Why Management Should be a Competitive Advantage

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Lukas Michel, explains why the last remaining areas of competitive advantage can be found in management.

Consider management as the art, science, and craft to get work done. If so, then most work that requires more than one person to complete requires some sort of management.

Competitive advantage has long been the yardstick for success and the performance of management. The traditional domain of competitive advantage is on the value chain, the operations of the company. In today's fully disruptive and hyper-dynamic environments, traditional advantages dissolve fast. Management – how we get work done – likely is one of the few competitive advantages left. *Better Management* outlines what these advantages are and how to build them as sustainable value.

For management to be a competitive advantage, it must be Better Management. For managers, the new dynamics impose one clear imperative: Every organization must build the capability to change into its very structure. It must commit to creating a new response to its challenges. Like with the Kaizen approach, it must weave continuous self-improvement into daily life. And every organization must learn to innovate by organizing it as a systematic process. All these musts require a high degree of decentralization and structures where decisions can be made quickly.

In today's fully disruptive and hyper-dynamic global markets, traditional competitive advantages based on the value chain dissolve fast. New business models can quickly alter the cost

position of a company. Business ecosystems can differentiate the value proposition in unprecedented ways. Globalization has turned narrow markets into huge markets permanently diluting focus. More than ever before, traditional competitive advantages based on the value chain are hard to maintain in ways that offer sustainable above average returns.

The last remaining areas of competitive advantage can be found in management, the management model and the operating system of a company. Management is, in line with Michael Porter's distinction, neither a primary activity nor a support activity. It is the activity that makes all other activities happen. Our research claims that management is one of the only remaining sustainable competitive advantages.

We claim that agile, people-centric, and dynamic features turn management into a competitive advantage. Performance, innovation, and growth are indicative of the returns of competitive advantages. Competitive advantage, measured through the agile, people-centric, and dynamic features of management, strongly correlates with the returns of superior management, being outcomes measured through performance, innovation, and growth of. The data from 400 companies of all kinds around the globe clearly shows a strong relationship between capabilities and outcomes.

There is a desperate need for Better Management. Real managers know that it is their task to change the way they lead people, how they organize themselves, and how they get work done. Better Management is every manager's primary job. The evidence is clear: for successful transformations, 10% of employees can make or break it, as not all in the organizations will embrace the new way – nor may it be necessary that the entire organization gets it. But leaders at every level, not just top managers, must buy into it as organizational value and competitive advantage. Business disruption is only possible with the help of leaders who have crossed the Rubicon better.

Management plays an important role in moving to Better Management. If the fault is with management, then that needs fixing. Distinguishing between operations (what managers want) and the operating systems (what most have not thought about) helps us emphasize where the true competitive advantage lies: the opportunity for real managers to think about how they lead,

organize, and manage. That’s work on the system. Real managers know that the task is to change the way we lead people, how we organize ourselves, and how we get work done. It’s the primary responsibility of managers to establish an operating system that suits the people, the purpose of the organization and the context of their business.

The key to what needs to be fixed is what happens at the top of the organization. From using our diagnostic tool to measure management based on the criteria for competitive advantage, we have learned that managers are overconfident in their own management and tend to underestimate the management capability of their teams. It’s called the Dunning-Kruger effect. But why guess if you can know?

The Better Management standards come with the following:

- A work environment where people engage and get work done.
- A strategy that clears expectations with results that keep promises and create value.
- Management that mobilizes resources with self-responsible people who make the client offering specific.
- People who unfold their potential and perform in ways that are hard to copy.
- An operating system to master higher challenges without shortcuts.
- A toolbox with systems for leaders to capture new opportunities that are deeply embedded in culture.

It is interesting to note that, in overviews of key innovations over the past 200 years, management is never mentioned as a radical innovation that gets the respective recognition. Andrew Hill (2021), the Financial Times management journalist, put it as follows: “Take any middle manager from 2011 or 1991 or even 1961, and he would still belong to a large corporation, have an office with a desk, is somewhere on the org chart, has an incentive plan, is part of the hierarchy, follows a bunch of sociopaths with high-sounding titles giving orders.” One of the reasons for missing innovation is that 20th-century traditional

management systems still work. Hierarchy offers structure in a complex world. Offices provide a hub for face-to-face interactions. But the systemic inertia is to blame for the slow pace of change. “Rigid hierarchies can become bloated, timid, complex, insular, arthritic and highly politicized,” to quote Gary Hamel talking at a workshop held at the 2021 Global Drucker Forum in Vienna.

Overall, better-managed organizations make a difference. They are considerably more agile, people-centric, and ready for a dynamic market environment. And they are better off competing in the future: performance is 21% higher, innovation 25% higher, and growth 28% higher.

Better Management is a yardstick. Investments in Better Management clearly pay off as a sustainable competitive advantage.

Why guess if you can know? *Better Management* comes with a diagnostic tool for managers to review six principles that make up management as a competitive advantage.

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