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**AIM  
RESEARCH**

**Australian Management  
Capability Index 2015**

## Acronyms

<b>AAMO</b>	Asian Association of Management Organisations
<b>AIM</b>	Australian Institute of Management
<b>AMCI</b>	Australian Management Capability Index
<b>CEO</b>	Chief Executive Officer
<b>FAIM</b>	Fellow of the Australian Institute of Management
<b>MCI</b>	Management Capability Index
<b>MD</b>	Managing Director
<b>NZIM</b>	New Zealand Institute of Management

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AIM Research

ISBN 978-0-85857-057-3

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# 1. FOREWORD

The Australian Institute of Management is pleased to present its latest findings from the fourth Australian Management Capability Index (AMCI 2015).

The AMCI provides Australian business leaders with the opportunity to assess their management capability across a range of areas to benchmark performance against like organisations. Excellence in management capability is an integral marker of strong organisational performance, increasing business productivity and boosting staff retention rates.

The latest findings reveal a further decline in the headline performance rating, with Australian businesses only operating at 67.7% of what they could be achieving. This supports the latest Productivity Commission update which suggests business productivity in Australia remains well below historical rates.

While Australian CEOs and managers score their organisations most capable on integrity and corporate governance related factors, most alarmingly the findings indicate that some of the least capable factors include the application of technology and knowledge and visionary and strategic leadership. The results also call into question the effectiveness of hierarchical structures, which were viewed by many as detrimental to building organisational capability and innovate working environments.

Interestingly, there was a distinct divergence in the AMCI scores reported for CEO's and middle manager job levels. This may indicate a deficiency to articulate a clear and inspiring vision that is well understood among employees and that resonates across the different generational expectations of managers.

What the AMCI findings clearly convey is that there is an urgent need for increased investment in building management capability right across the business, most acutely at the middle manager level. Organisations must ensure that learning and development remains an integral component in the empowerment of managers.

A commitment by leaders to raise management capability, supported by appropriate strategic initiatives, will help deliver the productivity lift our organisations and nation dearly requires.

**David Pich, FAIM**

**Chief Executive, Australian Institute of Management**

## 2.1 Why Management Capability Matters

With Australian organisations under pressure to deliver productivity growth, understanding management capability is becoming increasingly critical to enterprises and the economy alike.

Management capability refers to how effectively an organisation puts its collective competencies to work to deliver business results. Excellence in management capability is an integral marker of strong organisational performance. Having a clear understanding of management capability enables leaders to accurately focus attention and resources in order to lift areas of management under-performance.

## 2.2 About the AMCI

The Australian Management Capability Index<sup>1</sup> (AMCI) provides a benchmark against which we can assess and track performance against a series of key categories of management capability at a company, industry or national level. It has been conducted annually for the last four years in Australia and (less frequently) in other countries in the Asia region as well.

The AMCI compares results by ownership type, industry, employee numbers, annual \$ turnover, managerial level and gender. It tabulates and averages survey responses and uses prescribed weightings to generate a score out of 100.

The current AMCI contains the views of 429 CEOs and senior managers from across the breadth of Australian organisations. Managers completed the AMCI Survey online (in early 2015) and self-assessed ten categories of management capability that contribute to sustainable performance and, where relevant, profitable growth.

Definitions for each of the ten categories that make up the AMCI are listed in Appendix 8.3.

The weighting of the ten categories (indicating their degree of importance in the final index) are as follows:

**Table 1.2.1: Weighting of Ten Categories of AMCI**

CATEGORY <sup>2</sup>	WEIGHTING (%)
1 Visionary and Strategic Leadership	15
2 Performance Leadership	10
3 People Leadership	10
4 Financial Management	10
5 Organisation Capability	5
6 Application of Technology and Knowledge	5
7 External Relationships	5
8 Innovation — Products and Services	10
9 Integrity and Corporate Governance	5
10 Results and Comparative Performance	25
<b>TOTAL</b>	<b>100</b>

<sup>1</sup> The AMCI is adapted from the Management Capability Index (MCI) established by the New Zealand Institute of Management (NZIM).

<sup>2</sup> Definitions for each of the categories are listed in Appendix 8.3

## 2.3 Key Findings

This year's research reveals scope for Australian Managers to lift their performance. The overall AMCI is **67.7** of a potential rating of 100, down from last year's result (69.0) – refer Table 4.1.1.

Australian CEOs and managers assess their organisations as being **most capable** in:

- Integrity and Corporate Governance (82.9)
- Financial Management (74.8)
- External Relationships (71.5).

They assess their organisations as **least capable** in:

- Organisational Capability (62.9)
- Application of Technology and Knowledge (64.4)
- Visionary and Strategic Leadership (64.6).

Organisation Capability has recorded the lowest category score in all of the preceding AMCI Surveys (refer Table 4.1.1.).

Further disaggregation shows that (as was the case in the previous year's Survey) the lowest subcategory score (of 56.1) 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* (refer Figure 4.2.1).

Of significance, the gap between overall AMCI scores reported for CEO/MD's and middle manager job levels (while smaller than in the previous year's Survey) is still quite wide (refer Table 4.7.1).

Specifically, CEO/MD's rated AMCI at 72.4, compared with middle managers self-reporting capability at 63.9. The engine room for delivering results is calling for investment to boost their capability.

Significant variations also exist between overall AMCI scores recorded across industry sectors (refer Table 4.4.1).