

# HAA Board of Directors

April 16, 2026

**HARVARD**  
ALUMNI ASSOCIATION



**HAA Board of Directors**  
**Agenda**  
**April 16, 2026**  
**9:30 – 11:30 a.m. ET**

[Join Zoom Meeting](#) | Meeting ID: 915 0380 1092 | Password: 867634

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- 9:30 a.m. Welcome, Land Acknowledgement, Approval of Plenary Minutes of February 9, 2026 – *Will Makris*
- 9:35 a.m. Executive Director’s Report – *Sarah Karmon*
- 9:45 a.m. Report of the HAA Officers’ Nominating Committee – *Moitri Chowdhury Savard*
- 10:00 a.m. Cross Cohort Workshop: Attracting and Empowering Volunteers  
Speaker: [Raffaella Sadun](#), Charles Edward Wilson Professor of Business Administration, Harvard Business School
- 11:25 a.m. Closing – *Will Makris*
- 11:30 a.m. Meeting concludes

# HARVARD

ALUMNI ASSOCIATION



HAA Board of Directors  
February 9, 2026 Minutes

# HARVARD ALUMNI ASSOCIATION



## Plenary Meeting Minutes February 9, 2026 10:00 – 12:00 p.m. ET

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### I. Welcome and Approval of Plenary Meeting Minutes of October 23, 2025

HAA President Will Makris brought the meeting to order at 10:00 a.m. ET, welcomed members to the February virtual meeting, and began with a land acknowledgement.

Will highlighted three of the core values introduced as part of the HAA Strategic Framework: welcoming, collaboration, and connection. He noted how these values are reflected in alumni activities, from international-level events like the Middle East–North Africa Summit to smaller online gatherings such as the coffee chats hosted by Marie-Christine. He acknowledged the many ways board members are living out these values by connecting with one another and within their communities.

Will called for the approval of the Board Meeting minutes from October 23, 2025. There was a **MOTION TO APPROVE** the minutes which were seconded and approved by all present.

### II. Update from the Vice President of Alumni Affairs and Development

Vice President of Alumni Affairs and Development Jim Husson welcomed members and thanked them for their leadership.

Jim shared three main impressions shaping his leadership of Alumni Affairs and Development:

- The strong integration of the HAA and alumni engagement work within all the overall structure the Alumni Affairs & Development (AA&D) office.
- Advancement work is happening in a constant evolving landscape, in which alumni are choosing to engage with their alma maters about the role universities play in the world and in transforming society, beyond their affiliation and nostalgia for the institution.
- Harvard is facing budget pressures that require more careful prioritization of activities and resources. Within AA&D, we think about our priorities as integrated with our strategy. The HAA Strategic Framework, and in particular the focus area of *Fostering Operational Excellence*, is directly relevant to the internal work taking place now.

### III. Executive Director's Report

HAA Associate Vice President and Executive Director Sarah Karmon expressed her gratitude to the members for their service and support of Harvard and the alumni community.

Sarah centered her remarks on the HAA's alumni engagement work. She highlighted the 2026 elections including the Overseer and Elected Director slates, and recent volunteer and staff work to clarify election guidelines for HAA-affiliated alumni organizations and community expectations. She reported strong momentum in implementing the HAA Strategic Framework, noting that key communications, like the Board Report, are now organized around its four pillars. Sarah also highlighted recent alumni engagement through a robust mix of virtual programs, speaker events, club activities, and reunion offerings, with continued expansion through the Speakers Bureau Spotlight series, Global Networking Night, and extensive May/June in-person programming including Harvard Alumni Day.

### IV. Sherri Charleston, Chief Community and Campus Life Officer

Sherri Charleston, Harvard's Chief Community and Campus Life Officer, gave a presentation the office's new structure and focus on building an ecosystem across the University around community and culture and then answered questions from members.

## **V. Treasurer's Report**

HAA Treasurer Stephan Turban shared updates to the HAA Board's Key Performance Indicators (KPIs). He emphasized that the KPIs are a tool for translating the Board's vision into measurable behavior and impact. The revised KPIs serve two purposes: helping members expand their skill sets as volunteers and ensuring that they have impact in their own alumni communities by acting as ambassadors, building local communities, and modeling strong alumni leadership.

The KPIs have been revised into two sections – Board-wide KPIs that are tied to three core competencies and Director-level KPIs set by the cohort leadership teams. The results of the survey are intended to inform and improve the collective work of the HAA Board.

Board members were provided with time to complete the KPI survey and the data will be reported back to the Board at the June meeting.

## **VI. Updates on Club & SIG and Elected Director Cohort Work**

Tara Abrahams, HAA Vice President for University-wide Alumni Affairs (Clubs & SIGs) shared an update on the Club and SIG Director cohort work. This cohort consists of 41 global directors, each supporting approximately five Clubs or SIGs, as well as contacts in regions without full clubs, to strengthen local alumni activity and serve as conduits between alumni communities and the HAA. Their work focuses on supporting volunteer leaders, connecting with HAA resources and staff, and building their own leadership skills.

Basil Williams and Angela Sun, HAA Elected Director Co-Chairs, updated members on the Elected Director cohort. This cohort is focused on advancing the HAA strategic framework, serving as trusted advisors, and deepening two-way engagement with alumni. Their work now follows a full leadership "lifecycle"—from recruiting strong future EDs, to purposeful ambassadorship and concrete project work during their terms, to cultivating post-term continuity—supported by targeted subcommittees on ambassadorship, elections, and communications that aim to strengthen leadership pipelines, alumni connections, and the visibility and impact of the HAA Board.

## **VII. Chief Marshal Selection Committee Report**

Abby Hutton, Associate Director in the College Alumni Programs office, announced the Chief Marshal election result. The Class of 2001 elected Alejandra Casillas AB '01, MD '05 to be Chief Marshal of the Alumni at Harvard Alumni Day on June 5, 2026.

## **VIII. Wrap Up**

Will thanked everyone for their participation, energy, and enthusiasm and shared his appreciation for the hard work and commitment of this group.

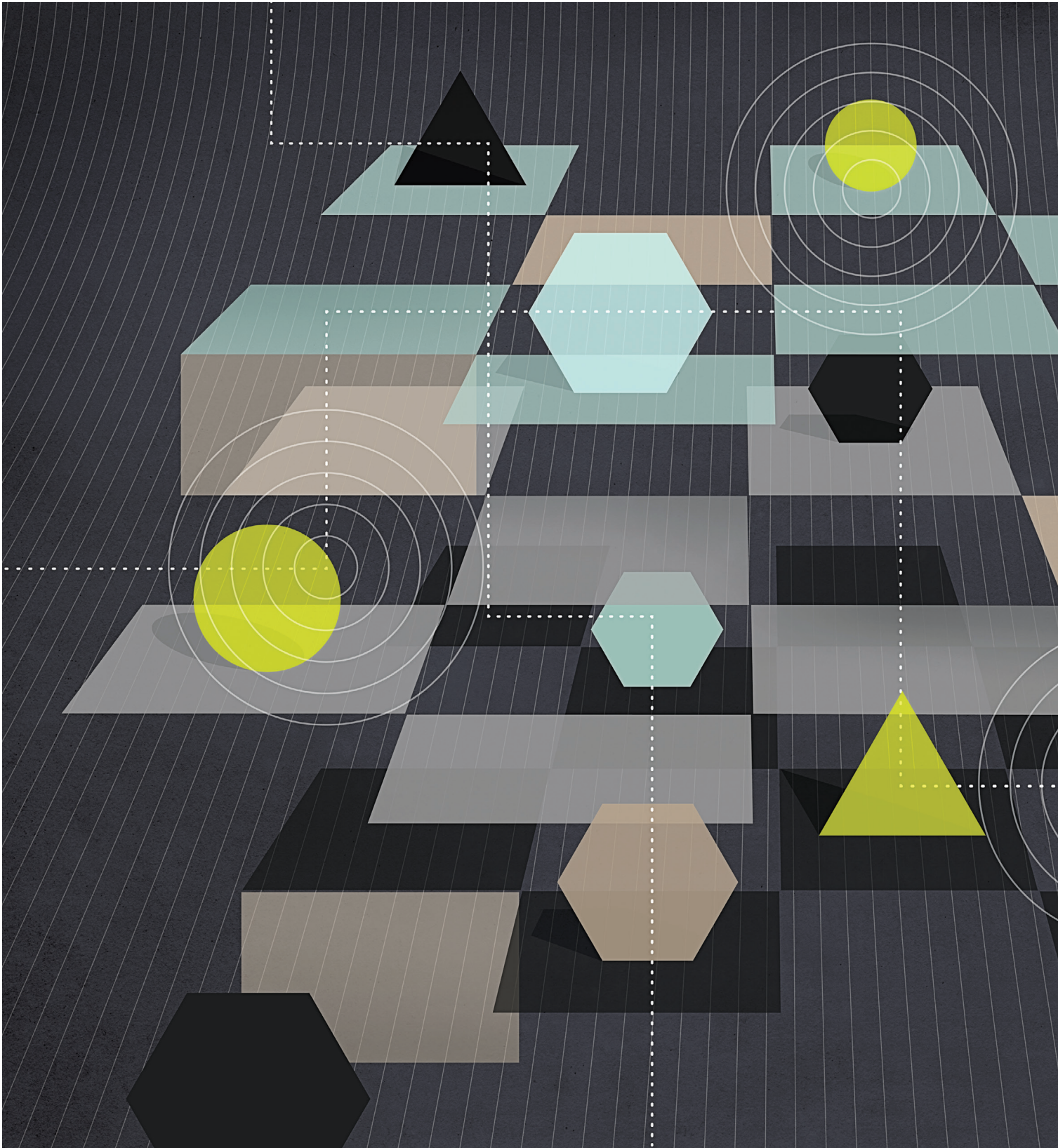
The meeting was adjourned at 12:00 p.m.

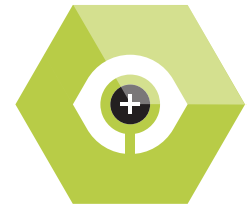
# HARVARD

## ALUMNI ASSOCIATION



### HAA Board of Directors Cross Cohort Workshop: Attracting and Empowering Volunteers





ILLUSTRATOR CHAD HAGEN

STRATEGY

# *Eliminate Strategic Overload*

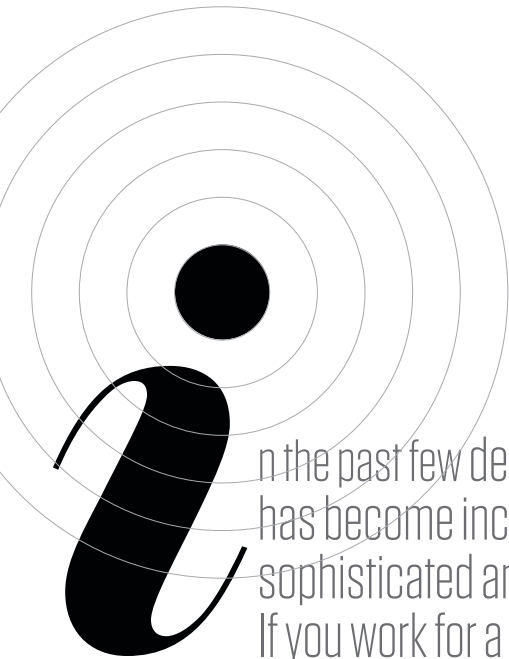
How to  
select fewer  
initiatives  
with greater  
impact

 AUTHOR

**Felix  
Oberholzer-Gee**  
Professor, Harvard  
Business School



STRATEGY



In the past few decades, strategy has become increasingly sophisticated and complicated. If you work for a sizable organization, chances are your company has a marketing strategy (to track and shape consumer tastes), a corporate strategy (to benefit from synergies), a global strategy (to capture worldwide business opportunities), an innovation strategy (to pull ahead of the competition), a digital strategy (to exploit the internet), and a social strategy (to interact with communities online). In each of those domains, talented people work on a long list of urgent initiatives.

Companies are right, of course, to consider all these challenges. Rapid technological change, global competition, and ever-evolving consumer tastes—to name just a few of the pressures companies confront—all conspire to upend traditional ways of doing business. By responding to each of the new challenges, we ask ever more of our organizations and place ever-higher expectations on our employees. When I visit companies to do research and write cases, I am astonished by how much people accomplish in short periods of time with limited resources—but also very concerned about their long work hours and seemingly impossible stretch goals.

With alarming frequency, all these well-intentioned initiatives don't add up to corporate success. Take firm profitability as one example: A quarter of the firms in the S&P 500 earn long-term returns below their cost of capital. How can it be that so many companies, their ranks filled with talented and highly engaged employees, have so little to show for so much effort? Why do hard work and sophisticated strategy lead to enduring financial success for some companies but not for others?

I believe that strategic management faces an attractive, back-to-basics opportunity. By simplifying strategy—by selecting fewer initiatives with greater impact—we can make it more powerful. In this article, I describe an easy-to-use framework called value-based strategy, which gives executives a common language for evaluating strategic initiatives and developing a holistic view of the many activities taking place within their organizations.

## The Elements of Value-Based Strategy

There's a simple principle at the heart of this approach: Companies that achieve enduring financial success create substantial value for their customers, their employees, and their suppliers. Therefore, a strategic initiative is worthwhile only if it does one of the following:

**Creates value for customers by raising their willingness to pay (WTP).** If companies find ways to innovate or to improve existing products, people will be willing to pay more. In many product categories, Apple gets to charge a price premium because the company raises the customers' WTP by designing beautiful products that are easy to use,



Unless an initiative creates value for customers, employees, or suppliers—unless it moves willingness to pay or willingness to sell—it's not worth doing.

for example. Gucci increases customers' WTP by creating products that confer social status. In casual conversations, we often use WTP and price interchangeably. But it is helpful to distinguish between the two. WTP is the most a customer would ever be willing to pay. Think of it as the customer's walk-away point: Charge one cent more than someone's WTP, and that person is better off not buying.

Too often, managers focus on top-line growth rather than on increasing willingness to pay. A growth-focused manager asks, "What will help me sell more?" A person concerned with WTP wants to make her customers clap and cheer. A sales-centric manager analyzes purchase decisions and hopes to sway customers, whereas a value-focused manager searches for ways to increase WTP at every stage of the customer's journey, earning the customer's trust and loyalty. A value-focused company convinces its customers in every interaction that it has their best interests at heart.

**Creates value for employees by making work more appealing.** When companies make work more interesting, motivating, and flexible, they are able to attract talent even if they do not offer industry-leading compensation. Paying employees more is often the right thing to do, of course. But keep in mind that more-generous compensation does not create value in and of itself; it simply shifts resources from the business to the workforce. By contrast, offering better jobs not only creates value, it also lowers the minimum compensation that you have to offer to attract talent to your business, or what we call an employee's willingness-to-sell (WTS) wage. Offer a prospective employee even a little less than her WTS, and she will reject your job offer; she is better

off staying with her current firm. As is the case with prices and WTP, value-focused organizations never confuse compensation and WTS.

Value-focused businesses think holistically about the needs of their employees (or the factors that drive WTS). When the Gap learned that one of retail workers' biggest problems was the lack of predictable and personalized schedules, it experimented with standardizing the start and end times of work shifts and scheduled employees for the same shift every day. In addition, Shift Messenger, an innovative app created specifically for the multistore experiment, allowed workers to trade shifts freely. During a 10-month test period, labor productivity went up 6.8% and sales rose nearly \$3 million in participating stores. By creating value for its workers, the Gap increased employee well-being—workers even reported better sleep quality—and the company's financial performance improved.

**Creates value for suppliers by reducing their operating cost.** Like employees, suppliers expect a minimum level of compensation for their product. A company creates value for its suppliers by helping them raise their productivity. As suppliers' costs go down, the lowest price they would be willing to accept for their goods—what we call their willingness-to-sell (WTS) price—falls. When Nike, for example, created a training center in Sri Lanka to teach its Asian suppliers lean manufacturing, the improved production techniques helped suppliers reap better profits, which they then shared with Nike.

Value-focused executives evaluate every strategic move, every idea that comes across their desk, through the lens of

#### IDEA IN BRIEF

##### THE PROBLEM

*As companies respond to intensifying competitive pressures and challenges, they ask more and more of their employees. But organizations often have very little to show for the often Herculean efforts of their talented and engaged workers.*

##### THE APPROACH

*Leaders can address this problem by simplifying strategy—that is, selecting fewer initiatives with greater impact. A value-based strategy gives executives a holistic view of the many activities taking place within their organizations.*

##### THE PROCESS

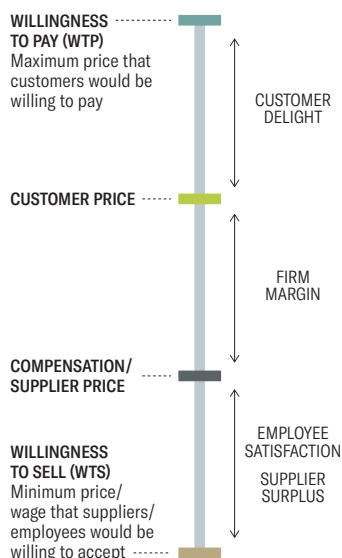
*A strategic initiative is worthwhile only if it does one or more of the following: creates value for customers by raising their willingness to pay, creates value for employees by making work more attractive, or creates value for suppliers by reducing their operating cost.*



Value-focused companies get to serve the very customers who like their products best, and they attract talent that values the organization's strategy and culture.

## The Value Creation Opportunity

When companies find ways to increase customer delight, employee satisfaction, and supplier surplus, they expand the total amount of value they create and position themselves for extraordinary financial performance.



value creation. Unless an initiative creates value for customers, employees, or suppliers—unless it moves the needle on WTP or WTS—it's not worth doing.

This idea is captured in a simple graph, called a value stick. WTP sits at the top and WTS at the bottom. When companies find ways to increase customer delight and increase employee satisfaction and supplier surplus (the difference between the price of goods and the lowest amount the supplier would be willing to accept for them), they expand the total amount of value created and position themselves for extraordinary financial performance. (See the exhibit “The Value Creation Opportunity.”)

## Value-Based Strategy in Action

The strategic insight is simple; implementing it requires discipline. In my research work with organizations that exemplify value-based strategy, I've observed some key patterns.

**They focus on value, not profit.** Perhaps surprisingly, value-focused managers are not overly concerned with the immediate financial consequences of their decisions.

They are confident that superior value creation will result in improved financial performance over time.

By contrast, companies obsessed with short-term returns often undermine value creation. In 1997, Excite, one of the original internet portals, declined to purchase the search technology that ultimately became Google for a paltry \$1.6 million because it was *too good*. Excite's business model depended on advertising. The longer users spent on its site, and the more often they returned, the more money the company would make. In Excite's world, it was a terrible idea to quickly send users elsewhere by providing highly relevant search results. To optimize profitability, the company thought, it was best to have a search engine that was about 80% as good as other engines. Had its executives been thinking about value for their customers rather than their own bottom line, they would have made a different—and ultimately far more profitable—decision.

**They attract the employees and customers whom they serve best.** As companies find ways to move WTP or WTS, they make themselves more appealing to customers and employees who particularly like how they add value. Uber has twice the share of female drivers that taxi companies have because it made the job safer, increasing satisfaction for those drivers in particular. Florida's BayCare health organization is nationally recognized for the quality of its training programs. Not surprisingly, it is an attractive employer for health care professionals who value continuing education.

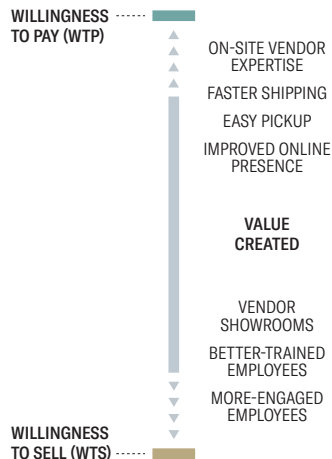
Similar dynamics play out in competition for customers. South Africa's Discovery insurance company creates value by offering an entire suite of health-improving services, including access to fitness clubs, health wearables, and even incentives to buy healthful foods in supermarkets. Predictably, individuals who are especially health conscious find Discovery's policies extra appealing.

It is an unfair advantage, really. Value-focused companies get to serve the very customers who like their products best, they attract talent that values the organization's strategy and culture, and they boost corporate performance.

**They create value for customers, employees, or suppliers (or some combination) simultaneously.** Traditional thinking, informed by our early understanding of success in manufacturing, holds that costs for companies will rise if they boost consumers' willingness to pay—that is, it takes

## Best Buy's Value-Based Strategy

In response to increased competitive pressure from online and low-cost rivals, Best Buy transformed its physical stores from a liability to an asset. It invited suppliers to develop stores-within-the-store, raising willingness to pay and greatly increasing value for customers, vendors, and employees.



more-costly inputs to create a better product. But value-focused organizations find ways to defy that logic.

Best Buy, circa 2012, illustrates the point. Amazon was threatening the big-box giant by offering consumers a broad selection of products, aggressively priced. Walmart and other brick-and-mortar competitors were stealing market share by focusing on the most popular electronic devices and selling high volumes of them at low prices. Consumers had started to “showroom,” visiting stores to decide what they liked and then buying products elsewhere online. In response, Hubert Joly, Best Buy’s new CEO, led a far-ranging strategic and operational overhaul. Rather than thinking of Best Buy’s more than 1,000 stores as liabilities, the company turned them into assets. They invited suppliers to create stores-within-the-store as a way to draw customers in and hold on to them. Apple, Samsung, Sony, and eventually even Amazon signed on, investing hundreds of millions of dollars in Best Buy’s stores and subsidizing the company’s employees. The stores-within-a-store concept allowed Best Buy to offer deeper product and sales expertise (raising customers’ WTP) and also benefited the vendors by lowering their operating costs, thus increasing supplier surplus. In addition, the retailer started using the stores as distribution centers, which allowed it to beat Amazon on shipping times. And finally, the initiative changed how managers thought about Best Buy’s online presence. The company had long seen its website as a substitute, threatening the core business, and so it had underinvested in it. Now the company reimagined the website as a way to allow customers to explore their options before coming to a physical store—and invested in building a strong online presence. (See the exhibit “Best Buy’s Value-Based Strategy.”)

The turnaround provided Best Buy with a new lease on life. As is typical for value-focused companies, the retailer found many ways to simultaneously increase WTP and WTS.

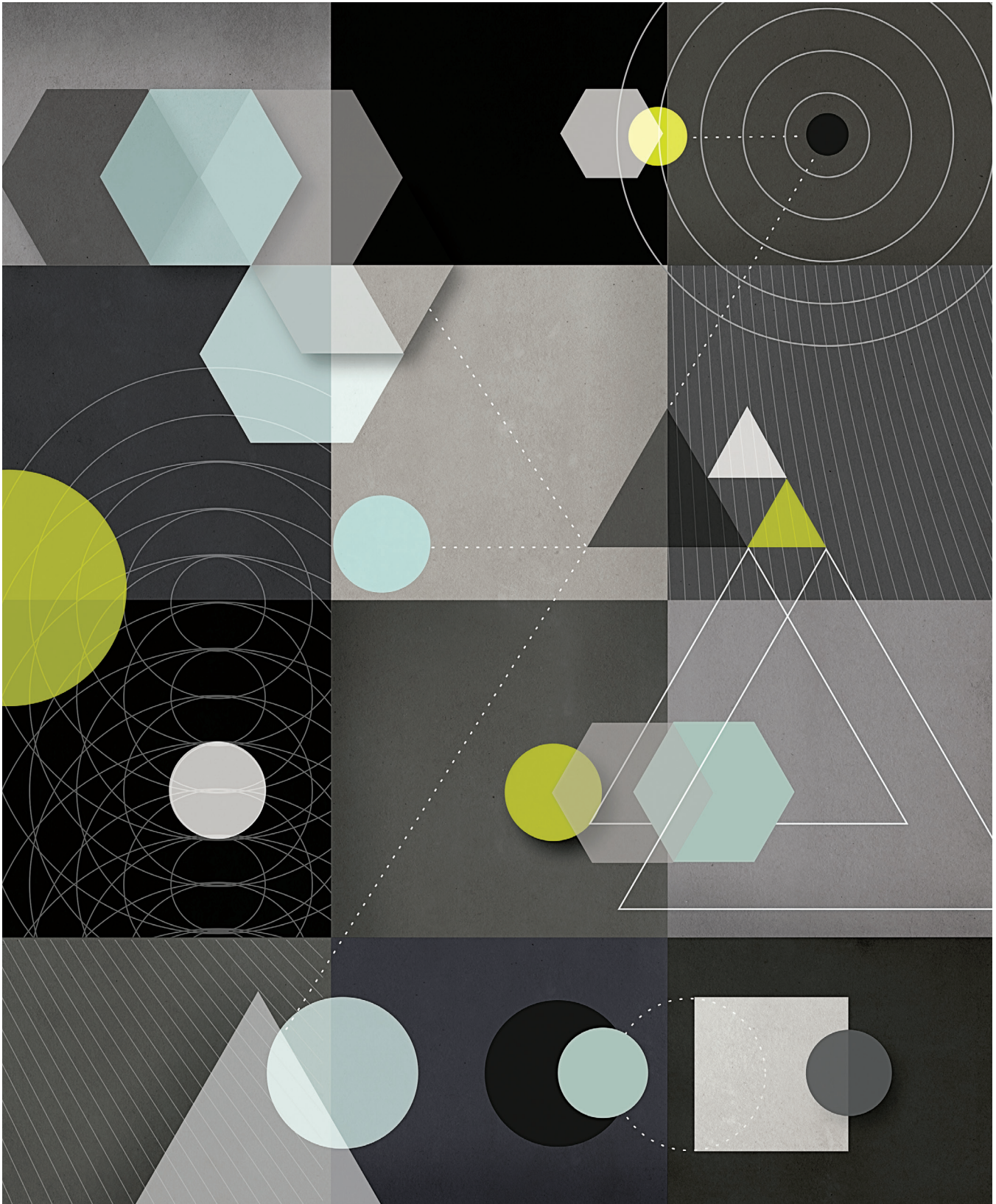


Predictably, profits followed. By 2016, Best Buy’s return on invested capital had climbed from negative territory to 23%, and its pretax margins had doubled.

Additional examples, from a variety of industries, abound. When Quest Diagnostics created more-attractive work conditions for its call center employees, attrition dropped, unplanned absences fell, and the percentage of calls answered within 60 seconds rose. In other words, employee-related costs went down (even though opportunities to make more money through exceptional performance increased) and the value created went up. Because of the improved service quality, Quest customers’ willingness to pay went up at the same time. Zara’s fast-fashion model reduces inventory (lowering suppliers’ required working capital and increasing their surplus) and provides customers with the latest trends in cuts and color (increasing their WTP). Progressive’s fleet of emergency vehicles allows the insurer to take better care of customers who have had an accident, increasing WTP, and it lowers fraud and administrative expenses, reducing costs and WTS.

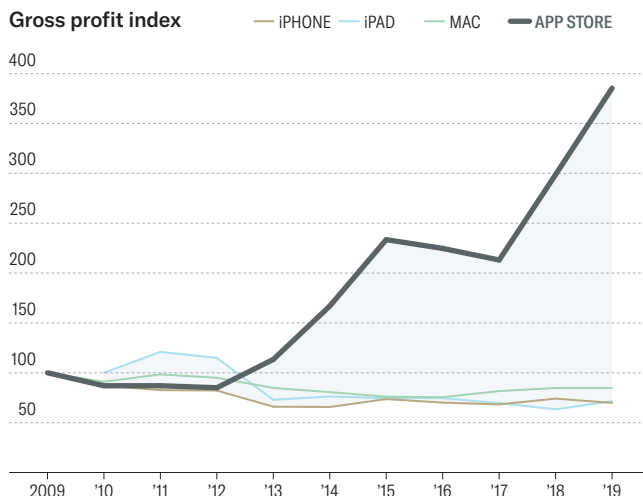
**They pursue complements as a rich source of value creation.** Value-based organizations are good at spotting complements, or products and services that enhance the value of their core offering. Complements are a familiar feature of the strategy landscape—think printers and cartridges, coffee machines and capsules, tablets and e-books. But at the outset, they can be difficult to identify. When I ask students what would complement a movie theater’s offering, they think of popcorn and Coke, advance ticket sales, and more-comfortable seats. They rarely suggest childcare services—but that’s what Harkins Theatres, an Arizona-based chain of movie theaters, offers its patrons. It staffs its play centers with trained professionals who look after children while their parents watch a movie, pager in hand to inform them if problems arise. As this example illustrates, complements often seem unrelated to the core business. Identifying them requires you to think creatively about customer journeys.

Even if a new offering is quite obviously a complement to an existing business, keeping a close eye on the customer’s journey can uncover new ways to use it to create customer value. Amazon beat Sony on e-readers even though it was late to the market, had no technology advantage, and



## Apple's Shifting Profit Pool

As competition in hardware intensified, it became tougher for Apple to earn a higher WTP on its devices, so it shifted its profit pool to software, increasing gross margins in its app store fourfold from 2009 to 2019. (Calculating Apple's margins is tricky, but detective work by analysts Horace Dediu and Kulbinder Garcha reveals the dramatic shift.)



was working with a more limited marketing budget. How? Wireless access. The Kindle's free 3G internet access made books an impulse purchase and turned out to be of huge value to customers—and thus to Amazon.

Complements raise customers' willingness to pay for the core product, whereas substitutes have the opposite effect—so you might think that it's easy to distinguish between the two. But this is true only in hindsight. Personal computers were supposed to be a substitute for paper. (Remember the paperless office?) They turned out to be a complement: As personal computers became ubiquitous, the demand for paper exploded. ATMs were thought to eliminate bank teller positions. They didn't. Digital music formats proved to be a substitute for CDs—but a complement for live concerts. Across many examples and industries, business history reveals a clear pattern: Companies often mistake complements for substitutes. Value-focused organizations are better at spotting the true relationship between new technologies and legacy products because they are keenly aware of how customers benefit from technological changes. By contrast, companies that focus on sales growth and monetization see most advances as threats to their business models. They habitually take a defensive stance, missing important opportunities to create value in novel ways.

**They shift profit pools to capture value over time.** Traditionally strategists have differentiated between value creation (the topic of this article for the most part) and value capture



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(how to make money from the value you've created). Value-focused businesses concentrate on the former, but they tend to be flexible about the latter. Because they take a broad view of customer needs, they frequently offer solutions that go beyond their core products. These product-and-service bundles enhance value capture opportunities because they allow businesses to shift their profit pools from one offering to another as the life cycle of the product—or the market overall—changes.

Apple's mobile devices are a good example. Early in its history, the iPhone was clearly differentiated from competing products and provided substantial value for its customers. Apple later created services like iTunes, but it barely monetized them. Keeping the price of complements low, the company understood, further increased the appeal of Apple hardware. More recently, however, it is harder to argue that customer WTP for Apple's devices is far higher than the WTP for competing phones. How did Apple respond to the increased competition? It shifted the profit pool from hardware to services (or apps), the segment where its competitive standing is barely contested. (See the exhibit "Apple's Shifting Profit Pool.")

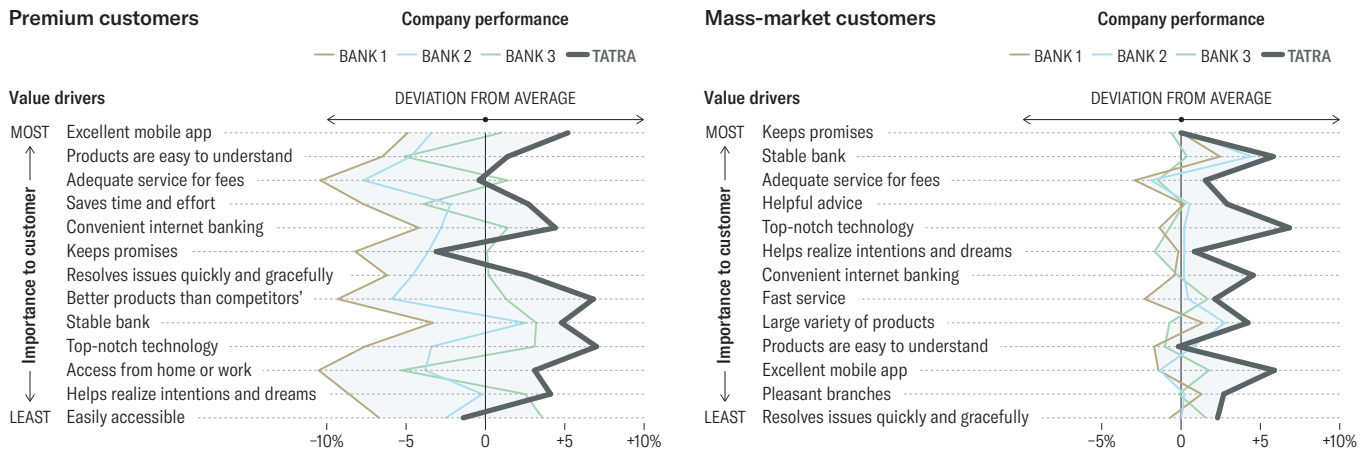
Shifts in profit pools are not unique to Apple. Amazon subsidizes the Kindle to boost the WTP for e-books. Microsoft shifts profits from its game console to the games. The Indian ride-sharing company Ola created an entire suite of payment options (including Hospicash, an innovative offering that covers travel to hospitals and postdischarge expenditures) that contribute to Ola's strategic flexibility. Two patterns are noteworthy. First, businesses tend to shift profit pools away from hotly contested markets to segments where it is easier to defend high margins. Second, the financial consequences of these shifts are particularly favorable if the products are complements: As the price of one product declines, WTP (and value capture opportunities) for the complement increases.

## Getting Started

WTP and WTS sit at the core of value-based strategy, but because the concepts are quite abstract, it can be challenging to see how to bring them to life in your organization. At Harvard Business School, we often use a visualization tool

## Tatra's Customer Value Maps

As these value maps demonstrate, Tatra banka's value proposition is better aligned with the preferences of premium customers than its competitors'. It has more room for improvement with its mass-market customers.



called the value map to help executives identify strategic opportunities. It's proven helpful for anything from a half-day examination of a particular business to a full-bore strategy overhaul, and it's useful for testing the tenets of value-based strategy against whatever's happening in your company.

You begin by selecting a group of customers: your most profitable segment, perhaps. Next you compile a list of criteria that are important to those customers when they make a purchase. These criteria are called value drivers. Think of them as the product and service attributes that determine WTP. You then rank the value drivers from most to least important from the customers' point of view. In a final step, you determine for each driver how good your company is at meeting customers' expectations and do the same for your major competitors.

It's important not to make assumptions about what your customers value most and how well you deliver. If you're going to reformulate your strategy on the basis of your value map, you need good data to assist you in building it. When I see companies undertake a serious value-map analysis, there is almost always a surprise—a driver that turns out to be less critical than commonly thought or an unexpected level of performance on another dimension. These surprises aside, I find that most companies have a fairly accurate sense about their own performance but tend to know far less about how their customers view the performance of their competitors. That too requires research and data gathering.

Consider the two value maps for Tatra banka, Slovakia's first postcommunist private bank. Founded in 1990, Tatra quickly led European banking in the adoption of digital

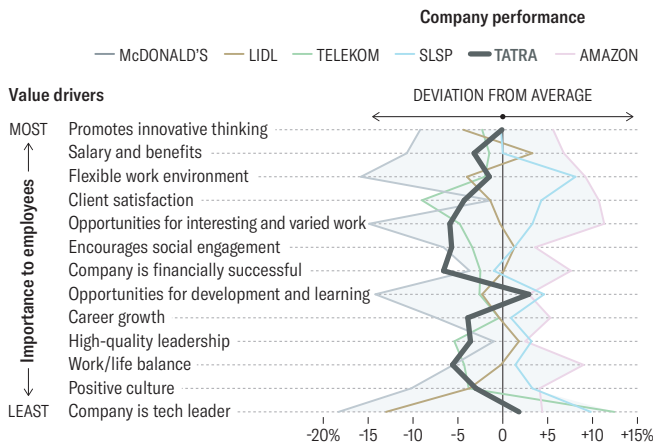
technology. It first offered mobile banking in 2009 and introduced voice biometrics in 2013 and facial recognition in 2018, earning more than 100 awards for its innovative services. As I worked with Tatra to develop its strategy, the bank collected data from customers through surveys and interviews and used it to create value maps for premium and mass-market customers. Looking at the maps, it is evident why Tatra had particular success with the former segment: Excellent mobile technology is what premium customers value most, and the bank led its competitors on that measure. Mass-market customers, by contrast, were most concerned with whether the bank kept its promises, one of the areas where Tatra did not stand out. (See the exhibit "Tatra's Customer Value Maps.")

Value drivers can serve as innovation engines because they live midway between the rather abstract notion of WTP and WTS and the very specific attributes that describe your current product or service. This has two advantages. First, value drivers are useful for analyzing the existing business. It's a straightforward task to link a given value driver to operating models and KPIs and to compare performance with that of competitors. Second, they can be helpful in thinking about opportunities, because they don't specify in any detail how you will meet a particular customer need. They help you explore new ways to satisfy customers, employees, and suppliers. Focusing on value drivers, rather than patterns of past success or industry trends, you are less likely to equate business success with selling more of what you already offer. (See the exhibit "Value Maps for Employees and Suppliers.")

Once you've created the map, it's time to identify the drivers that offer the most potential for future value creation and

## Value Maps for Employees and Suppliers

Value maps also provide a deep understanding of employee or supplier willingness to sell. Here we see that Tatra lags competing employers in satisfying the value drivers that matter most to tellers.



to think through strategic initiatives that will support them. That work is too nuanced and company-specific to do justice to here (a fuller description is available in my book *Better, Simpler Strategy*), but keep these three principles in mind.

### Invest in a small number of related value drivers.

Choosing how to improve your company's value proposition is ultimately a question of forecasting the return on various investment opportunities. How much does it cost to move a particular value driver, and what increase in WTP can you expect in return? Many companies find it beneficial to identify a cluster of related value drivers that add up to a bigger theme. This helps them stand out in the minds of their customers ("Tatra is the technology leader in banking"), and it is operationally efficient because closely related drivers are often supported by similar activities. For instance, building digital capabilities allowed Tatra to improve on several important value drivers.

**Resist the temptation to play catch-up.** When executives first study their value maps, many concentrate on drivers where their company lags, and they quickly identify initiatives that would allow them to catch up with the competition. This is a mistake. The ability to capture value depends on differences in value creation. When a customer is choosing between two companies with nearly identical value maps, her attention will go to price. The greater the similarity between two companies' value maps, the greater the pressure to compete on price. The goal is to increase differentiation, not to close gaps.

**Insist on making trade-offs.** When I work on value maps with executives, they understand in the abstract that all



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companies need to choose where to focus their energy and resources. But when they examine their own value maps, they want to bring every value driver up to the maximum rating. I see this so often that I know it's a powerful impulse—but it needs to be quashed, because a strong strategy always involves trade-offs. No company can be good at everything.

**CREATING VALUE FOR** customers, employees, and suppliers sits at the very heart of strategies that result in stellar performance. In the best companies, this orientation toward value creation is reflected in every decision made by employees at all levels of the organization. The focus on creating value shows up in big strategic plans and in small everyday choices.

A few years ago, I had an interaction with a salesperson at a flower shop that illustrates how a focus on value creation can permeate an entire organization, even in the briefest of customer interactions. I had meant to send flowers to a friend for her birthday, but her day came and went and somehow I forgot. A few days later, I remembered and called the shop to place an order. It was late afternoon, and the salesperson asked whether I wanted to have the flowers delivered that day or the next. I confessed to being late for my friend's birthday and urged the salesperson to send them as quickly as possible. Her response caught me by surprise. "Shall we take the blame for the late delivery?" she asked.

I didn't want her to lie for me, of course, so I didn't take her up on the offer. But even in that brief conversation, I recognized that this salesperson didn't see her job as simply selling flowers. Rather, she was focused on creating value for her customers by increasing their WTP—which she did. The following year, I received an email from the flower shop a few days before my friend's birthday, reminding me it was time to place an order. I did so, at what seemed to me an inflated price. But I was willing to pay it as a fair trade for the shop's solving my problem—a win for the flower shop's strategy. ☺

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**FELIX OBERHOLZER-GEE** is the Andreas Andresen Professor of Business Administration at Harvard Business School. He is the author of *Better, Simpler Strategy: A Value-Based Guide to Exceptional Performance* (Harvard Business Review Press, 2021), from which this article is adapted.

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UNDERSTANDING MANAGEMENT'S VALUE

# WHY DO WE UNDERVALUE COMPETENT MANAGEMENT?

**NEITHER GREAT LEADERSHIP NOR BRILLIANT STRATEGY MATTERS WITHOUT OPERATIONAL EXCELLENCE.**

BY RAFFAELLA SADUN, NICHOLAS BLOOM, AND JOHN VAN REENEN

EVERETT COLLECTION / SHUTTERSTOCK



**IN**

MBA programs, students are taught that companies can't expect to compete on the basis of internal managerial competencies because they're just too easy to copy. Operational effectiveness—doing

the same thing as other companies but doing it exceptionally well—is not a path to sustainable advantage in the competitive universe. To stay ahead, the thinking goes, a company must stake out a distinctive strategic position—doing something different than its rivals. This is what the C-suite should focus on, leaving middle and lower-level managers to handle the nuts and bolts of managing the organization and executing plans.

Michael Porter articulated the difference between strategy and operational effectiveness in his seminal 1996 HBR article, “What Is Strategy?” The article’s analysis of strategy and the strategist’s role is rightly influential, but our research shows that simple managerial competence is more important—and less imitable—than Porter argued.

If you look at the data, it becomes clear that core management practices can’t be taken for granted. There are vast differences in how well companies execute basic tasks like setting targets and grooming talent, and those differences matter: Firms with strong managerial processes perform significantly better on high-level metrics such as productivity, profitability, growth, and longevity. In addition, the differences in the quality of those processes—and in performance—persist over time, suggesting that competent management is not easy to replicate.

Nobody has ever argued that operational excellence doesn’t matter. But we contend that it should be treated as a crucial complement to strategy—and that this is true now more than ever. After all, if a firm can’t get the operational basics right, it doesn’t matter how brilliant its strategy is. On the other hand, if firms have sound fundamental management practices, they can build on them, developing more-sophisticated capabilities—such as data analytics, evidence-based decision making, and cross-functional communication—that are essential to success in uncertain, volatile industries.

Achieving managerial competence takes effort, though: It requires sizable investments in people and processes throughout good times and bad. These investments, we argue, represent a major barrier to imitation.

In this article we’ll review our research findings and then discuss the obstacles that often prevent executives from devoting sufficient resources to improving management skills and practices. Throughout, we’ll show that such investments are a powerful way to become more competitive. If the world has really entered a “new normal” of low productivity growth, as Robert Gordon and others have argued, pushing managerial capital up a level could be the best route out of the performance doldrums.

## THE RESEARCH

Over the past century, scholars have learned a great deal about how core management processes affect a company’s performance. For example, researchers such as Kim Clark, Bob Hayes, and David Garvin documented differences within factories, industries, and companies. But a lack of big data encompassing many firms, industries, and countries inhibited the statistical study of management practices. In the past decade, however, we have developed ways to robustly measure core management practices, and we can now

## CORE MANAGERIAL PRACTICES

In our research, we assess the sophistication with which organizations manage the four broad dimensions—and the 18 specific aspects—of management shown below. The list varies slightly depending on sector (this one is for manufacturers). It’s not exhaustive, but companies that manage these fundamentals well tend to have high levels of overall operational excellence.

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### OPERATIONS MANAGEMENT

USE OF LEAN TECHNIQUES  
REASONS FOR ADOPTING LEAN PROCESSES

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### PERFORMANCE MONITORING

PROCESS DOCUMENTATION  
USE OF KEY PERFORMANCE INDICATORS  
KPI REVIEWS  
DISCUSSION OF RESULTS  
CONSEQUENCES FOR MISSING TARGETS

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### TARGET SETTING

CHOICE OF TARGETS  
CONNECTION TO STRATEGY, EXTENT TO WHICH TARGETS  
CASCADE DOWN TO INDIVIDUAL WORKERS  
TIME HORIZON  
LEVEL OF CHALLENGE  
CLARITY OF GOALS AND MEASUREMENT

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### TALENT MANAGEMENT

TALENT MINDSET AT THE HIGHEST LEVELS  
STRETCH GOALS  
MANAGEMENT OF LOW PERFORMANCE  
TALENT DEVELOPMENT  
EMPLOYEE VALUE PROPOSITION  
TALENT RETENTION

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show that their adoption accounts for a large fraction of performance differences across firms and countries.

As we’ve described in earlier articles in HBR, in 2002 we began an in-depth study of how organizations in 34 countries use (or don’t use) core management practices. Building on a survey instrument that was initially developed by John Dowdy and Stephen Dorgan at McKinsey, we set out to rate companies on their use of 18 practices in four areas: operations management, performance monitoring, target setting, and talent management. (See the sidebar “Core Managerial Practices” for a detailed list. Though these don’t represent the full set of important managerial practices, we have found that they’re good proxies for general operational excellence.) The ratings ranged from poor to nonexistent at the low end (say, for performance

## IN BRIEF

### THE CONVENTIONAL WISDOM

It’s a truism among strategists that you can’t compete on the basis of better management processes because they’re easily copied. Operational excellence is table stakes in the competitive marketplace.

### WHAT THE DATA SHOWS

There are three problems with this thinking. First, effective management processes are highly correlated with measures of strategic success. Second, differences in process quality persist over time. Third, there’s little evidence that best-in-class processes can be imitated. GM tried for years to adopt Toyota’s superior production system and failed miserably.

### IMPLICATIONS

Organizations need competent management just as much as they need analytical brilliance. We should stop teaching business school students that operational issues are beneath the CEO—and should encourage firms to invest in strengthening management throughout the organization.

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monitoring using metrics that did not indicate directly whether overall business objectives were being met) to very sophisticated at the high end (for performance monitoring that continuously tracked and communicated metrics, both formally and informally, to all staff with an array of visual tools).

Our aim was to gather reliable data that was fully comparable across firms and covered a large, representative sample of enterprises around the world. We realized that to do that, we needed to manage the data collection ourselves, which we did with the help of a large team of people from the Centre for Economic Performance at the London School of Economics. To date the team has interviewed managers from more than 12,000 companies about their practices. On the basis of the information gathered, we rate every organization on each management practice, using a 1 to 5 scale in which higher scores indicate greater adoption. Those ratings are then averaged to produce an overall management score for each company. (For more details, see the sidebar “About the Research.”)

That data has led us to two main findings: First, achieving operational excellence is still a massive challenge for many organizations. Even well-informed and well-structured companies often struggle with it. This is true across countries and industries—and in spite of the fact that many of the managerial processes we studied are well known.

The dispersion of management scores across firms was wide. Big differences across countries were evident, but a major fraction of the variation (approximately 60%) was actually within countries. (See the exhibit “Management Quality Varies Across—and Within—Countries.”) The discrepancies were substantial even within rich countries like the United States.

In our entire sample we found that 11% of firms had an average score of 2 or less, which corresponds to very weak monitoring, little effort to identify and fix problems within the organization, almost no targets for employees, and promotions and rewards based on tenure or family connections. At the other end of the spectrum we identified clear management superstars across all the countries surveyed: Six percent of the firms in our sample had an average score of 4 or greater. In other words they had rigorous performance monitoring, systems geared to optimize the flow of information across and within functions, continuous improvement programs that supported short- and long-term targets, and performance systems that rewarded and advanced great employees and helped underperformers turn around or move on.

By interviewing several companies multiple times throughout the past decade, we were able to observe that these large differences in the adoption of core management practices were long-lasting. This isn’t really surprising: According to our estimates, the costs involved in improving management practices are as

## ABOUT THE RESEARCH

Our research project, World Management Survey, has examined the adoption and use of management practices across more than 12,000 firms and 34 countries. We measure each organization’s performance on 18 specific practices in four areas: operations management, performance monitoring, target setting, and talent management. To do that, we have experienced interviewers speak by phone with a firm’s plant managers, asking everyone the same 18 open-ended questions and following up with more questions until they have a good sense of the firm’s habits. A listener, who doesn’t have information about the organization’s financial performance, independently scores the organization on each question and each practice.

So far we’ve conducted more than 20,000 interviews and surveyed companies in four sectors: manufacturing, health care, retail, and higher education. More information about our methodology is available on our website, [worldmanagementsurvey.com](http://worldmanagementsurvey.com), where readers can also download the survey, fill in their own responses, and compare their organizations against the benchmarks in our data set. Obviously, the results won’t be as complete, or as trustworthy, as they’d be if the organization were being independently assessed, but the process can provide a useful broad-strokes view.

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## ACHIEVING OPERATIONAL EXCELLENCE IS STILL A MASSIVE CHALLENGE FOR MANY FIRMS.

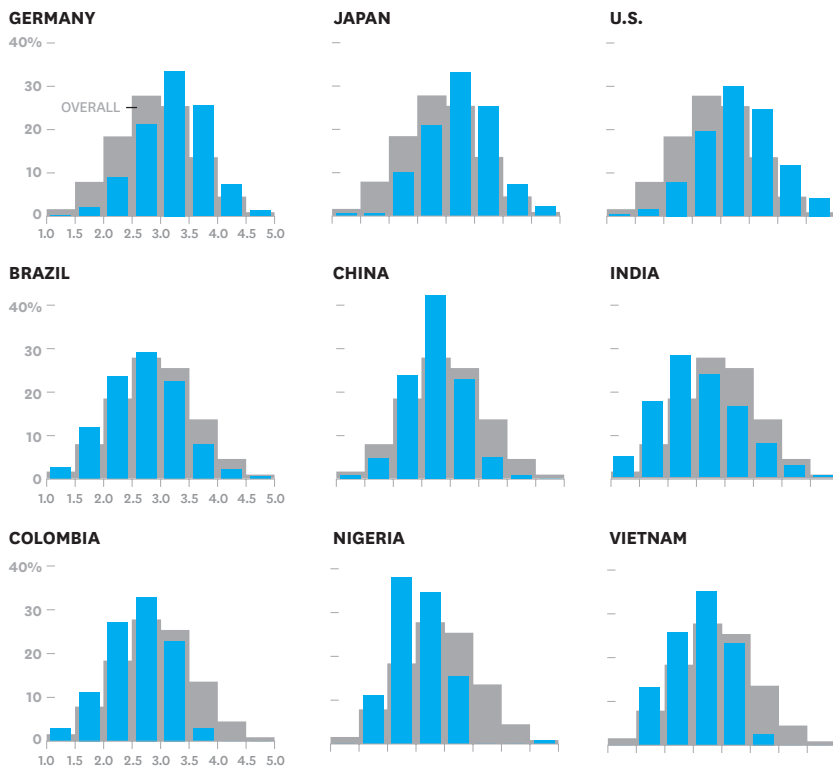
high as those associated with capital investments such as buildings and equipment.

One of our findings may surprise readers: These differences show up within companies, too. A project conducted with the U.S. Census revealed that variations in management practices inside firms across their plants accounted for about one-third of total variations across all plant locations. This was particularly true in large firms, where practices can differ a great deal across plants, divisions, and regions. Even the biggest and most successful firms typically fail to implement best practices throughout the whole organization. Some parts of it are effectively managed, but other parts struggle.

Our second major finding was that the large, persistent gaps in basic managerial practices we documented were associated with large, persistent differences in firm performance. As we’ve noted, our data shows that better-managed firms are more profitable, grow faster, and are less likely to die. Indeed, moving a firm from the worst 10% to the best 10% of management practices is associated with a \$15 million increase in profits, 25% faster annual growth, and 75% higher

## MANAGEMENT QUALITY VARIES ACROSS—AND WITHIN—COUNTRIES

Some countries get higher average ratings than others on the use of management processes. But as data from this sample of countries shows, in-country variation is even more striking. The blue bars indicate what percentage of firms in each country fell into each scoring range (1 equaled the worst and 5 the best performance). The gray bars show total global percentages.



productivity. Better-managed firms also spend 10 times as much on R&D and increase their patenting by a factor of 10 as well—which suggests that they’re not sacrificing innovation to efficiency. They also attract more talented employees and foster better worker well-being. These patterns were evident in all countries and industries. (For a sample of metrics, see the exhibit “Good Management Correlates with Strong Performance.”)

But these empirical findings raise a major question: If the benefits of core managerial practices are really so large and extensive, why doesn’t every company focus on strengthening them? Also, a more existential issue (which we’ll address toward the end of the article) is, What should executives, business schools, and policy makers take away from this body of research?

### WHAT CAUSES THE DIFFERENCES?

Some of the variation in management practice is driven by external factors. The intensity of competition is one; competition creates a strong incentive

to reduce inefficiencies and kills off badly managed firms. Labor regulations play a role as well; they can make it difficult to give opportunities to employees on the basis of merit or to adopt performance-related compensation. On the flip side, regulators may be in a position to create incentives for employee training or support firms that prioritize managerial competence.

We’ve also observed that inconsistencies often result from stubborn blind spots and deficiencies within companies. Here are the things that typically hinder the adoption of essential management practices:

**False perceptions.** Our research indicates that a surprisingly large number of managers are unable to objectively judge how badly (or well) their firms are run. (Similar biases show up in other settings. For example, 70% of students, 80% of drivers, and 90% of university teachers rate themselves as “above average.”)

Consider the average response we got to the question “On a scale from 1 to 10, how well managed is your firm?” which we posed to each manager at the end of the survey interview. (See the exhibit “Overconfidence Is a Problem for Managers.”) Most managers have a very optimistic assessment of the quality of their companies’ practices. Indeed, the median answer was a 7. Furthermore, we found zero correlation between perceived management quality and actual quality (as indicated by both their firms’ management scores and their firms’ performance), suggesting that self-assessments are a long way from reality.

This large gap is problematic, because it implies that even managers who really need to improve their practices often don’t take the initiative, in the false belief that they’re doing just fine.

In a variant of this problem, managers may overestimate the costs of introducing new practices or underestimate how much difference they could make. This was a situation we encountered in a field experiment that one of us conducted with 28 Indian textile manufacturers. Accenture had been hired by a Stanford–World Bank project to improve their management practices, but many proposed enhancements—such as quality control systems, employee rewards, and production planning—were not implemented because of skepticism about their benefits. Consultants trying to introduce methods that are standard in most U.S. or Japanese factories were met with claims that “it will never work here” or “we do things our way.” Yet the firms that adopted the methods boosted their performance.

Perception problems are hard but not impossible to eradicate. The key is to improve the quality of information available to managers so that they have an objective way to evaluate their relative performance.

As our survey shows, self-reported metrics are likely to be at best very noisy—they’re imperfect indicators of what really happens on the ground. There are various reasons why. A common issue is that employees don’t raise problems for fear of being blamed for those they

identify. That dynamic deprives managers of critical knowledge needed to understand a firm's gaps.

In our experience, managers can address this issue by proactively creating opportunities for candid—and blame-free—discussions with their employees. That's the approach followed by Danaher, a large U.S. conglomerate known for its relentless (and effective) adoption of the Danaher Business System (DBS)—a tool kit of managerial processes modeled on the Toyota Production System—across its many subsidiaries. Danaher typically initiates the relationship with a newly acquired subsidiary through a series of hands-on, structured interactions between senior Danaher managers and the acquisition's top executives, which challenge the latter to identify managerial gaps that may be preventing the business from fulfilling its potential. People taking part in these open conversations—especially those with longer tenure—describe them as eye-opening experiences that significantly change attitudes toward core management processes.

**Governance structure.** In other cases, managers may be fully aware of the need to improve their practices but pass on this opportunity for fear that change may jeopardize private objectives. This problem is particularly common in firms that are owned and run by families, as you can see in the exhibit “Family-Run Firms Tend to Have Weaker Management.” Even when we cut the data by firm size, sector of activity, and country, family-run enterprises still had the lowest average management scores.

Why are family firms so reluctant to embrace strong management processes? One explanation—which finds support in our research—is that their adoption may have significant personal costs to family members. New practices may require hiring or delegating authority to talent outside the family circle. (Indeed, we've seen that higher management scores tend to go hand-in-hand with more-decentralized decision making.)

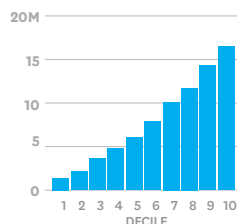
An example of this is Gokaldas Exports, a family-owned business founded in 1979 that had grown into India's largest apparel exporter by 2004. Gokaldas was a highly successful firm with 30,000 workers, was valued at approximately \$215 million, and exported nearly 90% of its production. Its founder, Jhamandas Hinduja, had bequeathed control of the company to three sons, each of whom brought his own son into the business. Nike, a major customer, wanted Gokaldas to introduce lean management practices; it put the company in touch with consultants who could help make that happen. Yet the CEO was resistant. It took rising competition from Bangladesh, multiple visits to see lean manufacturing in action at firms across Asia and the United States, and finally the intervention of other family members (one of whom we taught in business school) to overcome his reluctance.

Self-reflection exercises can help family CEOs clarify whether they value their firms' long-term success

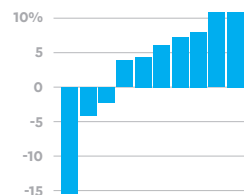
## GOOD MANAGEMENT CORRELATES WITH STRONG PERFORMANCE

The companies scoring in the top decile on management outperformed on a variety of strategic measures. Performance by decile:

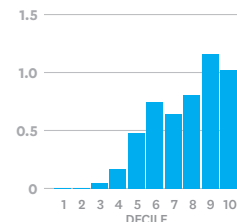
**OPERATING PROFIT**  
IN US \$



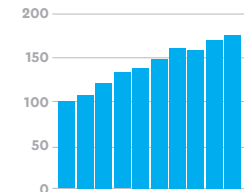
**OUTPUT GROWTH**  
% CHANGE, 2005 TO 2010



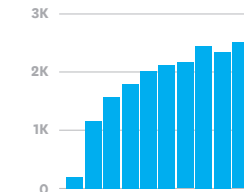
**PATENTS**  
PER 1,000 EMPLOYEES



**PRODUCTIVITY**  
PER EMPLOYEE, INDEXED  
TO 100 IN DECILE 1



**R&D EXPENDITURES**  
PER EMPLOYEE, IN US \$



## A LARGE NUMBER OF MANAGERS CAN'T OBJECTIVELY JUDGE HOW WELL THEIR FIRMS ARE RUN.

more than “being the boss”—even if success means sharing the glory with other managers. In our experience a candid evaluation of one's priorities is crucial—managers are often oblivious to the fact that their own desire for control may be inhibiting the growth and success of their organizations.

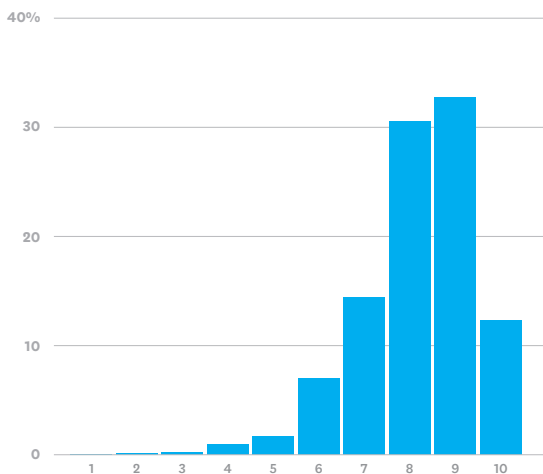
In addition, family executives—and especially owners—should understand that introducing new managerial capabilities within the firm does not necessarily entail a loss of control. It is more likely to create a different role for them—but not necessarily fewer responsibilities.

That is what happened at Moleskine, based in Milan, Italy. Launched in 1997 by three friends, Moleskine went from being a niche notebook producer to a market leader in the space of a few years.

## OVERCONFIDENCE IS A PROBLEM FOR MANAGERS

At the end of every interview, we ask managers to say how well they think their organizations are run and to score them on a scale from 1 (worst) to 10 (best). Overall, their responses are far more positive than warranted.

PERCENTAGE OF MANAGERS GIVING EACH SCORE



## IT'S UNWISE TO TEACH LEADERS THAT STRATEGY AND BASIC MANAGEMENT ARE UNRELATED.

Its success created a dilemma for its founders: While it was clear that the company had tremendous potential to grow further, they also recognized the pressing need to professionalize its operations. The founders searched for a private equity firm that could provide the necessary capital and expertise and help them find a new CEO. Eventually, they chose Syntegra Capital and Arrigo Berni, an experienced chief executive who had held leadership roles at family-owned producers of luxury products. Berni brought new rigor to strategy development and operations and at the same time crafted a role for the founders that made the most of their commercial and design expertise. Thanks to this successful partnership—and an IPO in 2013—Moleskine was able to deepen its competitive advantage and develop new growth opportunities globally.

**Skill deficits.** Good management practices require capabilities (such as numeracy and analytical skills) that may be lacking in a firm's workforce, especially in emerging economies. Indeed, our data shows that the average management score is significantly higher at firms with better-educated employees. Being located near a leading university or business school is also strongly associated with better management scores. Superior performance is likelier when executive education can be had nearby, it seems. While to some extent the availability of skills is shaped by a firm's specific context, managers can play a critical role by recognizing the importance of employees' basic skills and providing internal training programs.

**Organizational politics and culture.** Even when top managers correctly perceive what needs to be done, are motivated to make changes, and have the right skills, the adoption of core management processes can be a challenge. Videojet, a subsidiary acquired by Danaher, provides a case in point. In 2005, Videojet launched a new internal initiative that required the engineering and sales teams to collaborate on developing an innovative printer. The Videojet executives decided to use core DBS managerial processes—which up to that point had been used almost exclusively within manufacturing—to structure regular debriefing and problem-solving sessions between the two teams.

Unfortunately, preexisting divides between engineers and salespeople meant that the structured interactions, which had been effective in driving continuous improvement in manufacturing, became perfunctory meetings. For example, just before the product launch, a member of the sales team raised concerns about some technical aspects of the new printer, which in his eyes could seriously compromise its success. The core DBS processes had been introduced to help teams identify and address precisely this type of concern. Whereas in manufacturing, employees were encouraged to stop the production line to flag quality problems in real time so that they could be isolated and fixed, in this instance the feedback was ignored and interpreted by the rest of the team as a boycotting attempt rather than a constructive suggestion. Shortly after this episode, the printer was launched to a poor market reception, which confirmed the gravity of the issues the salesperson had raised. Thanks to this experience, Videojet executives understood that they would need to work more consciously to foster interactions between diverse pockets of expertise within the firm. They continued to use the DBS tools but also committed to frequent, longer structured interactions and collective sign-offs between engineers and salespeople during the various product development stages. Videojet launched a very successful printer just a couple of years after the initial failed product launch and has since become an exemplar in the use of DBS tools for product development.

Sometimes the organization at large resists change. Susan Helper and Rebecca Henderson provide a fascinating account of the difficulties GM encountered in implementing the Toyota Production System during the 1980s and 1990s. Even in the face of mounting competition, GM found it hard to adopt Toyota's superior management methods, mainly because of adversarial relationships with suppliers and blue-collar workers. Employees, for example, thought that any productivity enhancement from the new practices would just lead to head-count reductions and would more generally put employees under greater pressure. This distrust inhibited GM's ability to negotiate for the working arrangements needed to introduce the new practices (such as teams and joint problem solving).

Videojet's and GM's experiences illustrate a fundamental issue: Management practices often rely on a complicated shared understanding among people within the firm. The inability to foster it can easily kill the efforts of the most able and well-intentioned managers. On the other hand, once such an understanding is in place, it's very difficult for competitors to replicate.

A question that managers face is how to create this common understanding. Changing individual incentives is unlikely to work, since the adoption of new processes usually requires the cooperation of teams of people; it's difficult to disentangle the rewards to be assigned to a single employee. And adoption is hard to measure, so it would be challenging to tie an individual bonus to the implementation of a certain practice. As organizational economists know, simple contractual solutions are hardly effective in these situations.

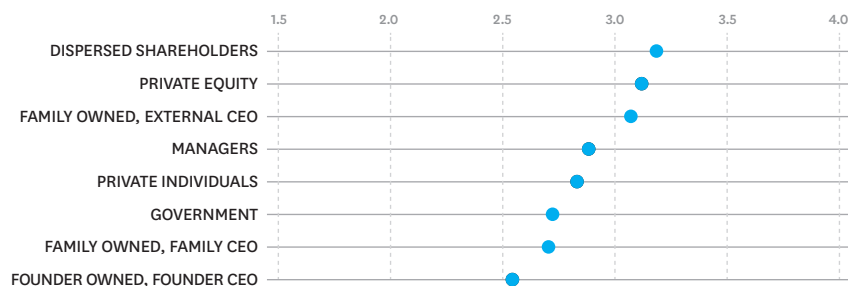
But managers have a different weapon at their disposal, which in our experience can potentially be more effective. It's their presence. The successful adoption stories that we've encountered in our research often took place in organizations where someone very high up signaled the importance of change through personal involvement, constant communication, message reinforcement, and visibility. "Walking the talk" matters enormously and can drastically affect the odds of success for change initiatives.

This idea is supported by a large-scale research project on the relationship between management and CEO behavior that Raffaella conducted with a different team of researchers at the London School of Economics and Columbia University. After a painstaking exercise in which they codified the agendas of more than 1,200 CEOs of manufacturing firms in six countries, they found that management quality was significantly higher in organizations in which CEOs dedicated a larger portion of their time to employees than to outside stakeholders.

Though core management practices may appear to be relatively simple—in that they often rely on non-technological investments—they are not light switches that can be flipped on and off at will. They require a profound commitment from the top, an understanding

## FAMILY-RUN FIRMS TEND TO HAVE WEAKER MANAGEMENT

AVERAGE SCORE BY TYPE OF OWNERSHIP (1 = WORST; 5 = BEST)



of the types of skills required for adoption, and—ultimately—a fundamental shift in mentality at all levels of the organization.

### NEXT STEPS

Our findings have implications for how managers are trained. Today business students are encouraged to judge case studies about operational effectiveness as “nonstrategic” and to see these issues as not pertinent to the role of the CEO. But it's unwise to teach future leaders that strategic decision making and basic management processes are unrelated, and that the first is far more important to competitive success than the second.

Indeed, our work suggests that the management community may have badly underestimated the benefits of core management practices—as well as the investment needed to strengthen them—by relegating them to the domain of “easy to replicate.” Managers should certainly dedicate their time to fundamental strategic choices, but they should not suppose that fostering strong managerial practices is below their pay grade. Just as the ability to discern competitive shifts is important to firm performance, so too is the ability to make sure that operational effectiveness is truly part of the organization's DNA.

One frequent suggestion in this era of flattened organizations is that everyone has to be a strategist. But we'd suggest that everyone also needs to be a manager. Core management practices, established thoughtfully, can go a long way toward plugging the execution gap and ensuring that strategy gets the best possible chance to succeed. ☞ **HBR Reprint R1705K**

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