

Thinking Managers

Robert Heller of www.thinkingmanagers.com considers ways of defining and measuring management and leadership.

Management & Leadership

It has always been difficult to classify management. The experts – and managers themselves – frequently disagree as to whether the activity is art or science or craft or discipline, or whether it is mathematical or inspirational. This is because business management is a many-sided task which changes according to influences both internally and externally. So an ultimate truth remains elusive.

But people still attempt the impossible. For example, how do you define leadership; how can you tell whose is better or best?

The same questions can be asked, of course, in respect of 'management'. Attempting to obtain satisfactory answers is a game that has been played plenty of times over the years.

The most reliable guide to management known to me is The Drucker Definition. It rings true because it deals with processes, rather than platitudes. Drucker says the expert manager knows what to do, and how to do it, but most important of all, he does it. The last point is the most difficult.

It seems weak to suppose that superior financial performance equates with better management and/or leadership. But if you ignore the financial aspect, what other objective measures of good business management exist?

In an article for the Harvard Business Review on 'The Four Principles of Enduring Success', Innsbruck academic Christian Stadler worked on the basis that comparing the best companies with the second-best gives you more information on good management than comparing the best with poor performers. But once more, the pundit uses financials to define success. From 1953 to 2006, the Nine Greats gave much better returns to shareholders than nine runners-up: \$4,077 on a single 1953 dollar versus \$713. After careful screening, Stadler arrived at his four principles:

- ➔ Exploit before you explore. More money will come from existing businesses than from completely new ventures.
- ➔ Business portfolios should be diversified. But diversify wisely. Keep both suppliers and customers broadly based.
- ➔ Always remember your mistakes because past failures can ensure they will not be repeated.
- ➔ Be conservative about change. Great companies don't undertake radical changes very often. However, they always take great care in their planning and implementation.

One of the most interesting and surprising aspects of these principles of business management is that they differ greatly from the programme that today's leaders are advised to follow.

Personally, my advice would be: ensure you exploit the old as the basis for breaking truly new ground – not just to diversify, but to build in concentric circles round the core business; analyse areas of success just as much as those that fail; throw conservatism to the wind and make changes as often and as radically as you need to.

About the author: Robert Heller is one of the world's best selling authors on business management.

