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Phases of Business Cycle and Tools of Management: What Relationships?

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Abstract
Major changes and brutal transformations characterize the different dimensions of the environment. The economic environment, the dimension that has the most decisive influence on companies' operations, has constantly evolved, alternating phases of growth and recession. To increase action potential of firms and improve their ability to adapt, management is looking to offer new solutions. It was thus the object of a continuous dynamic resulting in a constant proliferation of new management tools. This research aims to study the relationship between the evolution of the economic environment apprehended by the phases of the business cycle and the management tools used by managers. Based on international surveys held by consulting firm Bain & Company from 1993 to 2017, research results show that managers do not use the same management tools during the different phases of the business cycle. The use of management tools is therefore strongly correlated with the characteristics of the economic context.

Keywords
Evolution of the Economic Environment, Business Cycle Phases, Management Tools, Contextual Characteristics, Bain & Company Surveys.

I. Introduction
Management is a decisive lever in the success of any company. It helps to ensure the effective functioning of the company, create value for its various stakeholders, improve profitability by generating incremental gains, strengthen its competitiveness by developing competitive advantages, but also to react and to respond to any change in the environment.

The business environment has never been so changing. Globalization of markets, exacerbated competition, technological breakthroughs, unpredictable behavior of customers, competitors and even institutions, proliferation of pressure groups, etc. create great challenges that require new answers and impose new managerial orientations.

Management seems at a crossroads. In search of relevance and efficiency, it seeks to offer new solutions and open unsuspected horizons as well as respond to the changing demands of an ever-changing environment. Perplexed managers are using new tools to consolidate and even replace the older ones that are considered inappropriate with new data and unable to give businesses the energy needed to survive and thrive in a changing world.

Management was therefore the object of a continuous dynamic. In addition to the schools that have followed one another, the range of managerial techniques has been enriched by the continuous hatching of new concepts and new tools proposed either by practitioners or by consultants.

The analysis of changes, which mark the business world, provides a better understanding of the phenomena that influence the managerial logic. As the economic environment is the most turbulent dimension of the managerial action context, this research aims to study the relationship between the evolution of the economic environment, appreciated by the phases of the business cycle, and the management tools used by managers. Do the characteristics of the economic context influence the choice of tools used by managers?

II. Literature Review

A. Evolution of the Economic Environment
The economic environment consists of labor markets, financial markets and markets for goods and services. Various factors such as Tax policies, pricing and income policies, the financial system and consumption patterns, also contribute to the study of the economic environment (Hatch and Cunliffe, 2009) [1].

According to Probst et al. (1992) [2], the importance of the economic environment to the other environmental dimensions is explained by the complexity of the actions that take place there and which is reinforced by the plurality of economic actors in relation to the company and the diversity of exchanges it maintains with this dimension. In fact, the economic environment of a company includes its suppliers, its customers, its distribution network, its subcontractors, its partners and its competitors. Moreover, the company exchanges raw materials, finished products, services, capital, information and human resources with its economic environment; Hence, the significance for companies to follow and adapt to changing economic conditions.

The economic environment has never stopped evolving, alternating phases of growth and recession, leading to the development of new activities and the disappearance of some other ones, the success of some companies but also the disappearance and bankruptcy of some others, representing a source of opportunities for some actors and threats for others. Any change in the economic environment directly affects supply and demand in almost all the sectors of activity.

Economic development was not the result of a slow and steady process, but rather by major upheavals and continuous imbalances. Several factors measure economic dynamism, mainly growth that will be appreciated through the business cycle phase. Many economists have been interested in fluctuations in economic activity and, in particular, the pace of its evolution. They showed that economic growth follows a rhythm and fluctuations more or less extensive and regular.

1. Concept of Business Cycle
"The cycle is a movement of economic activity, alternating, recurrent, of relatively constant amplitude and periodicity" (Dictionary of Economics and Social Sciences, 1992) [3]. According to Deubel et al. (2008) [4], the cycle is a fluctuation which returns regularly, according to a certain periodicity. Business cycles are alternating periods of prosperity and recession.

2. Phases of the Business Cycle
According to Affilé and Gentil (2003) [5], the business cycle comprises four phases (Fig. 1):

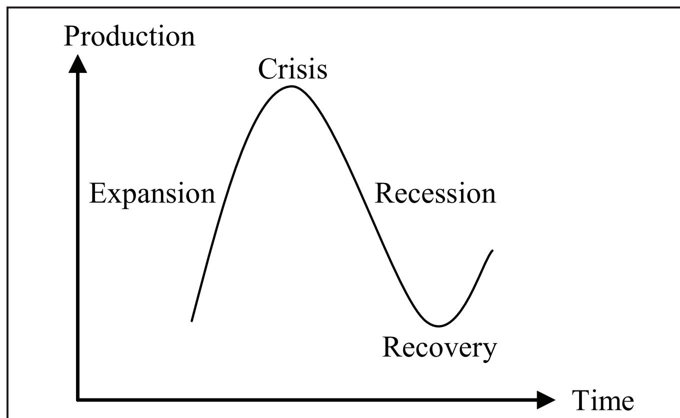

Fig. 1: Phases of Business Cycle

- The expansion which is characterized by a high growth rate, an increase in income and a rapid increase in request;
- The crisis, which refers to the downturn and is generally marked by a stock market crash. This reversal of trend is rapidly spreading from one country to another;
- The recession, which corresponds to a slowdown in growth leading to a decrease in demand, a fall in investment and therefore in production, often accompanied by layoffs;
- The recovery that marks the beginning of the expansion phase of a new cycle.

During boom times, growth creates a business-friendly environment and generates the confidence of economic agents, which translates into increased investment and consumption. These two factors -investment and consumption- contribute to stronger growth and support for economic development. On another level, the economic surplus generated by growth contributes to social development.
The recession phases characterized by a slowdown in growth lead to behavior contrary to that observed during the previous phases. The reversal of the economic situation gives rise to a feeling of mistrust which leads to a decrease in investments, consumption and therefore production which is at the origin of a further decrease of investments; Thus, enhancing the economic difficulties. These latter ones have an automatic repercussion on social development by implying the increase of unemployment and therefore the reduction of income.
According to Schumpeter, the growth phases are due to innovation surges. In fact, these innovations are gradually spreading under the combined effect of competition and the saturation of needs. Hence, the recession phase and new innovations are needed to revive growth (Scandella, 1998) [6].

B. Development of Management Tools

If management is evolving, it is in order to provide solutions to the still raising problems within organizations whose current practices are unable to cope with them. Yesterday's solutions no longer have the same relevance and the same efficiency. Management will have to renew itself, offer new solutions and, thereby, meet the ever-changing demands of an ever-changing environment.
In terms of management, one distinguishes, on the one hand, the theories and in-depth research of academics and, on the other hand, the tools proposed by practitioners or consultants. Managers seem more and more attracted to the tools offered by consultants than to the research of academics because these tools are relatively simple and their effectiveness has been proven. They also offer a quick response to the growing complexity of the problems to be solved, the continuous and accelerated changes in the environment and the consequent need for responsiveness.

1. Management Tools: Managerial Innovations or Management Fashions

Management tools raise a controversy. These tools are also judged differently by the authors. If some consider that these tools are a phenomenon of fashion that are adopted only because they are new and perceived as preferable to existing tools and will be quickly abandoned, others defend them and consider that they are innovative and allow an improvement of the economic as well as the social performance of companies (Carson et al., 2000) [7].
The challenge for companies is therefore to distinguish between tools that constitute real development opportunities and those that reflect simple fashion without real significant contribution that are just a step in the toolbox of managers.

(i). Managerial Innovations

Managerial innovation is a "new idea that can be either a recombination of old ideas or a schema that changes the order of the present, or a formula or a unique approach perceived as new by the individuals concerned. It contributes to increasing the stock of knowledge available to managers. It also takes the form of improvements or additions made to all techniques, practices and management methods. Therefore, it has a direct impact on the management mode" (Godowski, 2001) [8]. It corresponds to "a management invention that has succeeded -in the sense of a minimum of recognition and adoption- and which at least partly changes the ways of thinking and conducting organized action" (David, 2013) [9]. Mol and Birkinshaw (2009) [10] considered that managerial innovation is the only form of innovation that affects all the aspects of management and profoundly transforms the functioning of the company as a whole.

(ii). Management Fashions

The managerial world has never been so loaded with tools that are supposed to improve the performance and competitiveness of companies. In fact, these tools have never been so ephemeral, which has led some authors to describe them as a "management fashion" given firstly, their rapid change, then their adoption, which does not correspond, in most cases, to a real need for and, finally, the lack of guarantee as to their effectiveness. Carson et al. (2000) considered that fashions have always existed in management, but in recent decades, the pace of their emergence is accelerating and their life is becoming shorter and shorter. Giroux (2008) [11], considered a management fashion, any tool that quickly invades the environment of managers and knows a significant use by companies. It is rather a phenomenon of imitation since its adoption is not justified by a rational analysis and disappears generally in the ten years of its outbreak.

2. Dissemination of Management Tools

The phenomenon of imitation or mimicry has strongly contributed to the dissemination and development of management tools. For Di Maggio and Powell (1983) [12], mimicry reflects the behavior of companies that face a problem they can neither locate the causes nor determine the solutions or, on the contrary, the alternatives are numerous and difficult to evaluate or the decision must be made quickly. The imitation of the most used tools by the companies perceived as performing represents, in these cases, an effective solution at lower cost. Mimicry is then a quick way to make a decision when alternatives are numerous and difficult to evaluate.

III. Methodology

The evolution of the economic environment will be apprehended by the phases of the business cycle. To study the relationship between the management tools used and the phases of the business cycle, we will be based on the state of affairs appreciated through the international surveys carried out by the consulting firm Bain & Company, concerned with the tools and the managerial trends.

Every two years and since 1993, managers are interviewed to identify the most used and relevant management tools. Face-to-face, follow-up and interviews help determine the circumstances in which each tool produces the desired results. To verify the consistency of results over time, the findings of any survey are always compared to those of the previous ones.

Six international surveys were conducted from 1993 to 2017 bringing the database to more than 14,700 executives, working in companies of different sizes and different industries, from 70 countries.

IV. Results

The synthesis of the surveys conducted by the consulting firm Bain & Company (Rigby, 1999, 2001, 2003; Rigby and Bilodeau, 2005, 2007, 2009, 2011, 2013, 2015, 2017) [13-14-15-16], allowed us to draw the following conclusions on the use of management tools:

- Only a few tools remaining heavily used regardless of the phase of the business cycle given their strategic importance, have been used regularly since 1993, mainly Strategic Planning, Benchmarking and Customer Relationship Management.
- The tools used by managers vary according to the phase of the economic cycle, since the company's objectives and priorities are also a function of the economic context characteristics.

A. Expansion Phase

Companies adopt more tools when conditions are favorable and the market is growing. They have a higher budget and are looking to engage in large-scale operations. They are, therefore, ready to take greater risks to higher incomes. Their eagerness to adopt a wide range of tools accordingly reflects their efforts to identify growth opportunities and increase their sales in a robust economy.

Companies are looking to grow, innovate, structure and manage their operations to support these growth objectives. The focus is on tools for growth such as Strategic Alliances, Mergers and Acquisitions, etc.

B. Crisis Phase

If the economic situation is unfavorable and the market is in crisis, the prime objective for managers is to improve the short-term financial performance in order to stabilize their activities. Managers, also, are turning to cost reduction tools such as Downsizing or Outsourcing to cope with slowing sales. They thus give less importance to the long term, their priority being the reduction of costs, notably by: the reduction of discretionary investments, the relocation and outsourcing of certain activities and the abandonment of tools requiring significant liquidity.

C. Recession Phase

Recession makes managers cautious. During it, companies focus on the most productive areas of their business. They also engage in rationalization and cost reduction, they reduce almost everything including the management tools used, especially those that require significant liquidity. The drop in the number of these tools suggests that companies adopt a wait and see approach before deploying new efforts.

To reduce costs and achieve greater organizational efficiency, managers use tools such as Outsourcing, Reengineering and resort to the tools they know best and have helped them in the past ("tested" tools).

Besides the cost-cutting tools, companies also focus on tools improving customer relationships to maximize revenue from existing customers as much as possible. Given the importance of customer loyalty, during this phase there is a pressure on companies to reduce prices or invest in innovation. Developing innovative products and services enables companies to differentiate themselves from competitors and retain their customers.

In addition to satisfied customers, managers also realize that coping with the economic downturn requires motivated and productive employees. The disengagement of the latter, results in a high turnover rate; Hence, the importance of tools such as Empowerment in order to have a more mobilized workforce.

To ensure income growth during periods of recession, businesses need much more than simplistic solutions. Companies start, in the beginning of the recession, by reducing their costs. But since cost reductions do not ensure their long-term viability, companies must continue to innovate but find more efficient ways to do so, for example by using Open Innovation. Companies are looking for innovative ways to stay competitive and get out of the recession in a stronger position.

D. Recovery Phase

The deep fear is always followed by growing optimism that business conditions and future positions will be better. Managers are looking to the near future with growing confidence. After cushioning the shocks of the recession, companies are cautiously preparing for the resumption of market growth. Their most urgent priority is to improve revenue growth and find additional ways to achieve it. Business must resume its growth-loss during the recession.

The use of tools remains stable during this phase as companies have moved into a recovery position. Seizing the opportunities of a growth-seeking market requires a cautious risk-taking. The recovery in confidence encourages prudent risk taking, so the focus is on growth more than cutting costs. After focusing primarily on reducing costs during the recession, as we prepare for recovery, we must promote growth through investment and innovation that enables companies to drive growth and renew their competitive advantage.

The usefulness of tools can change over time. It tends to decline and vary with economic conditions. In times of expansion, companies use more tools, increase their budgets, and launch more initiatives. During recessions, businesses reduce almost everything including the management tools used.

The various results obtained thus, made it possible to establish a relationship between the characteristics and the priorities of the context, on the one hand, and the objectives of the enterprises, the number of tools adopted and the tools favored, on the other hand (Table 1).

It appears that the utilization rates and the effectiveness of management tools vary widely from one phase of the business cycle to another. Economic recessions challenge the managerial practices of companies. Indeed, the strength and relevance of these practices only appear during a recession. Uncertainty, upheaval and turbulence change the way companies behave and impose new challenges on management.

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Table 1: Phases of the Business Cycle and Tools of Management

Phase of the cycle	Expansion	Crisis	Recession	Recovery
Priorities	Growth	Short-term financial performance to stabilize activities	Cost reduction, Organizational efficiency, Concentration on the most productive activities	Growth (Innovation)
Number of tools used	Increase in the number of tools used	Decrease in number of tools used		Stability of the number of tools used
Tools used	Managers test and adopt new tools	Managers use the tools they have mastered and who have helped them in the past ("tested" tools)		Managers are preparing themselves cautiously for the recovery by adopting next to the "tested tools" some new tools
	Some tools remain heavily used regardless of context characteristics due to their strategic importance (eg Strategic Planning, Benchmarking, etc.)			
Privileged tools	Tools of growth	Tools of reduction of the costs	Tools of reduction of the costs, tools of improvement of the relation customers and employee	Tools of growth

The tools used during the different phases of the business cycle reflect significantly different managerial priorities. When managers change their goals and priorities, they also change tools used to manage their activities. Management tools are only effective if they are used in a timely manner.

V. Conclusion

In a changing context, the challenge for any business is to develop its ability to adapt to the circumstances and to manage the constraints imposed on it by its environment.

To be able to meet the challenges and manage paradoxes, managers must learn to manage differently. The new challenges require unprecedented practices. They must sometimes be categorical and also question everything to opt for a transformation and a renewal of management unable to provide answers to the problems posed (fierce competition, changing customer needs, speeding up pace of technological progress, proliferation of pressure groups, institutional constraints, etc.).

Companies are subject to several forces that shape an environment where stability is only ephemeral. To better understand the phenomena influencing the managerial logic, this research focused on the evolution of the economic environment. Economic turbulence has increased the challenges executives face and, as a result, the need for tools to meet these challenges. Indeed, during the last decades, managers have witnessed an explosion of management tools which was fueled by their need to evolve successfully in an increasingly competitive market.

The use of management tools also follows a cyclical movement, increasing and decreasing, often reflecting changes in the economic environment. Indeed, changes in the economic context influence managers' priorities and objectives as well as the tools they use. Consequently, the results obtained confirm the conceptual logic, especially the contingency theory which considers that the effectiveness of an organization is the result of a permanent adaptation to its context. The performance and sustainability of companies depend on their ability to adapt their managerial practices to the requirements of their environment and to manage the constraints imposed on them.

The evolution of the environment has been limited in this research to changing economic environment, it could be enriched by retaining other dimensions of the environment, including the dimension of the political environment that has not stopped being turbulent since the revolution.

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