

What makes a successful company?

Expert knowledge means success

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

Business management has become a rich feeding ground for academic study, attempting to delve into what makes successful companies. We have been putting the academic work together with our practical experience and some consensus seem to emerge which may give a helpful framework. They come under four headings - Focus, Organisation, Measurement and Leadership.

Focus

Focus is frequently easier to talk about than achieve. It's the concentration of business resources in one direction, without distraction, to achieve a vision of where the business will be and the goals it wants to achieve. For some businesses, Focus is the competitive advantage. It is the core value and culture of the business. Focus tends to follow 'fashion cycles'. For example in the late 1960's to the mid-1980's, the Focus was on 'asset management' in which the rise of the conglomerate was intended to take advantage of size and opportunities to reduce input costs. Later smaller business units with more direct control came into favour. Now the preference is for market Focus and responsiveness to customer needs. Focus has therefore moved from inputs on business processes to outputs to the market.

Without Focus a business drifts from one apparently important issue to the next with no indication of direction to its business contacts, shareholders or employees.

Organisation

Organisation holds the intrinsic value of a business. It is the organisation that delivers products and services to customers; it is organisation that ensures creditors and debtors are managed according to their contracts, and that annual accounts are circulated on time. Without effective organisation a business is unable to realise its full potential.

In this context, organisation means having systems that enable the same activity to be repeated in the same way whether it is done by computers or people - in other words, being able to say "This is how we do it here".

A culture which is committed to systemisation should be put in place when the business starts up because sorting out the mess and trying to change the culture after a while can have damaging effects on the business.

Organisation is not the same as bureaucracy. Once in place, organisation can evolve in response to changing circumstances.

Measurement

'You can't manage what you can't measure' is the reason why measurement of business activities is essential. Every activity in a business has a cost and it is essential that the activity is open to scrutiny to see if it also has value for the business. In this way resources are managed effectively for the benefit of the business and the shareholders. Organisation provides the mechanism for measurement and Focus gives the direction in which all business activity should be moving.

Leadership

Leadership is an area that has probably had more written about it than any other management issue. Whilst management could be viewed as being about business processes, leadership is about people and their relationship with those processes.

It is not possible to be prescriptive about the best ingredients for effective leadership, but the main elements are:

- **Communication of vision** - about where the business is going, what are the primary issues that affect 'the journey' and what the end result is likely to look like.
- **Creating a culture** - every business has a culture that has grown out of its history. It is essential that a culture is created and nurtured which complements the Focus and gives sustainability.
- **Developing individuals and teams** - the difference between competitors is frequently the quality of the front line team. Investment in keeping individual knowledge and skills up to date, and in building teams gives a competitive advantage that is hard to replicate, improves staff retention and builds self worth.

Organisation holds the intrinsic value of a business



- **Leading from the Front** – being seen to be generating business and giving support to those in the front line - rather than pushing from behind - demonstrates awareness of the realities of the market and the importance of Focus.

There are probably many other areas that individual business would say are more important, but this framework contributes to a sustainable structure and direction which, in the long-term increases value.

To decide where you are going, it is important to have a starting point and there are now a range of non-financial management audits on offer to help businesses in each of these areas - check with us for details.

Further Information

We recommend that you read our publication 551 to discover more than 100 reasons why some people are much, much more successful in business than others

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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