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What Really Works

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Included with this full-text *Harvard Business Review* article:

- 1 [Article Summary](#)
The Idea in Brief—*the core idea*
The Idea in Practice—*putting the idea to work*
- 2 [What Really Works](#)
- 13 [Further Reading](#)
A list of related materials, with annotations to guide further exploration of the article's ideas and applications

What Really Works

The Idea in Brief

New management ideas heat up and fizzle out—seemingly overnight. So how can you tell which ones are critical for outperforming your competitors? A groundbreaking study of 200 management techniques reveals surprising results: Most techniques have no direct impact on superior **business performance**. What does? Mastery of business basics.

To sustain superior performance, you have to excel at four primary management practices—strategy, execution, culture, and structure—and any two of four secondary practices—talent, leadership, innovation, and mergers and partnerships.

The key to this 4 + 2 formula is not which technique you choose within each practice, but how well and consistently you stick with it. There's no recipe to follow. But the most enduringly successful companies in the study—those delivering a 10-fold return to investors over a 10-year period—clearly demonstrated hallmarks that any company can follow.

The Idea in Practice

PRIMARY PRACTICES

To excel at the four primary management practices, consider these guidelines:

Strategy:

Build your strategy on deep knowledge of your target customers and company's capabilities. Clearly and consistently communicate that strategy to employees, customers, and shareholders. Refine your strategy only in response to marketplace changes—new technologies or government regulations, for example.

▶ Example:

Remaining laser-focused on its strategy year after year, Dollar General sets rock-bottom prices and selects only merchandise appealing to its core customers at the low end of the market.

Execution:

Streamline operational processes essential to consistently meeting—not exceeding—customer expectations. Eliminate waste to increase productivity 6% to 7% annually.

Culture:

Hold managers and employees, individuals and teams to unyielding performance expectations. Link pay to specific goals—and raise the bar every year. Withhold rewards when targets are missed. State company values clearly and forcefully.

Structure:

Create a fast, flexible, and flat structure that reduces bureaucracy and simplifies work. Shatter departmental boundaries that prevent information sharing and cooperation. Look to middle managers' and employees' dedication and inventiveness—not executives' brilliance—for your company's future.

SECONDARY PRACTICES

Excel at any two of these secondary management practices.

Talent:

Achieve deep bench strength. It's cheaper and more reliable to *develop* stars than to buy them. Create top-of-the-line training programs to retain skilled managers. Give them challenging, intriguing jobs.

Leadership:

Successful companies' leaders are committed to the business. They reach out to front lines, forging connections with people at all levels. They seize opportunities before competitors do and tackle problems early. Also, such companies' board members have a financial stake in the firm's success *and* a solid understanding of the industry.

Innovation:

Lead your industry with breakthrough innovations—even if that means cannibalizing existing products. Use new technologies to enhance all operations, not just product-development processes.

Mergers and partnerships:

Enter only new businesses that leverage existing customer relationships and complement your core strengths. Forge partnerships that best use both companies' talents. Develop a systematic way of identifying, screening, and closing such deals.