

Thinking Managers

Robert Heller of www.thinkingmanagers.com considers how to judge success in management.

Good and Bad Management

All managers should possess strong and well-informed opinions on the subject of management itself. Everybody has been unfortunate enough to experience a bad manager and hopefully been lucky enough to encounter a good one.

So how can you define 'good' and 'bad' management?

The CEO cult assumes, against all evidence, that the fate of the entire organisation depends overwhelmingly on the single man at the top who takes all the decisions and governs all strategic management. But of course an organisation's success or failure must depend on the strength of management at every level.

Turnrounds obviously provide a searching test of a manager's character and abilities, but the standards of comparison are by definition low. Also, the strategies used in turnrounds are essentially one-off: make sharp staff and business cut-backs and bring in a new chief financial officer. The tougher management tests come later when the turnround boss has to be compared with the best of the competition rather than their failed predecessors.

At Nike, the turnround man goes further. The founder, Philip Knight, was responsible for the concentric management that took Nike soaring past Reebok but then ran into trouble when the company's Third World labour practices caused highly adverse and damaging criticism.

However, he managed to identify the faults and acted decisively to improve matters. He 'revamped management and brought in key outsiders to oversee finances and apparel lines' and also 'devoted more energy to mundane details such as developing top-flight information systems, logistics, and supply-chain management'.

At 66, Knight has recognised his age by appointing a new CEO back in November. However, the new man comes from a very different background (Johnson's Wax) and at 57 is too close to both retiring and Knight. Also, Knight is staying on in the capacity of chairman, risking a power struggle.

One most instructive test of a manager is the performance of their successor. However, most attributes of good management are subjective. They sound grand enough – like finding great successors – but greatness can only be proved by results. But what results do you use?

Generally, goodness is rated by the sales figures, the profit and loss accounts and the investment returns. From one perspective this appears fair as the investor cares about financial results and above all the share price.

However, the price has disadvantages as a measure of financial worth as it is not within the direct control of any management. It is basically short term while the success of the company is determined over the long term. Worst of all, putting the financial cart before the horse can invite the taking of short cuts. The very worst managers fiddle the figures.

The best managers insist on having financial and other data calculated as accurately and honestly as possible, and they consider the financial outcomes, which take in their own options and bonuses, as a product of their achievements and not as achievements themselves.

They also accept that management is fluid rather than fixed. Lots of businesses are cyclical and all managers have to adapt and correct mistakes. The skill is to maximise the upturns and limit the damage of the lean periods.

Most of all, great managers have objectivity. They put corporate performance first and their own rewards second, therefore putting their personal performance ahead of their egos.

About the author:

Robert Heller was the founding Editor of Management Today magazine and is one of the world's best selling authors on business management having written more than 50 books on the subject.

