

2012 Australian Management Capability Index highlights



BACKGROUND TO THE INAUGURAL AUSTRALIAN MANAGEMENT CAPABILITY INDEX (AMCI)

The AMCI has been adapted from the Management Capability Index (MCI), which was established by the New Zealand Institute of Management and has since been used in Malaysia, India and Singapore.

Management capability refers to the application of management competencies within an organisation to achieve desired outcomes. Excellence in management capability is an integral marker of strong organisational performance.

The inaugural AMCI provides valuable insights into the current status of management capability in Australia and establishes a baseline against which to monitor that capability in the future. Against a backdrop of global competitiveness and global mobility, the AMCI also enables Australian organisations to benchmark internationally.

The AMCI is based on an organisation leader's self assessment of ten key drivers of management capability that contribute to sustainable performance and profitable business growth. The Index shows relative management capability results across these ten categories (weighted to reflect their degree of importance in the final index – refer Table 1), and across ownership types and organisation sizes (number of employees and annual \$ turnover).

Survey responses are tabulated to produce a score out of 100.

The online survey was conducted in late 2011 with a total of 252 respondents from across the breadth of Australian organisations, reflecting a range of ownership types and organisation sizes.

Table 1: The 10 AMCI categories and their weighting

Category	Weighting
1 Visionary & strategic leadership	15%
2 Performance leadership	10%
3 People leadership	10%
4 Financial management	10%
5 Organisation capability	5%
6 Application of technology & knowledge	5%
7 External relationships	5%
8 Innovation—products & services	10%
9 Integrity & corporate governance	5%
10 Results & comparative performance	25%
Total	100%

KEY FINDINGS — AUSTRALIA

Figure 1 shows that the overall AMCI is **71.1** (of a potential 100 capacity). Therefore, there is considerable scope to lift current management performance levels.

The AMCI findings indicate that Australian organisations observe themselves as being **most capable** in the area of *Integrity and corporate governance*, which achieved a score of 85.7— well above the overall AMCI of 71.1. This was followed by *Financial management* (76.8) and *External relationships* (74.1).

Australian organisations assess themselves as **least capable** in the areas of *Innovation— products and services* (67.3) and *Organisation capability* (66.2). Further disaggregation shows that the lowest subcategory score (52.0) across all ten categories is 'Management demonstrates an international/global perspective and has a good understanding of global markets and global thinking', which sits in the category *Visionary and strategic leadership*.

Figure 2 indicates that organisations in the ownership type *Government services* evaluated their management performance the lowest across all ten AMCI categories in comparison to all other organisation types.

Figure 1: Results ranked by category

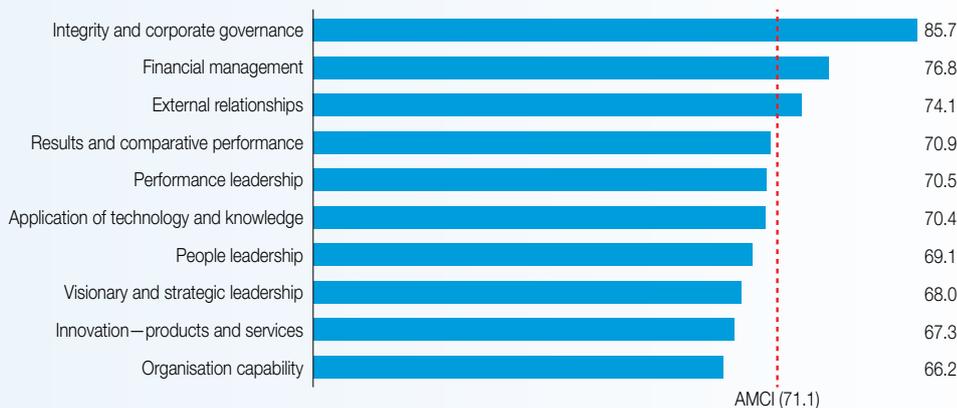


Figure 2: Results ranked by ownership type





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KEY FINDINGS — INTERNATIONAL

Table 2 shows that on an international comparison, Australia's overall Management Capability Index is similar to results obtained from the latest MCI findings in New Zealand (69.9), Malaysia (72.0), India (74.6) and Singapore (69.2).

The results demonstrate Australian management in a leadership position in the area of *Integrity and corporate governance* when compared with other countries using the MCI.

Table 2: International Management Capability Index (MCI) comparisons

Category	Australia (2011) N = 252	New Zealand (2010) N = 123	Malaysia (2010) N = 222	India (2010) N = 203	Singapore (2010) N = 136
1 Visionary & strategic leadership	68.0	70.7	72.4	71.3	70.2
2 Performance leadership	70.5	71.9	73.1	75.4	72.7
3 People leadership	69.1	70.4	70.5	71.8	68.8
4 Financial management	76.8	77.5	75.1	74.1	72.4
5 Organisation capability	66.2	68.2	69.1	72.0	68.8
6 Application of technology & knowledge	70.4	67.5	71.8	73.5	69.1
7 External relationships	74.1	74.3	71.0	76.5	69.3
8 Innovation — products & services	67.3	65.9	70.0	74.5	67.3
9 Integrity & corporate governance	85.7	N/A	80.0	80.8	84.0
10 Results & comparative performance	70.9	67.3	70.5	76.7	64.0
MCI (overall)	71.1	69.9	72.0	74.6	69.2

N = number of survey respondents

IN CONCLUSION

The 2012 AMCI results indicate a sound governance and financial base across Australian organisations. This provides a solid platform from which to foster innovation as a central part of business culture, improve organisation capability and encourage a greater global focus.

In highlighting areas of strength and weakness, the AMCI will help Australian organisations to direct their attention to priority areas for improvement in order to strengthen management performance domestically and internationally.

Full results of the 2012 Australian Management Capability Index are available at www.aim.com.au



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