

Competitiveness -

How the best companies are winning at business

Expert knowledge means success



Contents

1. Winning – Ingredients for Success
1. The Findings
2. Change
2. Empower
3. Learn
3. Innovate
4. Win
4. The Challenge
4. The Checklist
5. Signposting
6. Further Information

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 In addition, some of the information in this publication may be out of date.

Winning - Ingredients for Success

The study discussed in this paper is based on the views of the leaders of 121 UK-based businesses. The BIS commissioned Warwick Manufacturing Group to develop an interview framework and recording process. This was based on the model developed in the BIS report "Manufacturing into the late 1990s". Copyright ownership of the parties involved in the study is duly acknowledged.

The framework was used by senior industrialists seconded to BIS, supported by BIS and CBI officials, in two-hour non-attributable face-to-face interviews with senior executives of the selected organisations. The interview records have been entered into a database. The context of the interviews has also been analysed, to validate the conclusions drawn from the database and to ensure the important messages were not overlooked. The final report draws on the data from over 100 of the best companies studied.

The strength of this approach has been to allow the interviewee to lead the discussion into the issues that were important.

Organisations were identified by the BIS in discussion with CBI Manufacturing Directorate. The organisations were reviewed against published financial data. The final selection was made to ensure a degree of balance between the manufacturing and service sectors, region and size.

The research showed that "Winning UK" companies:

- Are led by visionary, enthusiastic champions of change;
- Unlock the potential of their people
 - Creating a culture in which employees are genuinely empowered and focused on the customer.
 - Investing in people through good communications, teaming and training.

- Flattening and inverting the organisational pyramid.
- Know their customers
 - Constantly learning from others.
 - Welcoming the challenge of demanding customers to drive innovation and competitiveness.
- Constantly introduce new, differentiated products and services
 - By deep knowledge of their competitors.
 - Encouraging innovation to successfully exploit new ideas.
 - Focusing on core businesses complemented by strategic alliances
- **Exceed their customers'** expectations with new products and services

Nine out of ten of the winning UK companies studied exhibited these characteristics of innovation best practice.

The Findings

You feel it the moment you enter a competitive company; there is a buzz that suggests confidence and success. But how is this buzz achieved? What are the key factors and how can these be emulated in all British companies?

This study of over 100 of the Best Companies has shown that winning UK-based companies share a number of characteristics. It does not matter whether those companies are in the service or manufacturing sector; the key elements contributing to their success are the same. Importantly, they focus on three core issues: champions of change, employees and customers.

The key success factors are not in themselves new but they do reinforce previous messages. The findings reaffirm all the same characteristics of innovative and therefore, competitive companies reported on in our earlier report "Innovation – the best practice". Nine out of ten of the companies interviewed exhibit "ingredients for success". It is no accident that these are all "people related" and fundamental to the adoption and evolution of best practices. As one Managing Director observed: "excellent companies know people make the difference!"



Change

Winning companies are led by visionary, enthusiastic champions of change

Visions and change begin at the top. It can be an individual or it can be a team supporting the CEO that champions the continuous change process but as one individual observed “they do not manage change: they are change”. From there, the vision is cascaded throughout the organisation so that there are “agents of change at all levels” implementing and supporting it. In the best companies change management is not an issue: “people expect change”. But in all cases the process of change is focused on meeting customers’ needs: “my vision is delighted customers”. The result is “undisputed world-wide leadership and profitability”. And this vision is not simply focused on tomorrow’s customer but addresses issues such as “what would our customers want to buy in 15 years’ time and why can’t they?”

Empower

Winning companies unlock the potential of their people

Creating a culture in which employees are genuinely empowered and focused on the customer

One of the key elements of the culture of the winning companies, the framework that makes innovation a habit in the organisation are seen as a key resource rather than simply as a cost – the competition may copy the product but it can't copy the people. One of the main tasks of the senior team leading the company is to enable each person in the organisation to fulfil his or her full potential through empowerment of that individual whilst maintaining focus on the customer at all times. As one MD puts it, “motivated staff will be ten times more productive than unmotivated staff”. There is a clear recognition that it is employees who most often meet with the company’s customers and that “when a customer meets an employee he meets the whole organisation and often judges the whole on that basis.” Employees are encouraged to “work with customers as key partners”.

Investing in people through good training, teaming and communications

Training is seen as a key component in achieving empowerment of the individual and in maintaining focus on the customer in order to remain competitive. Not only is “training the epicentre of empowerment”, with as much as 10% of employees’ time spent on it, but successful companies “use education as a competitive weapon”. The aim is to provide employees with the necessary skills to allow them to meet the multiple challenges of the tasks facing them in order to satisfy the customer. However, training is not merely an end in itself: “everything is measured with charts and score cards everywhere. Our practice is to set targets, empower the team and measure delivery”. All this is done where “the customer is the focal point”.

Continuous communication forms an essential part of the process of empowerment and continuous change. Communication takes place in many directions throughout the organisation, and is always a two-way process. Just as the leader of a company communicate their vision of where the company is going, they welcome and encourage feedback and ideas from all their employees, for they recognise that all have something to offer: “one proposal from each of our 100 employees is better than 100 proposals from one super boss”. Communication takes the form of regular team briefings, frequent internal newsletters and regular contact with customers. In addition, senior management frequently gets out to meet employees by walking around the organisation and talking with individuals, encouraging the team concept of “us” rather than the divisive “them” and “us”.

Flattening and inverting the organisational pyramid

The result of all these changes in working practices is that organisations have become much flatter. This is not simply a matter of removing layers of middle management through “de-layering” or “right sizing” which all too often becomes a cost cutting exercise as an end in itself. Rather it is a conscious effort to focus on the customer and cutting out all those things that get in the way of that focus: bureaucracy, hierarchy, overheads and functionalism. As a result the whole structure of the organisation is changed: “5 years ago the corporate structure was like pyramids with very steep sides, in fact one could say



stalactites. Now it is more like a plate of peas”. The number of levels in an organisation is cut to as few as possible. In some instances there are “only three levels within the organisation: Directors, Managers and People”. Seniority, and its rewards, no longer comes with length of service but rather as a result of experience and knowledge.

Learn

Winning Companies Know Their Customers

Constantly learn from others

The more companies progress, the more they recognise that they still have a lot to learn. They are open to ideas from all available sources. Customers are an obvious source of ideas for new products and services but they can also be used to benchmark other aspects of performance against competitors. Contact with suppliers can be used to pick up process ideas as well as more direct product information. Many of the companies interviewed encouraged visits to the site because conducting tours and responding to questions is seen as a form of free advice. Similarly visits to other companies, even those in different sectors, can be a useful stimulus for lateral thinking.

Welcome the challenge of demanding customers to drive innovation and competitiveness

It is recognised that it is customer demands that drive the continuing competitiveness of companies: “the main financial pressure is from customers”. This is seen as both a threat and an opportunity. Customers demand, and expect, lower prices, faster deliveries, less defects, full performance and many others. In addition, they expect to see major improvement year on year: “our customers are demanding a 5% year on year reduction in price”. By meeting these demands companies make their product and services globally competitive.

In the winning companies everyone within the organisation is aware of who the main customers are and their requirements. In many cases a key requirement is to know the customer and the customer’s market place better than the customer himself.

Innovate

Winning Companies Constantly Introduce New Differentiated Products and Services

By deep knowledge of their competitors

Competitors, alongside customers, are seen as a major driver for continuous improvement: “competition forces innovation. Innovation is driven by the goal of being and staying the Number 1”. Whilst companies are clearly aware of their major competitors by name they are frequently referred to in terms of nations. Low cost labour in the Far East, particularly China, and the lean production of Japanese companies figure frequently, whilst “anyone who thinks Europe is the competition has missed the boat”.

Encourage innovation to successfully exploit new ideas

As with all other aspects of the winning companies product innovation is increasingly targeted and measured: “a target of 80% of sales of products to be generated from products less than 5 years old.” “New product development is like getting up in the morning – if you don’t develop new products, you don’t get very far.” This is a core attitude in winning companies, both manufacturing and service, and is a key driver in staying ahead of the competition: “we have to innovate to stay ahead”. The winning companies are focused on all aspects of the business that will enable them to exploit new ideas successfully, whether in the production process through simultaneous engineering and time compression techniques, or in after sales service. Effective process is seen as critical in delivering continuously improving products coupled with ever improving customer support services. As companies rationalise their own operations, they are increasingly looking to their supply chain for further improvements. They are expecting exactly the same performance from their supplier as their customers expect from them. “Not enough UK suppliers are innovative, we are having to put a lot of effort into their education”.



Focus on core businesses, complemented by strategic alliances

Success is based around a deep understanding of customers and their requirements, together with a full knowledge of the competition. As a result companies are strongly focused on core business and competencies. As one Managing Director put it “we are experts because we have fallen in all the holes and know how to avoid them”. Teamwork, and the responsibility of employees for all aspects of the business process, ensure that this happens. As a result, companies are increasingly focused on the organic growth of their core businesses. However, to support their operations and to maximise the exploitation of scarce resources winning companies are entering into strategic alliances, especially when looking to break into new markets.

Win

Winning companies constantly exceed their customers' expectations with new products and service

Within customer focus there is the continuing desire to provide products and services that exceed expectations, “aiming to achieve individual customer delight”. Price is only one element of the equation and not necessarily the most important: “our job is to satisfy our customers: quality, delivery and then price in that order”. Increasingly, service is seen as a key differentiation in an organisation's competitiveness: “the only competitive advantage that companies like ours have over the Far East is service”. Companies take it for granted that elements such as quality, low cost, performance and delivery time are no longer sufficient in themselves. In fact, they are now seen by an increasing number of firms as necessary qualifiers to survive in the market. Innovative, customised products and services, supported by marketing and design, are differentiators that allow companies to win “if the product is right, and you deliver what your customer wants, the world is your oyster”.

The Challenge

This study has confirmed that it is possible for UK companies operating in all sectors to win: winning with the right people and the right product, delivered at the right price, on time and supported with a superior level of service. The key messages that have emerged are relevant to all organisations, both in the private and public sectors, if the UK is to continue to win, and to get better at it, then all must heed these messages and put them into practice: government as well as industry.

The challenge is: how do you measure up to the best, and how are you going to change?

To assist in this process, this study has identified a number of features which are common to winning companies. These are summarised next and offered as a checklist for other organisations.



The Checklist

Led by visionary, enthusiastic champions

- Leaders have a vision that is owned throughout the organisation;
- Build demanding but realistic targets into the business strategy;
- Are champions for change who lead by example and accept managed risk;
- Generate an open communicative management style throughout the organisation;
- Focus on their customers.

Know their customers

- Know and anticipate the future needs of their customers;
- Have realistic understanding of their competitors and how to beat them in competition for the customers;
- Know the drivers in their market;
- Focus on the customer and cultivate an active partnership towards total customer satisfaction;
- Collaborate with customers, other companies, suppliers and academia to maximise capabilities and minimise risk.

Unlock the potential of their people

- Empower all employees by creating individual ownership and focus on customers;
- Simplify the internal systems wherever possible;
- Clearly communicate company performance;
- Encourage a team approach;
- Train at all levels: professional development, multi-skilling, updating;
- Measure and benchmark performance against direct competitors and other companies in other sectors;
- Install information and financial systems focused on rapid provision of customer relevant data.

Deliver product and services that exceed their customer expectations

- Adopt a philosophy of total quality in all company behaviour that emphasises delighting the customers with all aspects of the product and services;
- Measure customer perceptions of products and service;
- Deliver continuous improvements in all added value aspects;
- Seek to continuously reduce customer costs;
- Develop partnerships with their suppliers.

Continuously introduce differentiated products and services

- Have a product and service after next philosophy;
- Exploit new technology or legislation to drive new product and service;
- Customise the product and service;
- Radically improve speed to market;
- Adopt multi-functional teams to drive innovations forward.

Signposting

Management Best Practice

As your business grows, you will need to change to adapt to new circumstances. You can experiment with different ways of working to see which suits your business best. But this approach is inefficient and may lead you to make inappropriate decisions.

A far more effective way of making changes is to look at how successful businesses operate and to introduce their ways of working into your business. Evaluating how your operations compare with the most effective and profitable

enterprises, and then using their most successful elements - the 'best practice' - in your own business, can make a big difference.

The Business Link guide to management best practice explains what best practice is and how identifying it and introducing elements in your business can bring significant benefits.

Contact Business Link:
<http://tinyurl.com/c3odjfg>

Inside UK Enterprise

Inside UK Enterprise offered the opportunity to visit leading companies employing best management practices.

Inside UK Enterprise:
<http://webarchive.nationalarchives.gov.uk/+/http://www.dti.gov.uk/mbp/nbis/iuke.html>

Competitiveness Forum

The CBI's National Manufacturing Council works to ensure that UK manufacturing enters the twenty-first century able to compete with the best in the world.

Contact: Tel: 0207 379 7400

The CBI's benchmarking service "PROBE" is for manufacturing companies. It examines a company's practices and critical processes, how they are implemented and the measurable results.

Contact: Tel: 0207 395 8190

Benchmarking Index

High quality benchmarking information and advice within easy reach of Small to Medium sized Enterprises. A company is assessed against Financial, Management and Business Excellence measures. A detailed analysis of company performance focuses attention on areas of the company where there is room for improvement.

<http://www.benchmarkindex.com/>

Support for Business in Wales

Contact: Business Connect, 0345 969798

Business Development Support in Scotland

Contact: Scottish Office Education and Industry Department: Tel: 0411 248 4774

Investors in People

Investors in People is the national standard which sets a level of good practice for improving an organisation's performance through its employees.



Further Information

This publication is for general interest - it is always essential to take professional 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

Reference

¹ The Department for Business, Innovation & Skills (BIS) was formerly known as the Department for Business, Enterprise and Regulatory Reform (BERR) and before that was called the Department for Trade & Industry (DTI).

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