

MANAGEMENT TOP 250

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STEPHANE D'AMICO/COWAN

The Most Effectively Managed U.S. Companies—and How They Got That Way

A landmark ranking puts Amazon on top, followed by Apple and Alphabet

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A NEARLY CENTURY-OLD timber company is an unsung management gem. Investor-favorite blue chips haven't lost their luster in terms of how well they are run. And the tech giants shaping much of today's society are the most effectively managed U.S. companies.

Those are among the many insights revealed in the inaugural Management Top 250, a landmark ranking marking the first time the ideals and teachings of the late business guru Peter Drucker have been used to analyze and compare the performance of major U.S. companies. Hailed as the father of modern management, Mr. Drucker influenced generations of business leaders with his writings. His principles of what makes a well-managed organization have never before been translated into a quantitative model to measure how effectively a company is run.

The Management Top 250 does just that. The ranking—compiled by the **Drucker Institute**, founded in 2007 to advance the ideals of the management sage—differs from other “best of” lists in that it doesn't measure any single aspect of a company's prowess, such as profits or productivity. Rather it takes a holistic approach, examining how well a business does in five areas that reflect Mr. Drucker's core principles: customer satisfaction, employee en-

gagement and development, innovation, social responsibility and financial strength.

Amazon.com Inc. tops the list of the nation's most effectively managed businesses. On the online retail juggernaut's heels are **Apple Inc.** and Google parent **Alphabet Inc.**, in second and third place, respectively. Tech behemoths **International Business Machines Corp.**, **Microsoft Corp.** and **Cisco Systems Inc.** and **Silicon Valley up-and-comer Nvidia Corp.** take four of the other top 10 spots. Rounding out the Top 10 are old-line stalwarts **Johnson & Johnson (No. 4)**, consumer-products giant **Procter & Gamble Co.** (tied with **Microsoft** at No. 6) and **3M Co.** (No. 8), the company behind Post-it Notes and Ace bandages.

To measure a business's success in each dimension, the Drucker Institute scored how companies stacked up in 37 specific metrics, from market-share data to patent applications to employee ratings on the career-review site Glassdoor. The companies listed in the Management Top 250 are the highest scorers among 608 U.S. corporations studied that in the fall of 2016 belonged either to the S&P 500 stock index or Fortune 500 list or had a market value of more than \$10 billion. The ranking methodology hasn't been formally peer reviewed.

Tech success

Why do so many of the biggest names in tech—some of which didn't

even exist three decades ago—make the Management Top 250 list?

For the most part, the tech companies at the top get high grades across all five categories, landing in all but a few instances in the upper 15% to 20% of the more than 600 companies analyzed by the Drucker Institute.

Amazon, Apple and Alphabet are innovation and customer-satisfaction standouts because so many of their products—from cloud-computing platforms to smartphones to the burgeoning field of drones and driverless vehicles—are reshaping entire industries as well as social behavior. Tech firms such as Alphabet and Microsoft also contract out much of their front-line work. The official staff that remain tend to be highly paid and enjoy generous perks, a likely factor in those companies' high employee scores, says Rick Wartzman, director of the Drucker Institute's KH Moon Center for a Functioning Society. “Their workforces are the winners of the knowledge economy,” he says.

An innovation powerhouse

No. 1 Amazon is actually one of the Management Top 250's most even performers. Within the larger universe of analyzed companies, it scored in the bottom 20% on social responsibility. The lackluster grade comes after years of critical news reports about the working conditions of its warehouse workers and poor marks from activists for not being

more transparent about its environmental record. Yet, its mighty innovation score—so high that it lies off the charts compared with other companies' scores—catapulted it to first place.

Amazon, which has assembled a high-profile corporate-responsibility team over the past few years, declined to comment for this article. The company's \$20.85 billion research-and-development spending in the 12 months through September outstripped all other U.S. companies, according to S&P Global Market Intelligence data. It has kept ahead despite its swelling size by moving quickly and sticking to its founding principle of starting with the customer, says Reid Greenberg, executive vice president of digital and e-commerce at research and consulting firm Kantar Retail.

Its agility, he says, comes from grouping workers in small teams. Chief Executive Jeff Bezos instituted the “two-pizza team” concept, where the ideal team size is one that can be fed on two pizzas. When it was instituted in the early 2000s, it was “really jarring,” says Eric Heller, CEO of Marketplace Ignition, a consulting firm for brands and retailers, and a former senior manager at Amazon. But by getting rid of bureaucratic layers, it fueled innovation. Each team owned projects as small as a single button on the website and was responsible for improvements.

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TOP OF THE LIST



These companies rank highest overall among the Management Top 250

1. Amazon.com Inc.
2. Apple Inc.
3. Alphabet Inc.
4. Johnson & Johnson
5. International Business Machines Corp.
6. Microsoft Corp.
- Procter & Gamble Co.
- 3M Co.
9. Cisco Systems Inc.
10. Nvidia Corp.

Sources: Drucker Institute, using data from American Customer Satisfaction Index, Bloomberg Finance L.P., Clarivate Analytics, CSRHub, Glassdoor, HPI Investor, PayScale, Satmetrix Systems, Supply Chain Resource Cooperative, Sustanaalytics, Temkin Group and others.

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LIST ICONS BY GREG MAREY