, more executives acknowledge a tough macroeconomic environment, with particularly stiff headwinds in Europe, which will require a disciplined approach for revenue growth. Pricing was a major concern, with some indications that business leaders saw customers becoming less loyal and putting price above other considerations. That concern was greatest in North America.

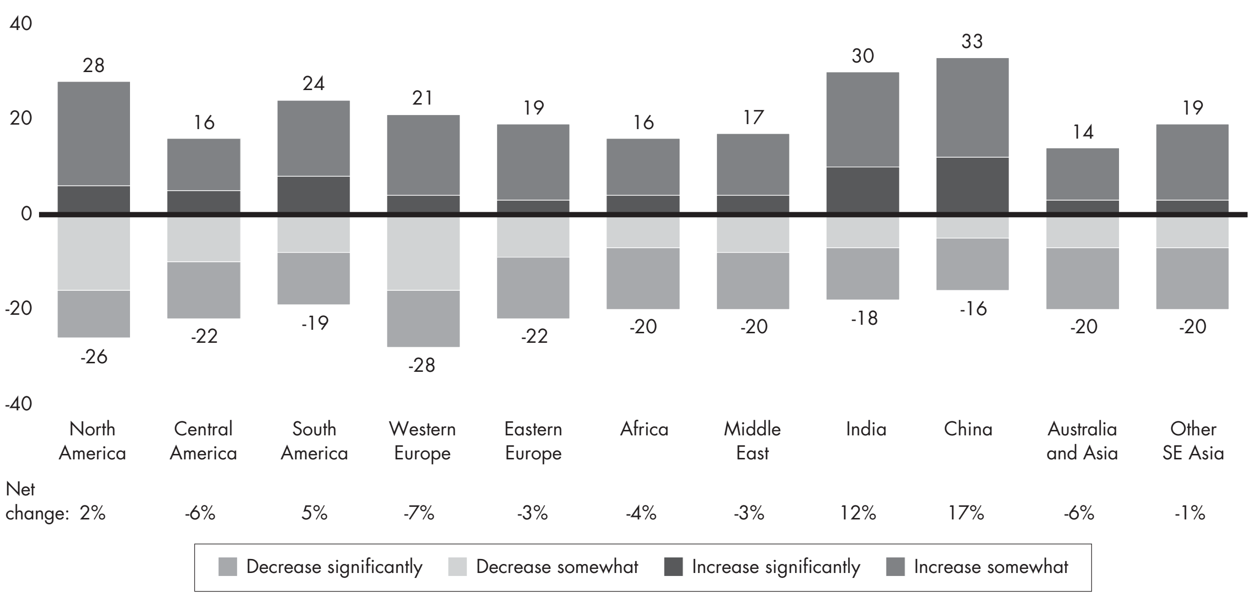
Some of the challenges to growth appear to be beyond their control. Roughly half of all executives feared a cyber attack would greatly impact their business (see the sidebar, "A growing concern: Cyber attacks"). Other challenges take the form of mounting costs that limit expansion plans. For example, almost 60% said healthcare costs will significantly affect the number of full-time employees they will be able to retain over the next five years. That issue, in combination with the uncertain economy, may hurt US companies more than companies in other countries. When asked if and how their employee numbers would change by 2015, 28% of companies said they will increase the number of employees they have in North America, but 26% said they will decrease. By comparison, in China 33% plan to increase, while only 16% expect to decrease (*see Figure 5*).

Along with these external factors, business leaders indicated a number of internal and organizational challenges to revenue growth. Half of the respondents believed current information technology systems constrain profitable growth. And 6 out of every 10 respondents said that the complexity creeping into their organization raises costs and hinders growth.

Customers' ability to easily compare prices online surfaced as a tricky new challenge for executives as they pursue revenue growth—61% said price transparency had a major impact on their pricing strategy. Price transparency affects revenues in two ways: Companies have less flexibility to boost prices and customers are more easily

Figure 5: China and India will have the largest net gain of employees by 2015

Percentage of respondents who say company will change number of employees in region by 2015



Source: Bain & Company's Management Tools & Trends survey, 2013

lured to lower-priced competitors. Among executives surveyed, 67% said they believed their customers had become less loyal to their brand.

That loyalty issue may help explain why larger companies were more worried about the future than smaller companies. Despite their resources and influence, executives at larger companies were more likely than their counterparts at midsize or smaller companies to say customers were less loyal to their brands. Seven out of 10 executives at larger companies perceived customers to be less loyal. Smaller start-ups see an advantage in customers' wavering loyalty because it allows them to steal share and grow from larger, more established companies.

Companies of all sizes need to rely on new and future employees to help them grow. The Millennial generation has entered the workforce and is making its presence felt, with new demands that executives must take seriously. Sixty-nine percent of respondents said their youngest employees are pressuring them to change their culture and processes.

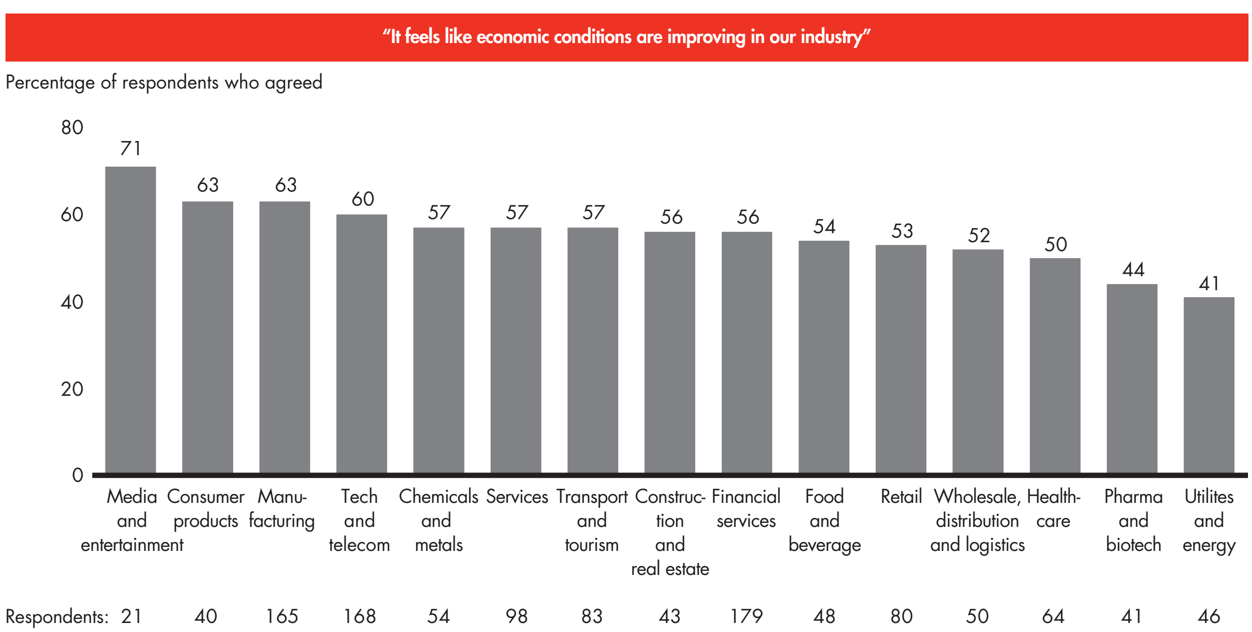
These challenges to growth are being felt more intensely in some industries than in others. When asked about the prospects for improved conditions in their industry, leaders in media and entertainment, consumer products and manufacturing companies were most optimistic; those in healthcare, pharmaceuticals and biotech, and utilities and energy were least optimistic *(see Figure 6)*.

The growing need to invest

One message came through loud and clear: Executives knew the investments they needed to make to boost revenues, but they had delayed making them while companies waited out the downturn.

Across industries and regions, business leaders indicated that they were narrowing their focus on the most critical areas for investment. In recent years, Customer Relationship Management emerged as an important investment priority. Now it may be more critical than ever, as executives see signs of diminished customer loyalty. Armed with new evidence proving the link between motivated

Figure 6: Companies' optimism about economic conditions differs by industry



Source: Bain & Company's Management Tools & Trends survey, 2013

A growing concern: Cyber attacks

Half of all executives surveyed are very concerned about a potentially crippling impact of a cyber attack on their business. The most concerned are executives in Latin America (61%) and Asia (59%); the least concerned are those in North America (43%) and EMEA (47%). "For many organizations, security is evolving into a game that is becoming more difficult to win, with executives finding themselves facing formidable opponents with more sophisticated technology and skills," says Rudy Puryear, who leads Bain's Global IT practice. While many executives are confident in their organizations' security capabilities, he says that most, in fact, don't meet the leadership criteria for security management. What makes a cyber security leader? Bain has found that leadership is determined by having a secure strategy, a chief security officer and by constantly reviewing and evaluating the effectiveness of security measures. Among the critical elements: The security strategy should be developed from a business perspective, rather than an IT point of view, and security behaviors need to be embedded in the organizational culture.

employees and customer loyalty, business leaders are prioritizing investments in employee engagement. They told us they are compensating for long-delayed investments to upgrade information technology and to tackle complexity in their organizations. Companies are responding vigorously to growing demands for sustainability, even at the price of increased costs.

Customer loyalty has gained recognition as a key factor for success. At a time when record numbers of companies are investing more in ways of tracking and improving customer loyalty, two-thirds of our respondents indicated that customers are becoming less loyal to any one brand. For many, that creates pressure to reduce prices or to invest in greater innovation and differentiation to strengthen their devotion. More than any other industry, consumer products executives reported that they had experienced a reduction in brand loyalty.

Clearly, companies see the need to continue sharpening their focus on customers, as they had already begun to do before the downturn. Half of the executives—up slightly from 2010—believed that insufficient consumer knowledge hurt their performance. Gaining a deeper understanding allows companies to foster loyalty. Our research also supports this intensified customer focus. Customer Relationship Management tied as the most widely used and most satisfying tool.

Customer Relationship Management (CRM) started gaining popularity as a tool in the mid to late 1990s and we first added it to our survey in 2000. At that time, it ranked 15th on our list and was used by 35% of our respondents. Relatively few executives found it satisfactory: It ranked 22nd of our 25 tools in satisfaction. At that time, companies had a choice: They could abandon their efforts, making CRM little more than a fad, or focus on making their existing investment pay off.

Based on our subsequent surveys, they chose the latter. CRM's ranking steadily rose both in usage and satisfaction. By 2002, CRM tied for 5th in usage and 13th in satisfaction. In 2004 it rose to 2nd in usage and tied for 9th in satisfaction. By 2006, the tool remained 2nd in usage and moved to 4th in satisfaction. Today it is tied for 1st in both usage and satisfaction. One of the lessons companies have learned is that, over time, improvement in both technology and user sophistication have increased performance.

While companies are investing in improving their relationships with customers, they are discovering an equal need to invest in their employees. As already mentioned, executives are feeling pressure from their youngest employees to change their processes and culture. That concern is highest in Asia, where 79% of surveyed executives reported experiencing such pressure. Disengaged employees result in high employee turnover and in the need to invest in hiring, training, compensation and benefits.

That may be one explanation for the popularity of Employee Engagement surveys, a tool that was new to our list this year and tied with Strategic Planning and Customer Relationship Management as the most used tool. Employee Engagement surveys help companies build a more engaged workforce. But we also see evidence that the solutions aren't easy to come by: Employee Engagement surveys ranked 22nd among all 25 management tools in satisfaction.

Based on Bain & Company research in the area of employee engagement, companies are finding that a loyal workforce does more than reduce the costs of churn; it also delivers more loyal customers. "Employees' positive behavior and attitude are among the most powerful factors that earn a company the enthusiastic advocacy of its customers," says Rob Markey, who leads Bain's Global Customer Strategy and Marketing practice. Our consumer surveys show that the overall experience of dealing with a company often matters much more to customers than price or brand. In industries with a big service component, such as home insurance and retail banking, it may matter even more than product features alone. (For more on the topic of employee engagement, see the Bain Brief "The chemistry of enthusiasm.")

Companies are also looking at other areas where they can overcome impediments to growth. As we mentioned, nearly half of the executives surveyed said their IT systems are hampering growth—65% told us their IT spending as a percentage of sales must increase over the next three years. The majority—63%—also saw excessive complexity as a challenge, highlighting the need to invest in improvements designed to streamline complexity in its many forms, including products, organization and processes.

Meanwhile, more companies see investments in environmental sustainability as supportive of future growth. Six in 10 companies said they will invest in sustainability initiatives even if it raises their costs—an increase of about 16 percentage points since we first asked the question in 2008. Many companies started their sustainability initiatives with win-win efforts that can save money while also demonstrating an environmental awareness to customers who increasingly look for such a commitment. More and more hotels, for example, are asking their guests if they would like their linens cleaned every day. The real test will come when customers push companies to expand sustainability efforts beyond those that save money to those that cost money.

Finding new ways to cut costs

Given this daunting list of investment priorities, it is no surprise that so many executives told us they need to trim costs. Among respondents, the number who mentioned cost-cutting as a priority more than doubled in 2012. Cutting costs will allow them to make investments and help reach earnings targets, which 55% of our respondents are concerned they won't meet this year.

But business leaders need creative approaches to reducing budgets. In too many cases, cost-cutting initiatives put in place during the downturn either fell short or crept back in. A previous Bain survey looked at the experiences of nearly 300 companies that relied on a variety of cost-cutting initiatives during 2008 and 2009. Fully 40% of the executives surveyed, who sought to reduce costs by at least 10%, acknowledged their failure to achieve their goal. Among those seeking cost reductions of 20% or more, nearly 60% acknowledged failure.

The evidence of such ill-fated cost-cutting efforts can be seen in companies' experiences with three tools that were popular during the recent downturn: Downsizing, Outsourcing and Business Process Reengineering. These tools took a heavy toll on corporate cultures and often hurt, rather than improved, stock performance. That is a pattern consistent with previous downturns. For example, Bain research during 2000–2001 revealed that companies with few or no layoffs delivered significantly better stock performance than those with large numbers of layoffs. In our recent survey, Downsizing scored low in user satisfaction in every region.

What alternate cost-cutting tools will they adopt? Zero-Based Budgeting, the broad-reaching cost transformation effort that takes a starting-from-scratch approach to resource planning, topped the list of tools that business leaders expect to use more of in the future. Another cost-cutting tool that will gain popularity, according to our survey is Complexity Reduction, which helps companies simplify their strategy, organization, products, processes and IT. Both of these tools scored higher in satisfaction than Downsizing and Outsourcing.

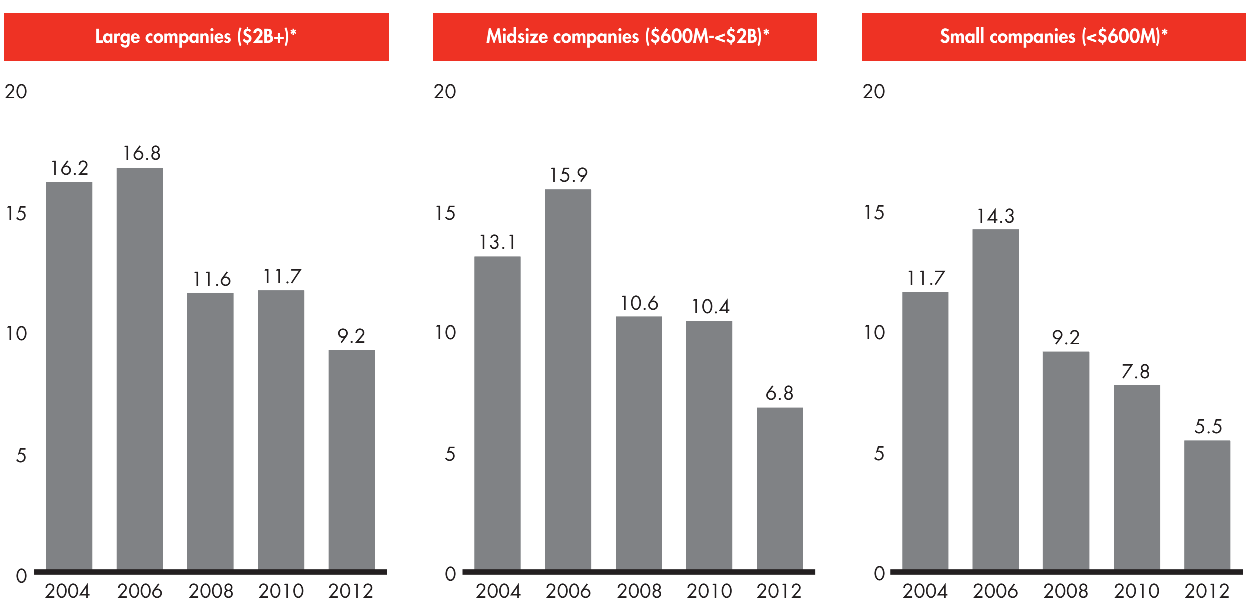
The big picture: Tool use and satisfaction

Since 2006, the number of tools used has declined (see Figure 7). That's good news. While it reflects, in part, the mix of tools we include and people we survey, there is also an important underlying message: Given the challenges to growth and the competing demands for investments, companies now take a more thoughtful and strategic approach to tools instead of jumping on the latest tool fad. That is something Bain has long recommended to clients. Among the key lessons we've learned over the past 20 years is that executives need to champion an enduring strategy, find the right tools and then adapt the tools to the companies—not vice versa.

Asia-Pacific and North America used the highest number of the 25 tools we surveyed—8.5 and 8.4, respectively—similar to their use in 2010. Among Latin American and EMEA companies, there was a substantial decline. In fact, Latin American companies used only 5.3 tools, on average; smaller Latin American companies used 4 tools, on average. With so few tools, during a period of unpredictability, it becomes critical to zero in on the ones that will deliver the greatest benefit.

The five tools used most often were Strategic Planning, Customer Relationship Management, Employee Engagement Surveys, Benchmarking and Balanced Scorecards (see Figure 8). The variations by region reflect differences in business objectives and economic realities. For example, executives in North America and EMEA faced the harshest economic headwinds. But the tools they favored to grow in their sluggish economies re-

Figure 7: Larger companies use more management tools, but usage declined across companies of all sizes



*Based on annual revenues
Source: Bain & Company's Management Tools & Trends survey, 2013

flected distinctly different management priorities. In North America, the most widely used tool was Employee Engagement Surveys, designed to improve employee morale and, by extension, productivity, retention and customer loyalty. In EMEA, Balanced Scorecards—a tool that helps companies measure and improve managers' performance—topped the list.

The Asia-Pacific region enjoys stronger economic growth. Executives there relied on Customer Relationship Management more than on any other tool, demonstrating their interest in increasing customer value as a way of capturing more growth opportunity. By contrast, executives in Latin America favored Business Process Reengineering, hoping to make the most of a relatively robust economy by improving productivity, cycle time and quality. The tool was not nearly as popular elsewhere in the world, where it didn't even make the global top 10 list.

In general, respondents in emerging markets were more satisfied with almost all of the tools *(see Figures 9 and 10)*. In all regions, we've consistently found that when tools are used as part of a major effort, they achieve better satisfaction scores than limited efforts. In some cases, the differences are enormous. Mergers & Acquisitions tied as the fifth-highest-rated tool when used as part of a major effort, but tied for 21st when used on a limited basis. Perhaps some tools should not be used on a limited basis at all.

It is critical for companies to understand that not every tool is right for every situation. For example, Big Data Analytics was below average in usage but above average in satisfaction. Based on our experience with tracking tool use, when satisfaction is high but usage is low, usage tends to grow. When usage is high and satisfaction is low, usage tends to drop in line, unless the tool improves—as was the case with Customer Relationship Management.

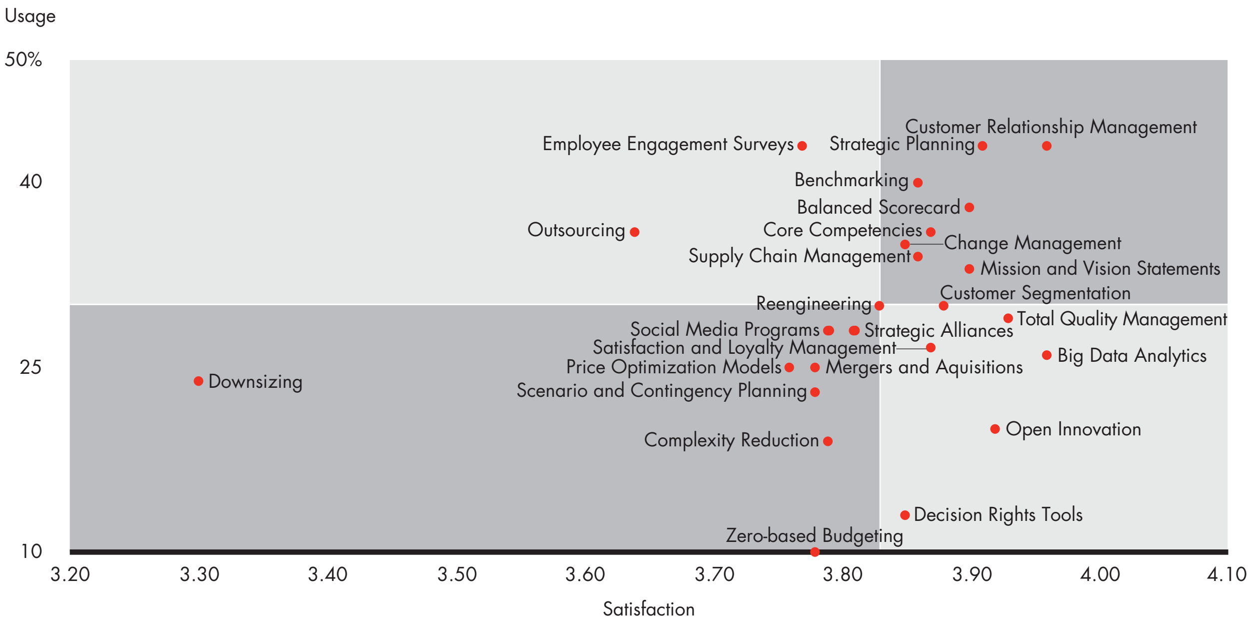
As the world continues its uneven recovery from the global downturn, executives in different regions are planning for the future with a variety of strategic tools. In North America and EMEA, where companies are

Figure 8: Top 10 most used tools

	Global	North America	EMEA	APAC	Latin America
Strategic Planning	1(t)	2(t)	5(t)	9	2
Customer Relationship Management	1(t)	4(t)	2(t)	1	7(t)
Employee Engagement Surveys	1(t)	1	7	6	10(t)
Benchmarking	4	2(t)	2(t)	13(t)	19
Balanced Scorecard	5	6(t)	1	7(t)	16(t)
Core Competencies	6(t)	10	9	3	5
Outsourcing	6(t)	6(t)	5(t)	4(t)	22
Change Management Programs	8	8(t)	4	20	7(t)
Supply Chain Management	9	8(t)	14(t)	4(t)	13(t)
Mission and Vision Statements	10	4(t)	10	16	20
Customer Segmentation	11(t)	–	8	–	4
Total Quality Management	13	–	–	2	–
Satisfaction and Loyalty Management	16	–	–	7(t)	10(t)
Business Process Reengineering	11(t)	–	–	10	1
Strategic Alliances	14(t)	–	–	–	3
Big Data Analytics	17	–	–	–	7(t)
Open Innovation	22	–	–	–	6

Note: (t) = tied
Source: Bain & Company's Management Tools & Trends survey, 2013

Figure 9: Tool usage and satisfaction



Source: Bain & Company's Management Tools & Trends survey, 2013

Figure 10: Executives in emerging markets were more satisfied with several tools

	Established	Emerging
Big Data Analytics	3.81	4.17
Customer Relationship Management	3.81	4.22
Total Quality Management	3.71	4.21
Open Innovation	3.74	4.08
Strategic Planning	3.83	4.09
Balanced Scorecard	3.78	4.20
Mission and Vision Statements	3.84	4.09
Customer Segmentation	3.81	3.99
Core Competencies	3.81	3.98
Satisfaction and Loyalty Management	3.71	4.07
Benchmarking	3.79	4.09
Supply Chain Management	3.76	4.05
Change Management Programs	3.78	4.00
Decision Rights Tools	3.65	4.05
Business Process Reengineering	3.71	3.98
Strategic Alliances	3.74	3.91
Complexity Reduction	3.62	4.05
Social Media Programs	3.66	4.03
Mergers and Acquisitions	3.72	3.94
Scenario and Contingency Planning	3.64	4.09
Zero-based Budgeting	3.61	4.07
Employee Engagement Surveys	3.67	4.01
Price Optimization Models	3.62	3.96
Outsourcing	3.54	3.90
Downsizing	3.26	3.46

Source: Bain & Company's Management Tools & Trends Survey, 2013

Significantly higher than those not in market type

Figure 11: Expected change in tool usage

	Projected increase	Projected 2013 usage	Actual 2012 usage
Zero-based Budgeting	51%	61%	10%
Open Innovation	50%	70%	20%
Decision Rights Tools	49%	62%	13%
Satisfaction and Loyalty Management	48%	75%	27%
Scenario and Contingency Planning	47%	70%	23%
Complexity Reduction	46%	65%	19%
Mission and Vision Statements	46%	79%	33%
Customer Segmentation	45%	75%	30%
Total Quality Management	45%	74%	29%
Price Optimization Models	44%	69%	25%
Strategic Alliances	44%	72%	28%
Business Process Reengineering	42%	72%	30%
Big Data Analytics	42%	68%	26%
Core Competencies	42%	78%	36%
Change Management Programs	42%	77%	35%
Social Media Programs	41%	69%	28%
Benchmarking	40%	80%	40%
Customer Relationship Management	40%	83%	43%
Supply Chain Management	40%	74%	34%
Mergers and Acquisitions	39%	64%	25%
Strategic Planning	38%	81%	43%
Downsizing	37%	61%	24%
Outsourcing	35%	71%	36%
Balanced Scorecard	35%	73%	38%
Employee Engagement Surveys	30%	73%	43%

Source: Bain & Company's Management Tools & Trends Survey, 2013

having the toughest time growing, Open Innovation and Satisfaction and Loyalty Management rank among the top tools they expect to increase usage of in 2013 (see Figure 11 for a global ranking of expected change in tool usage). In Asia-Pacific and Latin America, Zero-Based Budgeting—a cost cutting tool—showed the greatest expected increase in usage. And more than anywhere else in the world, executives in Latin America told us they will be increasingly turning to Outsourcing and Downsizing in 2013.

Whether they choose tried-and-true tools like Strategic Planning, or relatively new tools like Open Innovation, executives can improve the odds of maximizing their return on investment by acting prudently. That means using the right tool in the right way at the right time, relying on the research and talking to other tool users. When pursuing revenue growth in an uncertain economy, it never pays to buy into hyperbole and simplistic solutions.

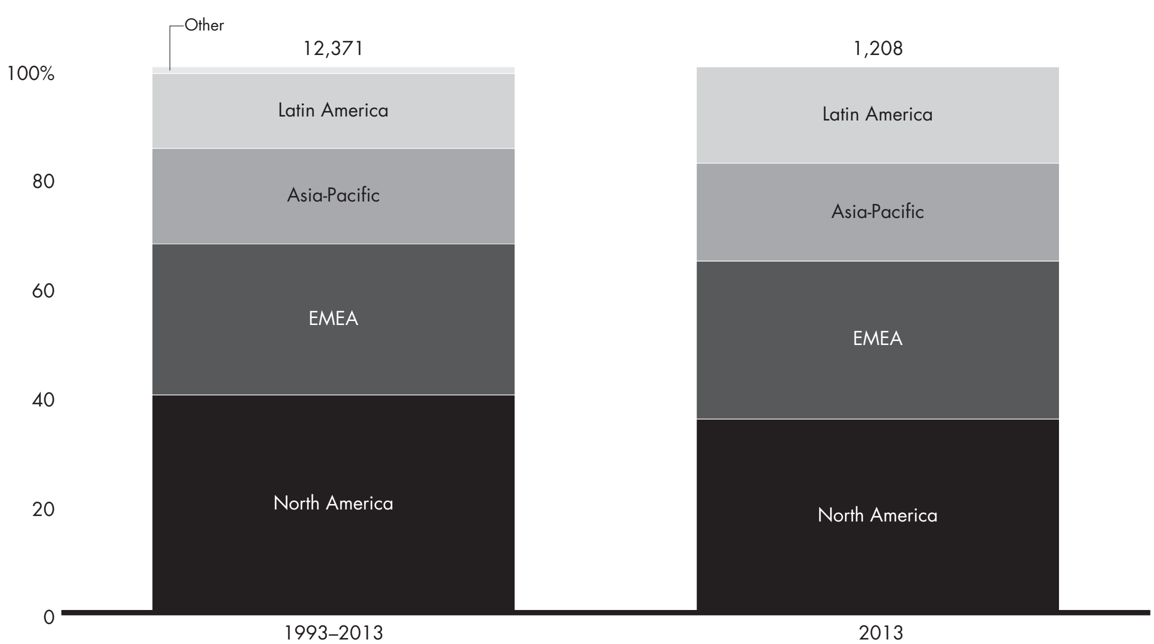
A history of Bain's Management Tools & Trends survey

Since 1993, Bain & Company has surveyed executives around the world about the management tools they use and how effectively those tools have performed *(see Figure below)*. We focus on 25 tools and refine the list each year. The tools included in our survey must be topical and measurable, and they need to be relevant to senior management. By tracking the tools that companies use, the circumstances under which they use them and the degree of managers' satisfaction with the results, we've been able to help companies make better choices in selecting, implementing and integrating the most effective tools for improving their performance.

With this Bain & Company 14th Management Tools & Trends survey, we have now compiled a database of more than 12,000 respondents, which enables us to systematically track the effectiveness of management tools over any given time period. As part of our survey, we also ask executives for their opinions on a range of important business issues. As a result, we are able to track and report on changing management priorities.

For a full definition of all 25 tools, along with a bibliographical guide to resources on each one, please go to www.bain.com to see Bain & Company's booklet *Management Tools 2013: An Executive's Guide*.

Surveys and 12,371 respondents covering a 20-year span



Source: Bain & Company's Management Tools & Trends survey, 2013

Note: Emerging markets are defined as those that are part of the MSCI Emerging Markets Index. The index currently consists of the following 21 emerging market country indexes: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Hungary, Morocco, Poland, Russia, South Africa, Turkey, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand.

Shared Ambition, True Results

Bain & Company is the management consulting firm that the world's business leaders come to when they want results.

Bain advises clients on strategy, operations, technology, organization, private equity and mergers and acquisitions. We develop practical, customized insights that clients act on and transfer skills that make change stick. Founded in 1973, Bain has 48 offices in 31 countries, and our deep expertise and client roster cross every industry and economic sector. Our clients have outperformed the stock market 4 to 1.

What sets us apart

We believe a consulting firm should be more than an adviser. So we put ourselves in our clients' shoes, selling outcomes, not projects. We align our incentives with our clients' by linking our fees to their results and collaborate to unlock the full potential of their business. Our Results Delivery® process builds our clients' capabilities, and our True North values mean we do the right thing for our clients, people and communities—always.