A Winning Combination

What Really WORKS

Based on the article “What Really Works”, by Nitin Nohria, William Joyce and Bruce Roberson, in HBR, July 2003, pp.43–52
Findings based on the Evergreen Project:

- A multi-year research effort
- More than 200 well-established management practices examined
- Employed over a 10-year period in 160 companies
- Divided into 40 quads, each comprising four companies in a narrowly defined industry
Summary of findings

- Most of the management tools and techniques had no direct causal relationship to superior performance.
- What does matter, is having a strong grasp of the business basics.

- Outstanding organizations excelled at the four primary management practices – **strategy, execution, culture, and structure**.
- And, supplemented with a mastery of any two out of the four secondary management practices – **talent, innovation, leadership and mergers and partnerships**.
Four Types of organizations - *Those who are:*

- **Winners** – consistently outperforms its peers in the industry throughout the study period
- **Losers** – consistently underperformed against its competitors
- **Climber** – it started off poorly but dramatically improved its performance once it applied the 4+2 formula
- **Tumblers** – It began in good shape but fell far behind
The 8 Essential Management Practices

• Are not new
• Their importance is not surprising or counterintuitive
• But the formula for success it not as simple as it sounds

• Organizations can all to easily forget or ignore the basics
• Succeeding at the 8 business practices can be hard work
Excel at Four Primary Practices

Strategy, Execution, Culture and Structure represents the fundamentals of business.
Strategy: Devise and maintain a clearly stated focused strategy

- Be clear about what your strategy is!
- Consistently communicate to your stakeholders
- Begins with a simple, focused value proposition that is rooted in deep, certain knowledge about the customers and a realistic appraisal of your own capacities
- Stick to your core business
Execution: *Develop and maintain flawless operational execution*

- As with strategy, it’s not what you execute that matters but how.
- Disciplined attention to operations is what really counts.

- Winning organizations are realistic.
- They do not strive for perfection in every facet of operations.
- They focus on the most important operations that meet the customers’ needs.
Culture: *Develop and Maintain a performance-oriented culture*

- Building the right culture is imperative
- But, promoting a fun environment isn’t nearly as important as promoting one that champions high-level performance and ethical behaviour.
- In winning organizations, **everyone** works at the highest level.

- Recognize and directly reward people’s achievements and give them opportunities to use their talents
- Winning organizations state their values in clear, forceful language and demonstrate them with concrete actions
Structure: *Build and maintain a fast, flexible, flat organization*

- Winning organizations trim every vestiges of unnecessary bureaucracy
- Make their structures and processes simple
- But, no particular organizational structure separate the winners from the others

- What did matter was whether the organizational structure simplified the work!
- The discipline of simplifying structure and processes is like “painting the bridge”, once you finish painting a bridge, you back to the other side and start over.
- Once an organization has assessed all its core processes and scraped of its bureaucratic barnacles, it’s time to begin again.
Embrace Two of Four Secondary Practices - Talent, Innovation, Leadership and Mergers and Partnerships

• It doesn’t matter which two!
• It doesn’t make a difference if an organization excels in all four secondary practices rather than just two.
• No reward for going beyond the 4+2 formula
Talent: *Hold on to talented employees and find more*
For continuity and organization loyalty

• It is much cheaper to develop a star than it is to go out and buy one.
• It is more reliable, you are getting a known quantity.
• It is also important to retain top performers.
A commitment to promote from within

- Is meaningless unless the organization offers training and development that can prepare employees for new jobs in the organization and create conditions that encourage employees to enroll rather than penalize them for taking time away from their jobs.
A talented employee can be just as valuable and hard to replace as a loyal customer

• Yet many organizations that go to great lengths to retain a customer won’t lift a finger to hold on to a skilled, seasoned manager.

• Winning organizations excelled in the talent practice, and they dedicate major resources – including personal attention from top executives – to building and retaining an effective workforce and management team.
Winning Organizations

• Do not choose between promoting from within and hiring outside talent.
• They do both;
• A talent-rich environment tends to attract able people from outside an organization.
Innovation: Make industry-transforming innovations

- Winning organizations are focused on finding altogether new product ideas or technological breakthroughs that have potential to transform their industry.

- For them, innovation isn’t just about turning out new product and services; they also apply new technologies to their internal workings, which yield huge savings.

Innovation also includes the ability to foresee and prepare for disruptive events.
Leadership: *Find leaders who are committed to the business and its people*

- Some common belief’s about leadership had little to do with an organization’s becoming and remaining a winner.
- It didn’t matter if the leader makes his or her decision independently or in collaboration with the top management team;
- It made little difference whether senior management relied on quantitative or qualitative assessments to make key decisions;
- Nor was there any correlation between the personal characteristics of the CEO – visionary or detail-oriented, secure or insecure, patient or impatient, charismatic or quiet – and organization’s success.
Certain leadership qualities matter

- The ability to build relationships with people at all levels of the organization and to inspire the rest of the management team to do the same.
- Leaders who present themselves as fellow employees rather than masters can foster positive attitudes which translate into improved organizational performance.
- Ability to spot opportunities and problems early.
Mergers and Partnerships: *Seek growth through mergers and partnerships*

- Pursuit of mergers and partnerships is one way to drive growth.
- Winning organizations often use lessons learned that enable them to more consistently choose the right partners and integrate them quickly.
Success requires unyielding vigilance in 6 management practices at once and constant renewal to stay on top.

- Falling down is easy; climbing back up is not,
- Managers yearn for clarity, certainty and solid directions for success.

The 4+2 formula provides it.

- It tells managers which management practices the need to focus on and which they can ignore.

The formula is a true-north compass that works.
Making 4+2 Work for You:

List of behaviours that support excellence in each management practice
Primary Management Practices
Strategy

- Build a strategy around a clear value proposition for the client
- Develop strategy from outside in, based on what your clients and partners have to say – and how they behave – not on gut feel or instinct
- Continually fine tune your strategy based on changes in the environment

- Clearly communicate your strategy within the organization and to the clients and other stakeholders
- Keep focused

Grow your core business and beware of the unfamiliar
Execution

- Deliver product and services that consistently meet clients’ expectations.
- Put decision-making authority close to the front lines.
- Constantly strive to eliminate all forms of excess and waste.
Culture

• Inspire everyone to do their best
• Empower people to make independent decisions and to find ways to improve operations – including their own
• Reward achievement with pay based on performance, but keep raising the performance bar
• Pay psychological rewards in addition to financial ones
• Create a challenging, satisfying work environment

Establish and abide by clear organization values
Structure

- Simplify
- Promote cooperation and exchange of information throughout the organization

- *Put your best people closest to the action*
- Establish systems for seamless sharing of knowledge
Secondary Management Practices
Talent

- Fill mid-and-high level jobs with outstanding internal talent whenever possible
- Create and maintain top-of-the-line training and development programmes
- Design jobs that will challenge your best performers
- Keep senior management actively involved in the selection and development of people
Innovation

- Relentlessly pursue disruptive technologies to develop innovative new products and services.
- Apply new technologies to enhance all operating processes, not just to those dedicated to designing new products and services.
Leadership

• Closely link the leadership team’s pay to its performance.
• Encourage management to strengthen its connection with people at all levels of the organization.
• Inspire management to hone its capacity to spot opportunities and problems early.
Mergers and Partnerships

• Enter new businesses that leverage existing client relationships and complement core strengths.

• When partnering, move into new business that make the best of both partners’ talents.

• Develop a system for identifying, screening and closing deals.