

Success uncovered

FORTUNE World's Most Admired Companies



Each year, Hay Group partners with FORTUNE magazine to identify the World's Most Admired Companies (WMACs). In parallel, we carry out research to find out which business practices make these companies so successful.

Whatever the business climate, some companies always turn up high in the WMAC rankings. The ability to sustain performance in good times and bad is a distinguishing feature of these top organizations. What's their secret? This year, we wanted to try and pinpoint what it is that makes for consistent success.

The answer, our findings suggest, is adaptability. Like successful creatures in nature, WMACs are quicker than others to find new opportunities. And they are more prepared to try new things

too, but innovation is not just the job of a single department – it's built into the way these companies work. Finally, WMACs work hard to make themselves more effective, notably by harnessing their employees' insights and looking after their interests. So WMACs are not only better at finding opportunity, they have the agility to exploit it too. This is what keeps them adaptable – and consistently ahead of their peers.

Actively looking for growth

All companies would surely claim they're looking for growth. But our research shows WMACs are doing it a lot more actively, with greater focus and attention.

Emerging markets are 'very important' or a 'top priority' for 79 per cent of them, while only 59 per cent of their peers are in step with this.

There's a notable gap too when it comes to high-growth business units. Supporting and managing these is a high priority for 82 per cent of WMACs, compared to 68 per cent of their peers.

Even when conditions are tough, WMACs prioritize growth. It might seem counterintuitive when protecting core business is the pragmatic option. But it's helping WMACs stay ahead.

Innovation 'baked in'

It's likely too that most organizations will say innovation is critical to their success. With WMACs, innovation is not a separate function, but part of the way they operate.

Naturally, they give it high priority: 88 per cent of WMACs see innovation and product development as very important (compared to 79 per cent of peers). What's interesting, though, is how they innovate:

- 87 per cent capture and disseminate innovative ideas and best practices
- 83 per cent innovate in areas of current strength – working to fix things that aren't broken
- 83 per cent proactively address potential problems before they occur
- 81 per cent leverage new technologies and creative approaches to improve effectiveness.

So WMACs not only 'innovate as they operate', they're involving everyone in the process. If employees are encouraged to proactively spot problems, fire off ideas and strive to improve things that already work just fine, the company is in a state of constant innovation. One area where this approach is likely to have an

impact is for example customer service – where feedback from front line staff can have a real impact on the development of products and services. It's this readiness to improve and change that makes WMACs so adaptable to fluctuating conditions.

Everyone is part of the solution

There's no point driving new business and innovating if you can't then execute. WMACs know this, working hard to improve efficiency and effectiveness. What makes them stand out, though, is the degree to which they involve their employees in this process. Ninety-one per cent of WMACs regularly reach out to employees for ideas on how to increase efficiency. Only 76 per cent of their peers do likewise. And the biggest gap between WMACs and peers in our entire survey was on the issue of encouraging managers and employees to take reasonable risks to improve effectiveness. Ninety-four per cent of WMACs were prepared to do this, compared with only 77 per cent of peers.

Just as they do with innovation, WMACs leverage their employees by helping everyone to be part of the solution. As a result, they strike a balance between growth and running efficient operations.

Looking after themselves

Survival of the fittest may be a cliché but it holds true for organizations. WMACs keep in shape by putting a higher priority on looking after their most important asset. Nearly 50 per cent see employee work/life balance as an important issue, compared to only 30 per cent of peers. And 44 per cent think it's a priority to address work conditions that inhibit success, while 34 per cent of peer firms share this view. WMACs put more emphasis on integrating new staff into the organization and they are more sensitive to the needs of different generations of employees.

They keep their employees sharp, too: 89 per cent of WMACs make sure skills keep pace with job demands, whereas only 76 per cent do the same. And they manage performance more actively. Eighty-nine per cent of WMACs both actively provide coaching, and link reward to performance, compared with 78 and 77 per cent of peer firms respectively.

The research

Hay Group surveyed senior executives in a sample of the organizations that participated in the FORTUNE 2011 World's Most Admired Companies rankings on a wide range of business priorities and practices. We then compared results for companies that ranked in the top three in their industries in overall corporate reputation (World's Most Admired Companies) with results for other participating companies (peer companies).

To find out how to use the practices of the World's Most Admired Companies to best effect in your organization, contact your local Hay Group office through www.haygroup.com

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