

# Achieving superior performance - Management practices that matter

***Out of over 200 well-established management practices only a handful have a significant impact on performance and produce superior results. This is the finding of a groundbreaking five year study reported in the Harvard Business Review (July 2003) “What really works” Nohria, Joyce & Roberson***

## Introduction

At last there is research-based evidence to prove which management practices really matter versus the many “fads” that don’t. This study looked at the performance of 160 companies over a ten-year period and the impact of various management practices on their performance. The results were stark and simple. There are only four primary management practices that lead to superior business performance. These practices are supplemented by mastery of two out of four secondary management practices. Of equal importance is an organisation’s ability to sustain and remain focused in pursuit of these practices.

Companies that consistently follow this 4+2 formula have a better than 90% chance of sustaining superior performance, according to the authors. Within a ten-year period investors in the “winning” companies saw their investment multiply almost tenfold (945% for “winners” versus 62% for “losers”).

## Primary management practices

### 1. Strategy

***Strategy must be sharply defined, clearly communicated and well understood by employees, customers, partners and investors.***

#### ***Hallmarks of Success:***

- Ensure a clear value proposition for the customer
- Develop strategy around the behaviour and views of customers, partners & investors
- Adjust continuously to market changes
- Communicate strategy in simple terms to all stakeholders
- Focus time & effort on core business areas

### 2. Execution

***There must be flawless operational execution and never disappoint customers***

#### ***Hallmarks of Success:***

- Consistently meet customer expectations (exceeding expectations is not always required!)

- Create market adaptability by putting decision making authority close to the front line
- Improve productivity at twice the industry average – strive to eliminate waste and excess

### 3. Culture

***The culture must hold high expectations about performance***

***Hallmarks of Success:***

- Inspire all employees to achieve high performance
- Release employees to make independent decisions and reward improvements to operations
- Link pay and performance and keep raising the performance standards
- Recognise achievements by offering people other ways to use their talents
- Create a challenging work environment
- Define and communicate clear company values in forceful language, backed up by solid actions

### 4. Structure

***The structure must reduce bureaucracy and simplify work***

***Hallmarks of Success:***

- The structure must simplify working with and working in the organisation
- Sharing information and team working should be built into the structure
- Strive to put your best people as close as possible to the customer

Without exception companies who excelled at these practices outperformed their industry peers. To quote from the authors “ it really doesn’t matter if you implement ERP software or a CRM system; it matters very much, though, that whatever technology you choose you execute it flawlessly. Similarly it matters little whether you centralise or decentralise your business as long as you pay attention to simplifying the way your organisation is structured”.

## Secondary management practices

### 5. Talent

***Organisations must retain talented people and develop more talent***

***Hallmarks of Success:***

- Where possible promote outstanding talent from within to senior positions
- Sustain top of the range training and development programmes
- Design jobs which challenge your top performers
- Dedicate personal attention from senior executives in the selection and development of people

### 6. Innovation

***Organisations must anticipate events to produce innovative products & services***

***Hallmarks of Success:***

- Focus on innovation with the potential to transform the industry – rather than marginal improvements

- Be willing to cannibalise existing products rapidly
- Apply new technologies to internal processes to create new ways of doing business or major cost efficiencies or both!

## 7. Leadership

***Selecting great CEOs can improve performance significantly (15% variance on profitability)***

### **Hallmarks of Success:**

- Link leadership team's pay to performance
- Develop connections with all levels in the company
- Create the environment to opportunities and threats to be identified at an early stage
- The board must understand the business, committed to it's success and have a significant stake in it's financial performance

## 8. Mergers and Partnerships

***It is imperative to master mergers and acquisitions and integrate them quickly. Only 22% of companies studied made this a winning practice.***

### **Hallmarks of Success:**

- Only acquire businesses that compliment core capabilities and leverage existing customer relationships
- Use partnerships to move into new business areas using a unique combination of both sets of capabilities
- Develop principles and guidelines (from experienced based leading practices) to consistently select the right deals and how to integrate quickly to generate returns within three years that exceeds the premium paid

## Conclusion

These fundamental management practices while not surprising are not as simple and demand a very clear and determined focus not on one practice but consistency and resilience in six practices! Not many organisations have the capability, foresight or focus to continuously drive excellence in these practices over a sustained period. The types of companies, in an Irish context, which come to mind, include Kerry, Ryanair and CRH, all of whom appear to be relentless in pursuit business basics and achieve superior performance.

This research certainly gives clarity and insight into where companies should focus their time, effort and resources. Forget the "fads". The management practices presented here have a direct causal relationship to superior business performance, but only if pursued with a passion and rigour over a sustained period.

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