Does best practice

# destroy innovation?

By Darilyn Little

The concept of best practice has long been a focal point of management theory and practice and is constantly reinforced by management authors and consultants who espouse its benefits and offer numerous tools for its implementation. The permeation of best practice into our daily lives is vividly illustrated by the number of results when entering the two words into any search engine. A search for New Zealand-based references on google.com resulted in 87,600 matches.

Innovation is also a common theme among management theorists and gurus, having been identified as a key element in the survival and longevity of an organisation (Drucker, 1988; de Geus, 1989; Miles, Snow and Miles, 2000). There are numerous perspectives on what drives innovation, perhaps because by its nature it is amorphous. However, organisational learning (Senge, 1990; Stata, 1989; de Geus, 1989) and flexibility (Kanter, 1988; Tushman and O'Reilly, 1996) are cited frequently as attributes that support innovation.

These two concepts appear to be diametrically opposed. One is based on the imitation of those who have achieved success. The other requires the abandonment of preconception in order to leap into the unknown, seeking to arrive there before anyone else. Is it possible for an organisation to recognise and reap the benefits of both? Perhaps the answer lies in understanding what
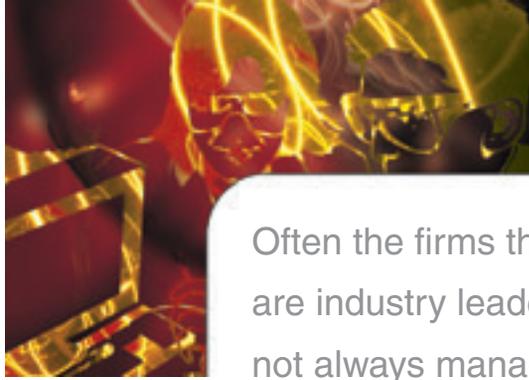
constitutes best practice, how it is determined, where pitfalls may lie in implementing it, and whether it can be applied in support of innovation.

WHAT IS BEST PRACTICE?

The Merriam-Webster (2003) dictionary provides the following definitions of best and practice: *best* – excelling all others, most productive of good or of advantage, utility, or satisfaction; *practice* – to do or perform often, customarily, or habitually. In its widest definition, best practice could be described as "customarily excelling all others" and would, therefore, cover a large part of the body of management thought. In this vein, innovation itself is often considered best practice for an organisation. However, the LLC consulting firm's[1] definition of best practice provides a more accurate description of its use in current management parlance: "To us, 'best practices' are documented strategies and tactics employed by highly admired companies". Best practice is, by this definition, related to an existing practice that is used by another organisation. Therefore, the extent to which it supports innovation may be questioned.

WHAT IS INNOVATION?

Innovation as described by Van de Ven (1986) is "a new idea, which may be a recombination of old ideas, a scheme that challenges the present order, a formula, or a unique approach which is perceived as new by the individuals involved". Under this definition, innovation is in the eye of the beholder and best practice could indeed represent innovation to an organisation that is not using that practice. But this constrains innovation to what is currently being done by others and is likely to limit it to incremental innovation. While this is important for short-term survival, it is radical innovation that has been related to the longevity of an organisation (Tushman and O'Reilly, 1996). According to Senge (1990), an innovation is an idea that can be

replicated reliably on a meaningful scale and a basic (or radical) innovation is one that creates or transforms an industry. Reflecting on the need to innovate, Andy Grove, of Intel, stated: "There is at least one point in the history of any company when you have to dramatically change to rise to the next performance level. Miss the moment and you start to decline" (Tushman and O'Reilly, 1996).

Often the firms that are considered to exhibit best practice are industry leaders. Ironically, however, these leaders do not always manage to exploit innovation. In fact, Xerox, which has been credited as one of the forerunners in developing best practice and benchmarking in the 1970s (Freytag and Hollensen, 2001), did not manage to take advantage of the invention of the personal computer in the same period (Miles, Snow and Miles, 2000). Similarly, Christensen (1997) found that in the disk-drive industry, it was the new entrants rather than industry leaders that succeeded in developing and adopting innovative technologies. Somehow on the way to industry leadership, best practice in terms of exploiting innovation was lost, perhaps due to the comfort of industry dominance and the inertia that can develop alongside the bureaucratic structuring of large organisations.

WHO DECIDES WHAT IS BEST?

On a theoretical level, Miles et al. (2000) refer to the concept of "meta-capabilities", which come into existence when they are made explicit and diffused through society by various means. On a more practical level, this is reflected in the way management concepts become recognised as best practice through case studies of business successes and are then disseminated through a combination of academic research, hero-manager's success stories and consultancy (Kolb and Wolk, 2000). Best practice, by definition, implies that the concepts are "tried and true", and there are usually a number of successful cases based on similar principles. These are often narrative and descriptive in nature, however, and rarely provide a prescriptive approach for achieving similar benefits. Consultants usually offer an approach based on prior experience, but

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1 Best Practices, LLC was founded in 1992 by Christopher Bogan and a group of service professionals with roots at the Harvard Business School. Their website states that they offer extensive project experience in the application of continuous-improvement and best-practice benchmarking strategies. www.best-in-class.com – accessed 11.6.2003.

are understandably reluctant to give too many details away before making a sale, lest a potential client decides to try it themselves.

In defining best practice in this way, the sample is drawn from successful companies, with no search for those that may have been less successful with the same methods (Wyner, 2002). In fact, the only acknowledgement of lack of success may be in the form of the "before" situation in a subsequent case study that supports a new best practice. Perhaps more consideration should be given to the root causes of the problem before paying homage to the new solution.

It is not always easy to tell when something moves from the "bleeding edge" of radical innovation to best practice. This may have been one of the reasons for the number of casualties of the dot.com boom. Organisations rushed to apply the "e-template" without taking the time to determine its fit with their businesses or to develop the new business models and cultures needed for a successful e-venture. It can be equally difficult to determine when a practice crosses the line from fad to become best practice. Perhaps this is based on the number of organisations that have successfully implemented it, or the number of consultants who are recommending it. In her practical and entertaining guide to "fad surfing in the boardroom", Shapiro (1995) warns that the latest management panacea can be "absorbing for managers, lucrative for consultants, but frequently disastrous for organisations".

Research into management fashions by Abrahamson (1991) found that organisations may adopt practices due to collective pressures of their industry, regardless of whether they expect those practices to have a positive return. "Fashion-setting organisations" that create and disseminate the models (for example, consultants and management gurus) were also found to be influential in the adoption of new practices.

Abrahamson's findings are supported by institutional theorists (Di Maggio and Powell 1983; Greenwood and Hinings, 1996), who argue that business models are often legitimised through their use by others, rather than by their effectiveness, perhaps leading to common practice rather than best practice. The imitation of business models that are perceived to be effective may be driven by a lack of performance compared with peers, or by the arrival of new technology that is not well understood (DiMaggio and Powell). Wyner (2002) quotes Lehmann in highlighting the irony of "common practices" – no one firm gains the ultimate advantage, but they all bear the costs of adopting the practice, while simultaneously being driven by the need to innovate to stay ahead of the game and constantly pursue "better" practice. Unfortunately, institutional pressures can cause resistance to practices that have not been legitimised by other organisations, constraining innovation.

BENCHMARKING

At a micro level, best practice is often determined through benchmarking which, according to Freytag and Hollensen (2001), is an independent efficiency-raising process based on a comparison of performance levels between organisational units. Causes of performance gaps are investigated and used as the basis for reconfiguring activities. "Organisational units" should be interpreted broadly and are likely to extend beyond the organisation, industry and country.

One of the strengths of benchmarking is its quantification of best practice. This quantification can be used to determine the potential benefits of adopting best practice, something that management is usually looking for before investing time and
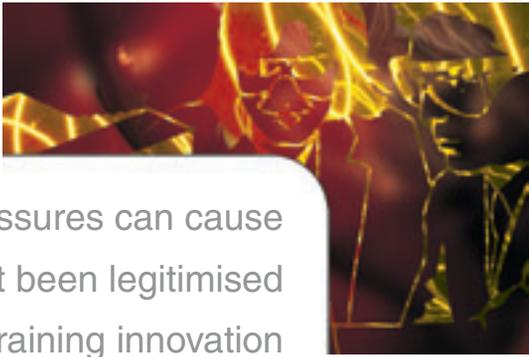
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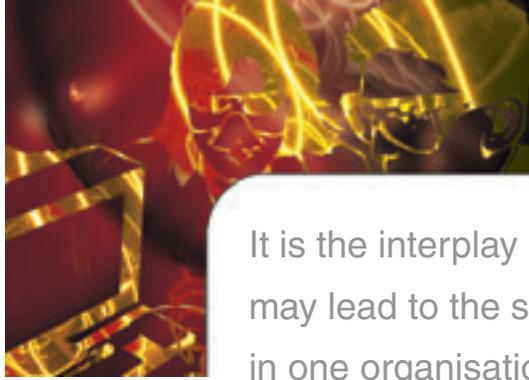
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money into any form of change. It is often much harder (if not impossible) to quantify the potential benefits and costs (which, of course, should be compared to the relatively expensive process of benchmarking) of investing in the principles that support homegrown or "ground up" innovation. Benchmarking also offers the ability to develop target performance levels that are specific, measurable and achievable, often quoted as key elements in developing appropriate goals (Meyer, 2003). But it may be difficult to decide whether the goal is to perform as well as or to excel compared to peers.

The proponents of "Big Hairy Audacious Goals" have a somewhat different perspective, arguing that extremely challenging goals are required for envisioning the future. These are described as the "difference between merely having a goal and becoming committed to a huge, daunting challenge – such as climbing Mount Everest" (Collins and Porras, 1996). From this perspective, just seeking to close the gap with the competition may lead to complacency and the setting of "less than stretch" targets. It is also possible that an over-emphasis on benchmarking may cause "tunnel vision", leading an organisation to focus only on direct competitors and drawing attention away from operating capabilities that may be developing in other arenas (Hayes and Upton, 1998).

DOES SUCCESS FOR ONE IMPLY SUCCESS FOR ALL?

There is a common assumption in these determinations of best practice – that what is successful in one organisation at a certain point in time can be replicated in others to achieve the same level of success. In fact, the many factors that influence the success of an organisation are rarely all visible. From a systemic perspective, an organisation is a group of inter-related actions that are bound by invisible fabric and which often take years to fully play out their effect on each other (Senge, 1990). It is the interplay of these invisible factors that may lead to the success of a certain practice in one organisation, but not in another. For example, as CEO of Motorola,

George Fisher had a series of very successful practices driving the company. When he became the chief executive of Kodak, his performance was not as stellar and he was unable to turn Kodak into Motorola (Heffes, 2002).

It can be difficult to determine exactly which elements of an organisation are responsible for its success and Senge (1990) warns against taking "snap-shots" of isolated parts of a system. Wyner (2002) points out that best practice usually offers a single explanation as the reason for success, with little consideration of other explanations. In their discussion of benchmarking, Freytag and Hollensen (2001) raise the issue of the difficulty in seeing which elements are attached to a certain process and which can be altered or re-combined. They advise that the key to understanding may be in non-task-based behaviour such as the individual's personality and in the firm's ability to use human resources. This supports Barney's (1991) resource-based model of sustained competitive advantage, which is based on the concept of organisational attributes that are imperfectly imitable and non-substitutable and, therefore, cannot be duplicated by other organisations.

An illustration of the issues that this intractability of successful practices can present is provided in Senge's (1999) study of the implementation of Total Quality Management (TQM) in the US. He argues that the inability of the US to achieve the level of success of the Japanese with TQM is because US management under-emphasises team learning skills and over-emphasises official programmes and goals. Senge (1999) even goes as far as to say that the basic structure of the US public education system is one of the causes of this problem, highlighting the breadth of influences that must be considered in understanding the drivers of successful practices. Even if it is possible to identify and replicate the key elements of a successful practice, is an organisation created from the "best bits" of the competition likely to function efficiently? Building the "ultimate flying machine" from the parts of a helicopter, jumbo jet and a space shuttle is unlikely to get you off the ground. The

principles are sound, but the parts will require adaptation in order to fit.

What has gone before and what may be coming in the future are often neglected aspects of interpreting best practice. Senge (1990) emphasises that cause and effect may be distant in time, making it difficult to determine the causes of the current results and to be sure that the full impact of current practice has been felt. Shapiro (1995) warns that the popular practices of downsizing and outsourcing can result in the loss of much of the "earned knowledge" of an organisation, leading to an over-reliance on consultants and creating future managers who are reluctant to be accountable for critical tasks. In establishing best practice, firms are usually observed only after their successful performance, rather than before and after adopting the relevant practices (Wyner, 2002). "Before" is often only referred to as a benchmark for current performance, but this may be where the reasons for the success of a practice in one context but not in another are to be found. It should also be kept in mind that using inference from past performance to predict future success does not take account of changes over time that may limit or nullify future applications (Wyner, 2002).
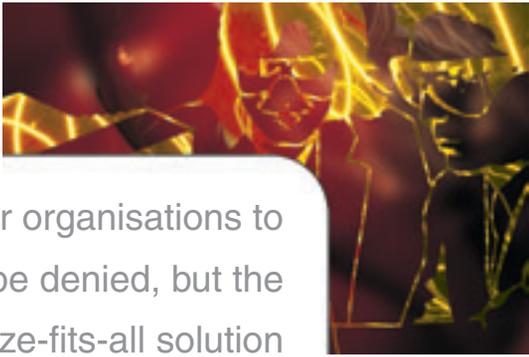
SEARCHING FOR AN EASY SOLUTION

The value of looking to other organisations to see what can be improved cannot be denied, but the danger lies in expecting a one-size-fits-all solution. In a recent interview, *Good To Great* author Jim Collins stated: "You can get great ideas by learning what others are doing. The question is whether they are the right ideas" (Heffes, 2002). One of the risks with searching for the "one best way" is the expectation that a complex set of problems can be solved by a relatively simple formula (Mitroff and Mohrman, 1987). This may be unwittingly reinforced by the popular best practice mantra: "Keep it simple, stupid (KISS)".

The risk can be further compounded by following the chosen formula without question. The disciple-like following of Peters and Waterman's (1982) "eight key attributes of excellence" illustrates this. Subsequent research found that parts of these "excellent" organisations were, in fact, working at cross purposes and that there were potential downsides to the attributes (Mitroff and Mohrman, 1987). Perhaps it would have been better to state clearly that the attributes should be considered as guidelines rather than followed blindly (Mitroff and Mohrman, 1987). It is the discussion and the challenging of the concepts and how they can be applied to an organisation that develops a deeper understanding of the organisation and its environment, breeding learning and innovation. Shapiro (1995) warns us to be wary of the many techniques that are positioned as "panaceas that obviate the need to think as long as the formula is followed" and to recognise the "ever-present temptation to operate on autopilot".

THE NEED FOR CHALLENGE

The common theme in these criticisms is the lack of questioning of the assumptions on which best practice is based and the appropriateness of their application to an organisation given its specific context. The surfacing and challenging of assumptions is one of the key factors in developing organisational learning (Senge, 1990). This lack of questioning can be exacerbated by the use of consultants who promise to deliver best practices into an organisation, usually based on what they have done previously elsewhere. It is very easy for both consultants and management to pay lip service to the development of these practices in conjunction with the organisation. But this requires resources,

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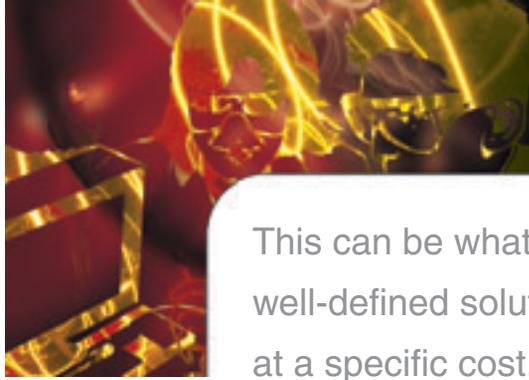
whose scarcity is often the driver of the initiative, and the sponsorship and support of senior management, which is usually focused on pushing the concepts rather than supporting challenges. This can be what makes best practice so attractive – a well-defined solution delivered in a specific timeframe at a specific cost, with quantifiable benefits.

In reality, those timeframes may slip or the benefits may not be achieved. Donaldson and Hilmer (1998) point out that even the proponents of re-engineering estimate that 50-70 per cent of re-engineering efforts fail to produce the dramatic gains intended. But by the time this is realised, management focus is often on something else, leaving staff to battle with changes to their working practices that don't quite fit, hoping that the next wave of "improvement" will be more successful, and the last failure forgotten. This is a double-edged sword, as inefficiencies often remain or are exacerbated, and the valuable learning that could have been gained from understanding the causes of the failure is also lost.

It has been argued that the continued application of best practice may act to reduce creativity in an organisation. Sweetman (2001) quotes Shalley's research into encouraging creativity: "Nothing dampens the creative spark more than judgmental critiques of innovative efforts. And showing someone a standard way to do something runs the risk of shutting down his or her ability to think of new approaches."

In forcing the adoption of standard business models, an organisation can run the risk of destroying a source of competitive advantage. IBM's integration of Rolm into its corporate structure subsequent to acquisition in 1984 illustrates this point. The capabilities that IBM sought from Rolm were its processes for developing PABX products and finding new markets. Pushing Rolm into the IBM mould destroyed these capabilities (Christensen, 1995). On a more operational level, many of the market-leading software providers espouse the "tyranny" of standard templates with a mantra of: "If your processes don't fit the software,

then change your processes". There are many benefits in using tried and true processes, particularly at the transactional level, not the least of which are time and cost saved during implementation. But there are always two sides to the "vanilla – customisation" coin and both should be considered carefully to ensure that maximum value is gained from a substantial investment in technology.

FOCUSING ON COST

An element that frequently appears, or lurks just below the surface, in best practice is the reduction of cost. Often it is presented in the guise of improved efficiency or productivity. Arguably, this is as much "in the eye of the beholder" as Van de Ven's (1986) definition of innovation. One manager's cost is another manager's investment, although accounting principles attempt to regulate this. Dundon and Pattakos (2001) highlight the confusion that often occurs between cost cutting and innovation. Many organisations seek to develop innovation through efficiency, focusing employees' efforts on getting better at what they already do. Many of these programmes simply lead to downsizing, but the new, leaner organisation is not reflected in project lists and processes. This leads to increased frustration and, paradoxically, more inefficiency.

While nothing is wrong with seeking efficient use of resources per se, this may have an unforeseen impact on an organisation's creativity. Kanter (1988), Geiger and Cashen (2002) and Miles et al. (2000) have identified the importance of allowing "slack" within an organisation, in terms of staff time and funding, in order to build creativity and achieve innovation. This does not necessarily mean giving staff time to sit around doing nothing, but rather recognising that activities such as networking, exposing staff to areas beyond their immediate responsibility and the chance to develop and share ideas are important even if they cannot be seen to immediately add value to the bottom line. While there is an apparent trade-off with cost and

efficiency, the longer-term effect may be increased productivity from the ideas that are generated.

A deeper reason for this focus on cost is raised by Pech (1996), who argues that the need for creativity poses a threat to rationality. This drives managers to focus on cost-cutting measures rather than pursuing innovation to stimulate growth. Pech believes that innovation requires the courage to go beyond the comfortable ways of conventional management and take actions that others are unwilling to try for fear of the consequences of failure. The fear of failure is one of the major disablers of learning (Senge, 1990), but it can be difficult for an organisation to balance the acceptance of failure as an important part of learning with the practical need for success, and attempts to understand the causes of failure might easily be interpreted as a witch-hunt.

Garvin's (2003) work with learning organisations offers some interesting insights into how this balance might be achieved, using techniques such as differentiating between "well-intentioned" mistakes that result from decisions based on the best information available at the time, and those that were the result of poorly informed decisions and improper thinking. Garvin (2003) also emphasises the importance of removing the personal component of failure and focusing on the processes that may have contributed to the error. Human nature leads us to believe that there is safety in numbers, and

comparison to others gives us the confidence that we are at least operating within expected levels. Going beyond the accepted institutional, philosophical and organisational practices in order to build an organisation that supports innovation can require great courage and commitment to the long-term future (Miles et al. 2000).

BEING "BEST", YET UNIQUE

The frequent successes upon which best practices are based are themselves validation of the value of the concept. The answer to the initial question "does best practice destroy innovation?" is, therefore, a qualified "no". The qualification is that an organisation must take the wider view of best practice, using it in conjunction with innovation. Looking at what other organisations do should stimulate innovation in an organisation, by seeing both what can be achieved and what has not yet been achieved. This means understanding and challenging both what they themselves and other organisations are doing and acknowledging the unique context of each.

It is the combination of both practice and context that provides the opportunity to innovate and develop unique practices, which ultimately lead to competitive advantage. Successful innovation supported by an environment that is capable of recognising and exploiting it will breed further innovation. From the broadest perspective, that is best practice. The temptation to be avoided is the

illusion of the comfort and the hidden boundaries offered by someone else's solution. Shapiro (1995) advises us to learn from others' solutions, adapt them as seems appropriate in our best judgement and accept with enthusiasm the risks that are part and parcel of the courage to manage.

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