

Delivering the Promise of Management Practices



An AIM Report

AIM – the UK’s research initiative on management

The Advanced Institute of Management Research (AIM) develops UK-based world-class management research. AIM seeks to identify ways to enhance the competitiveness of the UK economy and its infrastructure through research into management and organisational performance in both the private and public sectors.

AIM consists of:

- Over 300 AIM Fellows and Scholars – all leading academics in their fields...
- Working in cooperation with leading international academics and specialists as well as UK policymakers and business leaders...
- Undertaking a wide range of collaborative research projects on management...
- Disseminating ideas and shared learning through publications, reports, workshops and events...
- Fostering new ways of working more effectively with managers and policymakers...
- To enhance UK competitiveness and productivity.

AIM’s Objectives

Our mission is to significantly increase the contribution of and future capacity for world class UK management research.

Our more specific objectives are to:

- Conduct research that will identify actions to enhance the UK’s international competitiveness
- Raise the quality and international standing of UK research on management
- Expand the size and capacity of the active UK research base on management
- Engage with practitioners and other users of research within and beyond the UK as co-producers of knowledge about management

Current AIM research projects focus on:

UK productivity and performance for the 21st century

How can UK policymakers evaluate and address concerns surrounding the UK’s performance in relation to other countries?

National productivity has been the concern of economists, government policymakers, and corporate decision-makers for some time. Further research by scholars from a range of disciplines is bringing new voices to the debates about how the productivity gap can be measured, and what the UK can do to improve the effectiveness of UK industry and its supporting public services.

Sustaining innovation to achieve competitive advantage and high quality public services

How can UK managers capture the benefits of innovation while meeting other demands of a competitive and social environment?

Innovation is a key source of competitive advantage and public value through new strategies, products, services and organisational processes. The UK has outstanding exemplars of innovative private and public sector organisations and is investing significantly in its science and skills base to underpin future innovative capacity.

Adapting promising practices to enhance performance across varied organisational contexts

How can UK managers disseminate their experience whilst learning from others?

Improved management practices are identified as important for enhancing productivity and performance. The main focus is on how evidence behind good or promising practices can be systematically assessed, creatively adapted, successfully implemented and knowledge diffused to other organisations that will benefit.

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Foreword

At AIM one of our key research priority themes since we started in 2002 has been related to the nature and impact of management practices on performance.

This report is the last of a series of three themed reports which update our and other research related to three key areas: innovation, productivity and management practices.

All the AIM reports are available to download from the AIM website (www.aimresearch.org) and there is also a short introductory video in which various AIM fellows introduce some of the main points from recent research on management practices.

Robin Wensley

Director, ESRC/EPSRC Advanced Institute of Management Research

How can management practices be implemented to maximise the desired business benefits?

The UK is now one of the most business-friendly economies in the world but in a period of ever increasing competition we can still find new ways of raising our game.

The evidence from recent UK experience is that productivity and performance are more influenced by what happens inside organisations than the economic and regulatory environments that they operate in. The adoption and utilisation of new management practices is closely linked to productivity. Managers in the UK have the opportunity to emulate the speed and success of their counterparts in France, Germany and the US. It is imperative, therefore, that managers, policymakers and researchers sit up and take notice.

The answers are not, as often assumed, obvious or straightforward. Too easily commentators and consultants assume that a 'copycat strategy' will work – that there is a linear and universal model for adopting practices. At its worst, this approach can lead to unquestioned conformism followed by disillusion and disappointing results.

Organisations need to do more than slavishly follow the latest 'big idea'. They need to adapt good practices to their own environment. But for true competitive advantage, organisations need to develop 'signature processes' that are difficult for rivals to replicate. This report shows that how practices are selected and implemented is key.

At the level of the organisation or business, the successful adoption of new practices can be key. Every sector of the UK economy is being challenged to perform better, to do more with less. Whether your organisation is in the public, not-for-profit or sector this report has important implications for you.

Ruth Spellman OBE

Chief Executive, CMI



Executive Summary

The evidence from recent UK experience is that productivity and performance are more influenced by what happens inside organisations than the economic and regulatory environments that they operate in.

The adoption and utilisation of new management practices is closely linked to productivity. Yet efforts by UK managers to translate new management practices into improved performance have been both slower and less successful than some of their counterparts in France, Germany and the US. It is imperative, therefore, that managers, policymakers and researchers achieve a better understanding of the challenges in realising the benefits of promising management practices for both firms and the economy. This research report challenges widely held assumptions about the value of management practices and provides recommendations and tools for managers and policymakers.

Rethinking best practice

It's the way that you do it: Much of what has been written and assumed about management practices is misleading at best, and wrong at worst. Too often consultants assume a straightforward, universal and linear model for adopting practice that is not only unrealistic but fails to prepare organisations for the unexpected. It is not a case of 'adopt this practice and these results will automatically follow'. We find that many of the most effective practices have emerged from trial and error, including 'signature processes' such as the Toyota Production System

The report is organised around four key themes for managers:

- Overcoming inertia
- Where do practices come from?
- Putting practices into practice
- Creating a context

Overcoming inertia

There are several reasons why managers may initially be slow to try out promising practices. Current performance tends to be overstated and conversely the need to change understated. Moreover, managers face pressures to conform to the norms of an organisation or industry. Even where the need for change is recognised managers often fail to engage with the underlying root causes of problems or to recognise the breadth and depth of change required.

How are managers to avoid these traps? It is a matter not of what practices are put into effect but *how*. AIM researchers have developed a set of design principles underpinning practical exercises to help decision makers generate and evaluate their strategic options.

Where do practices come from?

If, as so often is assumed, practices are easily transferred between organisations, why has no automotive company been able to reproduce the success of the Toyota Production System or replicate Cisco's acquisition processes? The issue that needs attention is not only the selection of which practices to apply, but the *how*, the practice of practices. Real practices evolve in a constant interplay between the idea of the practice and what actually happens on the office or shop floor. The important part is how managers interpret the ideas, make them their own and deal with the unintended consequences of putting textbook ideas into practice.

From within: Practices emerge internally – 'bringing the inside out' – through continuous improvement and routine problem solving. If the results can be systematised, reflected on and learned from, they can help create the necessary context – a framework amenable to ongoing change and adaptation. They can also add to or refine those practices that are distinctive and specific to the organisation.

Where good practice is allied with internally-generated processes and competencies that are based on the organisation's own values and character, 'signature processes' are created that can deliver something that it is difficult for rivals to replicate directly.

Collaboration: Another source of ideas and new practices is interaction with external firms, particularly through networks of collaboration, tapping into the skills and practices of their suppliers, customers or even competitors, as is the case within the Italian and UK motorsport industries. A shared approach to learning can bring challenges and critical reflections from different perspectives, uncover assumptions, encourage consideration of new concepts, reduce the costs and risks of experimentation and open new lines of enquiry and exploration.

Learning networks: In some cases learning is a by-product of network activities. But networks can be set up specifically for learning purposes, for instance 'best practice' clubs, 'co-laboratories' (shared pre-competitive R&D projects), networks run by supplier associations and sectoral research organisations, and regional development initiatives.

The consumer: A further important potential source of practice ideas is the end consumer. An example is so-called 'experiential services' – services such as cruises, Disneyland or the London Eye, where the customer experience rather than functional benefits are the point of the interaction with the organisation.

Serendipity: Luck or serendipity, the chance combination of resources is an often-neglected route to success. There is evidence that reflective practice can increase the number of people ready to take advantage of favourable conditions when they arise.

Putting practices into practice

It is not sufficient for practices to be competently transferred and introduced. The context needs to be sympathetic and supportive too. For example, HR practices need to be aligned to the organisation's strategy to enable new practices to take hold. After being recognised and adapted to local conditions, practices need to be sustained. As the 'signature processes' show, rather than slavishly copying others, managers need to look inward, identifying and building on their own 'heritage' of distinctive practices, which then become a filter through which new ones are passed.

Creating a context

It is possible to prepare for new promising practices by encouraging a collaborative and supportive context and culture that allows for and promotes engagement with new practices. The aim is to shape practices to fit the organisation and provide a fertile source of new ideas to further develop existing practice.

Companies that want to begin to build a creative and supportive context must guard against common obstacles to innovation such as top-down management which may stifle creativity and highly grooved routines that may be efficient but which are intolerant of fresh thinking.

Tolerance of failure, dissent and the formation of informal alternative power nodes or counter cultures in organisation can be helpful, if difficult. Variation and experimentation will need encouraging, which in turn may require a re-thinking of performance measurement and management. Employees should be allowed to experiment in small ways.

AIM's research suggests that achieving both major long-term change and consistent short term performance depends on a combination of characteristics or traditions including

continuity, anticipation, and a respectful difference that grows out of conflict.

What managers and policymakers can do

The mechanisms by which management practices are adopted, adapted and developed need to move up the agenda of practitioners, policymakers and researchers.

Managers: 'Business as usual' will not prosper in a world where others are rapidly improving. Good management requires action – discovering what works in a given context, reflecting on it, and feeding the lessons back into the mix – a step on the road to developing distinctive practices of their own.

AIM has developed a *Wheel of Practices in Practice* (detailed in the main report) providing a schematic for the challenge of adopting promising practices – a framework for reflection, tackling taken-for-granted assumptions, acting and working through the implications.

Alongside the wheel, AIM researchers have developed a number of other tools to help managers think through the challenge of promising practices. One is the '9 Ps' framework for mapping the various aspects of practice: *Purpose, Procedures, Principles, Place, the Past and Present, Pace* (of evolution), *Practitioners* and *Phronesis* (practical judgment).

Our research also suggests that a high degree of fit is necessary for management practices to be effective and AIM has produced a matrix to help assess the fit and the prospects of a new practice.

Policymakers: AIM's research also suggests that policy founded on current 'over-rational' economic assumptions may have significant limitations in terms of its ability to accurately reflect what happens in specific settings, and so has little likelihood of influencing behaviour on any significant scale. There is a need for more policy based on the evidence of actual individual and group behaviour.

The dissemination of best practice at the policy level has been largely about promoting generic practices and the notion of universal best practice, with too little account of the problematic nature of practice. Notions of universality and standardised best practice are misleading concepts likely to result in bland and potentially ineffective policy guidelines.

Policy should focus not just on the 'what' of practice – its formal, codified elements – but also and more particularly on the 'how' – the communication and legitimising of the transfer. This also requires a different approach to evaluation, which needs to be far more sensitively calibrated than current methods, which often consist of tick-box surveys. Instead evaluation needs to identify what works in practice – practices in process as part of reflective learning – and, crucially, why.

1

Introduction

Why practices matter

Management practices are central to an understanding of the UK's competitive performance.

It is well recognised that UK managers tend to be slower than rivals to adopt modern management techniques. When Michael Porter reported on the UK's competitiveness in 2003 (Porter and Ketels, 2003), he identified it as one of a number of key management weaknesses. In both research and conventional wisdom, UK managements are less willing and/or able to adopt innovative practices, and where such practices have been implemented they appear to be less successful in the UK than elsewhere.^{1,2}

So much is well established. However, taken in the context of continuing research into the UK's 'productivity paradox', understanding management practices has over the last few years taken on a new significance and urgency. Management practices, it is now becoming clear, are more important, more challenging and much less well understood than commonly supposed. Understanding those challenges and realising the benefits of promising management practices for firms and the economy should have correspondingly high priority for practising managers, policymakers and researchers. This report outlines why, and makes a series of recommendations for all three constituencies.

We have two starting propositions, both to some extent at odds with today's established wisdom. The first is that productivity depends more on what happens inside the 'black box' of the firm than on the macro-economic management and the regulatory environment that the government has relied on. As we have argued elsewhere, 'the further benefits that may be achieved by pulling existing levers that impact on the inputs to and context of operation are limited. The priority now is to link that external (macro) to the internal (micro) in a more coherent effort to support firms' individual initiatives'³. The second proposition is that much of what is written and assumed about management practices is either simplistic or plain wrong. The notion of 'best practice' is itself problematic.

Far from being 'one-best-way' off-the-shelf solutions to problems, management practices are inherently complex, emergent and locally specific in their impact. Accordingly, delivering on their promise depends heavily on understanding the practise of practices: how they are performed, how they can be adapted to the local context, and how practitioners exercise their practical judgement when putting them into action.

Practices and productivity

The UK 'productivity paradox' has been at the centre of AIM's priorities. We start from the fact that over the last 25 years, governments of all colours have transformed the business environment, with the result that by general consent the UK is now one of the most market-oriented and business-friendly economies in the world. Reforms have included the deregulation of product and labour markets, the end of tripartism and a much reduced role for the state through privatisation and the 'marketisation' of the public sector. In addition, the New Labour administration explicitly focused on five 'key drivers' that were supposed to stimulate productivity performance: investment, innovation, skills, enterprise and competition. Yet despite these encouragements and favourable conditions, the hoped for improvements in competitiveness have not occurred. Despite some improvement, the relative productivity gap with rivals such as France, Germany and the US persists; nor has the UK's overall productivity growth rate accelerated over historical levels⁴. In innovation, too, the results are disappointing. While the UK is a prolific producer of scientific knowledge, it obstinately lags its rivals in the ability to convert bright ideas into commercial application. 'With the exception of a few sectors such as pharmaceuticals, we have not been effective at capturing and leveraging our know-how. This is true both in terms of creating new products and services, and improving processes and practices.'⁵

It ain't what you do... it's the way that you do it

Why have the expected improvements not materialised? One reason may be that the external levers identified by the Treasury do not connect with what happens inside the firm. In other words, the issue may not be inputs into operations, but the way capital, skills and other resources are combined and translated into outputs within the firm. In turn, if the answer to the British productivity paradox lies within the 'black box' of firms themselves – in the 'deep structures' of workplace productivity – rather than their economic environment, the role of management practices moves up the agenda, and the UK's long-standing weaknesses in this area stand in need of reassessment.

Where do such practices come from? How are they developed and transferred? What can managers do to promote a context that encourages the continuing reconfiguration of practices to deliver sustainable performance outcomes? What are the challenges facing managers in adopting and implementing management practices? How can policymakers best support managers and their organisations? Over the last five years, several strands of AIM's research have focused on these questions. They point directly to our second starting point: namely, that the answers are not, as currently assumed, obvious and straightforward. We argue that current conventions and writings around management practices are misleading and off the mark. They tend to promote idealism over pragmatism and raise hopes and expectations that often result in empty promises. If we are to discover the promise practices hold in making a difference to organisational functioning, we need to understand first that practices are inherently complex and unpredictable in their effects. Too often commentators and consultants assume a straightforward, universal and linear model of practice adoption – a 'do this and this will happen' view. We maintain that this prescriptive approach is not only unrealistic; it actually undermines the likelihood of achieving successful and sustainable organisational change, because it fails to prepare organisations for the unexpected. Consequently, it is not uncommon to observe that inertia sets in and becomes a clear threat to future growth.

Contrary to the accepted view, we find that many of the most effective practices are developed locally and emerge from processes of trial and error on the part of first-line employees, often in conjunction with other organisations. We call these 'signature processes' – practices that are distinctive of an organisation's values and character⁶ – the archetypal and best-known example, to which we refer several times in this report, being the Toyota Production System, or TPS. Delivering the promise of management practice will therefore require a clear understanding of the core aspects of that practice and the local organisational context.

The research also provides insights about the evolution of practices over time and the forces that influence the co-existence of both stability and change, and the significance of locational factors such as structure, authority, history, sectoral forces and the power of the practitioner to shape a practice through leadership and influence. It also considers the way practices are performed and hence the embeddedness and recursiveness of practices that provides the basis of the promise they hold to contribute to organisational innovation and competitiveness.

Practices can be a valuable means to achieving greater organisational productivity by emphasising the areas in need of further co-ordination and collaboration. They can lead to new measures of performance by focussing on *performing*, ie execution. They can be a source of sustainable advantage because it is difficult for others to imitate the overall process merely by observing the outcomes, and temporary advantage by making the distinctiveness from competitors clearer, thus providing the flexibility to respond to emerging opportunities.

Practices provide a basis for rethinking competitiveness by encouraging organisations to systematically review what they do and how they do it. Understanding and linking the variety of practices within organisations may be a key to improving competitiveness. But it also demands a clearer basis for distinguishing between practices and their dynamic evolution. Moreover, it calls for understanding practice as a complex force supporting powerful connections in the way people interact, reflecting socially visible and collectively accepted ways of doing things. Practice is not a 'best way' of acting, a simple collection of rules and routines. Nor is it synonymous with culture, even though it tends to encapsulate 'the way we do things around here'. Finally, nor should practice be thought of as unquestioned conformism. Understanding the variation in the way practices are performed and their distributed and fluid boundaries is vital to recognising their potential and realising their promise.

This report is organised around four key themes for managers:

- Overcoming inertia
- Where do practices come from?
- Putting practices into practice
- Creating a context

From these we identify a number of key implications and recommendations for both practising managers and policymakers seeking to support them. Central to this undertaking is the articulation of frameworks that can provide schematic reference points for managers and emphasise the reflection, action, evaluation and purposeful progression that are required for practices to be successfully employed. This also represents an agenda for future research, which we discuss in a final section.

2 Overcoming inertia

Reasons for inertia: coping and pressures to conform

Why do managers seem so reluctant to pick up and run with promising practices? There are several possible reasons. In the first place, many managers struggle to recognise the need to change at all.

At the simplest level, there is a strong tendency to overrate current performance and thus underestimate the requirement to improve – as demonstrated in a consultancy survey on management practices and performance which found that 85 per cent of UK managers rated their performance above average. Some of this may be due to complacency, but it is also the product of a well-documented coping strategy. Past experience informs how current situations are interpreted, and previously successful ways of doing things become ingrained as the way things will be done in the future. As this might suggest, routines are particularly and paradoxically difficult to change in organisations that are successful. Accustomed to success, managers respond to early signs of problems by using or stepping up the means that have proved fruitful in the past. ‘Success ruins everything,’ as one management researcher has put it (Miller, 1991, 1993).⁷

In addition, individual managers face social pressures to conform to the ‘norms’ of an organisation or even an industry about how things should be and which systems or processes are legitimate – otherwise known as ‘groupthink’. For example, an AIM study of UK residential estate agents over an 18-month period found that their mental models of competitive strategy remained remarkably unchanged even though the market was hit by a substantial downturn during the study period⁸. These findings support the institutional theory of competition which predicts that where agents inhabit a dense social network in which the actions of competing firms are highly visible, their mental models will converge and stabilise, leading to copy-cat tactics and strategies, even when the results are problematic. In this case, almost every estate agent surveyed agreed that the one best way to compete was to increase market share and offer the best possible service. In practice, this meant that they focused their main competitive attention on the national chains (ie those set up by national building societies, insurance companies and banks), despite strong evidence that many of these firms were losing money, some of them hand over fist.

Such tendencies to conform make it difficult for managers to look beyond the present and outside the boundary of established practices.

This phenomenon has found support in further AIM research on the evolution of practices in a bio-manufacturing company in the UK. These were founded on a dominant narrative whose unquestioned retelling created a kind of indoctrination that led managers to ignore dissenting voices, institutionalising inertia⁹. The result is that managers often fail to act before the crisis is inevitable or actually occurring.¹⁰

Reasons for inertia: failure to engage with root causes

Even when managers do recognise the need for change, they often fail to engage with the deeper causes of their problems and/or fail to recognise the breadth and depth of change that will be needed. For example, British manufacturers initially responded to the advent of Japanese competitors delivering far higher levels of quality to customers by trying to adopt quality circles¹¹. But this potentially useful practice of communicating and engaging with shopfloor employees could not be introduced successfully without addressing much more deep-seated problems concerning both the operating systems and employment relationships of many British firms. Quality circles only work as part of a coherent set of organisational practices.

Similar challenges can be seen with current attempts to adopt ‘high-performance work systems’ (HPWS). In principle, HPWS comprises a series of coherent and mutually reinforcing practices encompassing operations, human resource management and work organisation¹². However, recent reviews suggest that the promise of this bundle of practices is in many cases not being delivered¹³. Analysis of the empirical evidence indicates that managers are unable to address key workplace disconnections that undermine the prospects for the successful implementation of the HPWS model. In particular, attempts to address potential conflicts of interest between managers and employees are destabilised by the unpredictable context of the contemporary capitalist enterprise¹⁴. Too often local managers are unable to provide the stable employment conditions that are fundamental to HPWS. For example, according to Truss et al (2006)¹⁵ only one third of UK

workers overall are engaged at work – and this is a higher figure than in some other surveys. The CIPD recently found that just the same proportion trusted senior management. By undermining job security, the current recession can only exacerbate such difficulties.

Partnerships and alliances are yet another area touted by strategists and policymakers where promised efficiency and synergy gains (the *collaborative advantage*) often fail to materialise in practice. *Collaborative inertia* occurs because managers faced with conflicts of interest and power differentials are unable to find ways of generating the necessary trust and sense of common direction to make collaboration happen.¹⁶

More subtly, the will to change can be sapped by the very routines that managers are trying to use as part of a change programme. For example, strategy workshops and ‘away days’ are commonly used by senior managers in 60 per cent of UK organisations as a means of challenging current strategic assumptions and developing new alternatives. Yet it is unclear what actually goes on in such workshops and what outcomes they produce outside them. One AIM research project found that although the workshops had common features, they were variably managed and had very different results. For example, in one case participants allowed an outside facilitator to assume almost complete responsibility for managing the workshop and its consequences, while in other – more successful – ones the facilitator’s role was actively managed to meet wider goals. Likewise, the use of strategy tools and techniques also differed widely and showed mixed results. The takeaway for managers is that while such practices can indeed be ‘successful’ in generating energy and willingness to challenge existing approaches *within* a workshop, that does not necessarily mean they have an effect on strategy *outside* them. The ritual of the away day encourages challenge – but unless it is integrated with ongoing operational issues it may not go further than that.

Avoiding traps and blind spots

How are managers to avoid these traps and blind spots? They need to find ways of anticipating future challenges and generating both impetus for change and practices and strategies for carrying it out. One commonly used technique – used in one-third of workshops, according to research¹⁷ – is scenario planning, a process of detailed reflection on environmental trends and uncertainties that is credited with helping executives spot changing trends and adapt their organisations in synch. AIM’s research on critical success factors for scenario planning has revealed a number of basic design principles including the need to assemble a group of participants who are psychologically secure and set goals that are politically feasible.¹⁸

Exploring the psychological mechanisms that stimulate reflective thinking, researchers have developed a set of design principles underpinning practical exercises to help decision-makers generate and think through their strategic options¹⁹. Others have developed frameworks to support reflective consideration of practical action.²⁰

AIM’s research illuminates some of the practical steps that users can take to design scenario planning interventions in ways that maximise the chances of revitalising strategic thinking. To encourage eclectic, open and constructive debate about the future, users need to design scenario teams to comprise a mix of people with appropriate background expertise and the requisite blend of personalities. Moreover, our research highlights the facilitation techniques that users can deploy to ensure that participants put aside their differences and personal allegiances, and act in the best interest of the organisation when considering the strategic options available for facing the future.

Some of these emerging conclusions about overcoming inertia are supported by other AIM research. For example, collaborative work between AIM and the aerospace and weapons firm BAE Systems has investigated a taken-for-granted practice operating in situ in all organisations: the meetings of senior management teams²¹. What makes these meetings work – or not? One finding is the importance of the ‘micro-processes’ that underpin the workings of practices on the ground. Thus, effective strategic management thinking is facilitated by broad contributions to dialogue from across members of the team; by leaders who are sensitive to potential conflicts of opinion; and by the creation of an environment that encourages wide participation across the team. The significance of these aspects of practice is another corrective to the simplistic notion of new ‘best practices’ as an organisational panacea. Once again, it is a matter not of what but of how the practices are put into effect. Building on this, continuing research compares senior management team processes across business units’ aims to show how they are reflected in outcomes and how the latter are affected by the social and cultural contexts in which the units operate.

All these examples emphasise the importance of a holistic and locally negotiated approach to identifying and adopting new management practices. They make clear the difficulty of evaluating the ‘success’ of practices and understanding what key elements deliver performance improvement; the complexity of practice transfer; and the challenges of creating and sustaining organisational contexts that support transfer and adaptation. These are the subject of the next sections of the report.

3 Where do practices come from?

Practice and performance

At first sight, it seems odd to ask about the provenance of management practices. Why should it matter when to all appearances there is any number of advanced practices 'out there', apparently fully formed, waiting to be picked up by managers?

Articles on new or improved processes are a staple of the business press, while a glance at any airport bookshop reveals books on corporate strategy, branding, management development, and so on. Consultancies sell the same concepts in a different form, playing an important role in the continuing management practices 'fashion parade'. Every 'big idea', from Total Quality Management and business process reengineering to offshoring or networked innovation, spawns specialised consultancies to fine-tune and sell the processes, and in time most of the broader houses offer their own proprietary version. And managers do pick some of them up. According to Bain, a consultancy which has been monitoring trends in companies' use of management 'tools' or practices since 1993, in 2006 1221 companies were using an average of 15 tools each, ranging from strategic management, customer relationship management and customer segmentation among the most common (above 80 per cent usage) to offshoring and corporate blogs among the less common (below 40 per cent).²²

But while such lists seem to support the notion of practices as objective, modular, well-defined entities that can be lifted and applied across social, geographic or industry context, a moment's reflection suggests that it is more complicated than that. If practices are as easily transferable as assumed, why has no automotive company (or in any other industry, come to that) managed to reproduce the success of the Toyota Production System? And why, for example, has no firm replicated GE's or Cisco's well-honed acquisition processes? That raises another question: what part of the apparent success of these practices is attributable to them in isolation, how much to their combination with others, and how much to the overall context – for instance the micro-processes that underpin them? If practices are obviously 'best', or even 'better', why is it apparently so hard to sustain them? If all the companies in Bain's survey identified as using 'CRM' were compared, would they be doing the same thing, and how similar would the results turn out to be? In any case, if the results were the same, wouldn't the object of the exercise be vitiated, since it would confer no competitive advantage?

As the previous sections make clear, we believe that the practice issue needing attention is not only the selection of what to apply, but the *how*: the practice of practices. For us, the significant part of practice enactment takes place on a different dimension than is usually believed. Viewed from the level of those who put them into practice, it is clear that practices do not spring fully formed from a consultant's, author's or even a manager's brain: instead real practices evolve in a constant messy interplay between the idea of the practice (wherever it is formulated) and what actually happens to it in the office or on the factory floor. That depends partly on how people understand and interpret it, and partly on the practical conditions of implementation: what is technically or politically feasible or possible. In this view, the important part of practices becomes how managers (and crucially, employees) interpret them and make them their own; how they deal with the unintended consequences of putting the textbook ideas in place, which in turn feeds back into the idea itself. An important conclusion from AIM's research is that central to the evolution of a practice is the process of *re-hearing* different aspects of it as people carry it out – which suggests that practices are dynamic and constantly emergent because learning and unlearning are key processes supporting their re-configuration.²³

A neglected source: searching within

So where do practices in the sense that we mean come from? One source is internal – the daily bubble up of continuous improvement and routine problem solving in the office, executive suite or on the shop floor. Such practices are often overlooked, and they may indeed be of little lasting value if they are not systematised, reflected on and learned from. However, if they can be appropriately harnessed they are potentially of great significance, in two ways. The first, indirect, contribution they can make is to context: helping to create a framework that is amenable to, and geared up for, ongoing change and adaptation. The second is more direct: to add to or refine those practices that are distinctive and specific to the organisation. As we are beginning to understand, these are of particular importance and value.

Without what AIM's research has labelled 'signature processes'²⁴, industry 'best practice' remains just that: a generic practice open to any company to copy and apply. However, good practice allied with internally-generated processes that are based on organisations' own values and character – hence the 'signature' designation – can deliver something much more, namely a set of unique processes and competencies that are impossible for rivals directly to replicate. Toyota's TPS is a good example of a bundle of signature processes that has proved impossible for would-be imitators to reproduce in its entirety. Less well known is Nokia's modular organisation structure which allows for rapid organisational reshuffles and realignments, often carried out over a weekend, while leaving intact the working relationships inside the teams. We shall have more to say about signature processes and practices in the next section. Its noteworthiness here is the emphasis it places on looking within the organisation rather than outside for seams of distinctive competitive practice – 'bringing the inside out', as the researchers put it, as opposed to 'bringing the outside in'. In an analogous manner, when we look inside particular organisations we find that what might be seen as common practices have very different intentions and effects.

An AIM research project examining staff induction practices across three sectors and nine countries found a wide variety of formal and informal, structured and unstructured approaches, which companies used not only to meet normal operational requirements but also to respond to external forces. In some cases induction became a source of renewal and innovation, as when the process went beyond simple socialisation to encourage newcomers to change organisational practices.

“Toyota's TPS is a good example of a bundle of signature processes...”

In many ways this shift in emphasis reflects a similar shift within the field of strategic management. The resource and knowledge based view of the firm also emphasises the importance of the 'inside-out' perspective.²⁵

Making sense of collaboration

A second source of ideas and new practices is the external firms with which the organisation interacts (or might interact in the future). Organisations are increasingly seeking to build networks of collaboration that allow them to tap into 'virtual' resources – the skills and practices of their suppliers, customers or even competitors. This places a particular emphasis on the potential importance of proactive search activities and the building of networks of learning. AIM's research suggests that a shared approach to learning can help overcome a number of obstacles faced by firms on their own.

For example, it can bring challenge and critical reflection from different perspectives, surface assumptions, encourage consideration of new concepts, reduce the costs and risks of experimentation, open new lines of enquiry and exploration, and help explicate systems principles (in other words distinguish the wood from the trees). A good example comes from motorsport, a high-value-added industry in which manufacturers depend quite literally on innovation to supply a winning edge. In the face of increasing competition and complexity, race-car makers have been pushed to engage earlier and more deeply with highly specialised suppliers to develop new technologies and processes.



AIM has researched the development of network relationships in the Italian and UK motorsport industries over a number of years. In Italy, in particular, motorsport companies have developed strong network relationships, encouraging increasing levels of participation and collaboration with significant efforts to go beyond local knowledge and engage in exploratory activities in lateral fields of technology (for example, the use of specialist engineers as ‘technological antennae’, seeking out new opportunities).

More recent research has examined the network characteristics that help motorsport teams to achieve discontinuous innovation in their race-cars. These include engagement in wider exploratory activities with the search for distant/diverse knowledge (relative to their knowledge domain) and partnering with unusual firms. Firms gain access to new knowledge but also use these new relationships to promote lateral thinking among their established web of partners. The emergence of radical innovations in the motorsport industry thus requires firms to develop practices and a capability for managing ‘diversity’ in terms of knowledge and contacts.

Learning is often involved as a ‘by-product’ of network activities – for example, emerging through exchange of views or shared attempts at problem-solving. But learning can also be the primary purpose around which a network is built. To qualify as a ‘learning network’, as it might be called, such an entity will be formally established and defined, have a learning goal, a structure and defined processes, and measures that feed back into the network operation and decision-making. Examples studied in AIM’s research include ‘best practice’ clubs, ‘co-laboratories’ (shared pre-competitive R&D projects), networks run by supplier associations and sectoral research organisations, and regional development initiatives .

However, although the potential advantages of such practices are clear, collaboration is not straightforward²⁶. Imbalances of power, lack of trust between participants and goal differences often cause a kind of ‘collaborative inertia’²⁷. Partners’ attitudes to knowledge transfer through collaboration are correspondingly complex, and it is rare for a straightforward give-and-take relationship to obtain.²⁸

As usual, there are no easy answers to these issues. However, managers have found that understanding and reflecting on how collaboration works is an important starting point, as are tools to help diagnose real aims and locate the sources of power in partnerships. Collaboration needs leadership that is both gentle and tough at the same time – facilitative nurturing of relationships on one hand, coupled with a clear directive line on the other.

A further potential source of practice ideas is the end consumer. This is what lies behind the concept of ‘open innovation’. One example investigated is in so-called ‘experiential services’ – services such as cruises, Disneyland or the London Eye, for instance, where the customer experience rather than functional benefits are the point of the interaction with the organisation²⁹. Leisure and entertainment companies often see their offer in terms of a customer journey rather than a single product, with innovation taking place at each step of the journey as well at the level of the overall entity. Successful firms in such areas frequently use detailed customer insights for customer-driven rather than technology-driven or efficiency-driven innovation that embraces processes and business models as well as the products themselves.

One of the intriguing points that emerges from research on successful collaboration is the role of another external and often neglected factor in innovation – luck or serendipity, the chance combination of resources in a way that leads to success. At first sight there might seem little managers can do to increase their chances of being ‘lucky’. However – as captured in Louis Pasteur’s ‘chance favours the prepared mind’ – there is evidence that ‘through reflective practice there are possibilities for enhancing serendipity, to increase the chances that good outcomes do happen in collaborations. Enhancing serendipity means that more ‘right people’ can be ready to take advantage of favourable external conditions when they arise and less time is wasted in initiating several in order to get one’³⁰.

The notion of making one’s own luck introduces the wider issues that are important for the prospects of not only successfully identifying but also implementing new ideas or practices. In this process, the challenge of creating an organisational context that is both a fertile source of new ideas and supportive of the implementation of those ideas, is key.

“Leisure and entertainment companies often see their offer in terms of a customer journey rather than a single product, with innovation taking place at each step of the journey as well at the level of the overall entity.”

4 Putting practices into practice

Not as easy as it sounds

With the importance of context in mind, it is easier to understand some of the obstacles that must be overcome in successfully putting practices into practice.

At a practical level, it is not enough for practices to be competently transferred and introduced: for the benefits to materialise, the context needs to be sympathetic and supportive too. For example, in the case of high performance work systems³¹, already mentioned, there may be little benefit from high involvement if, as in the case for many UK firms, they are competing on the basis of low-skill, low-wage labour making commodity products. In other words, HR practices need to be aligned with an organisation's strategy. And while the theory makes a good case for HPWS benefiting the firm, for the individual they may generate conflicts of interest, through work intensification or job insecurity, for instance. Taking the context still wider, some people take the view that the high performance workplace demands a level of security and stability that is simply incompatible with today's globalising financial capitalism. With more recent events we can now see that such concerns have proved very prescient.

Even when practices have been recognised as effective and suitably adapted to local conditions, there is frequently a practical issue of sustaining them³². The practice is not sufficiently embedded; it does not always stick. The result is that early gains first plateau and then often decline. The task then does not stop with adopting a practice: the job is also both to embed it and to nurture the context so that it can not only continue to deliver the initial benefits but be refined and built on as the basis for developing new and complementary processes.

All this assumes that the practice is unambiguous and clearly defined and understood in the first place. But the context itself shapes understanding of the practice that is being transferred. At one level transfer itself is not straightforward because what is heard is rarely the same as what is said. In presentations of new practices, it has been found that the more richly detailed and informative the account that managers give, the more likely it is that listeners will switch off, while in the case of partly told stories listeners remember the dramatic snippets that are sufficiently vague for them to be moulded into their own interpretations and narratives³³. Thus any practices that do result will already have been subtly transformed even in the process of presentation.

The ostensive and the performative

In investigating the mysteries of practice transfer researchers have found it useful to make a distinction between 'ostensive' and the 'performative' versions of routines and practice³⁴. Put simply, an 'ostensive' routine is the practice in abstract, schematic form – the practice in principle – whereas a 'performative' routine is what actually happens among particular people at a particular time and place. Most of the research literature, and policy, is based on the assumption that what matters is getting as close as possible to the 'ostensive' – hence 'best practice'. Both theoretically and empirically, however, there are issues here. In practice, for better or worse, the performative informs and feeds back into the ostensive: 'what works', or doesn't, amends 'what ought to work'. Sometimes this is not even conscious, and because of the emphasis on the 'ideal' version of the practice, the 'custom and practice' that results from the deviation from the textbook is both hidden from managers and for that reason resistant to change. We argue however that deviation from the textbook is not necessarily a bad thing. On the contrary: given that competitive advantage depends on difference, not similarity, if managers understand and learn from the interplay between the two states, it can potentially be a significant source of strength. Differences between ostensive and performative are therefore important and potentially valuable.

“...it is not enough for practices to be competently transferred and introduced: for the benefits to materialise, the context needs to be sympathetic and supportive too.”

This underlines a central point about practices. In maintaining that practices are indeed difficult to put into operation successfully, we do not imply that the effort is valueless. On the contrary: it is precisely because successful implementation is rare that it is disproportionately valuable. If practices could easily be copied, they would be a commodity, conferring no advantage. For 'generic' practices this is the case – they are simply the entry ticket to the game. Conversely, the rewards to those who do manage to absorb and benefit from them are high. It is the efficient informal additions and modifications that practice brings to practice that helps to build sustainable competitive advantage. Understanding and supporting them therefore becomes a key task for management.

Signature processes

It is just these kinds of micro-practice that have been identified as 'signature processes' – practices and processes that companies have made distinctively their own by adapting them in the light of their own experience and values³⁵. Signature processes are different from best-practice processes, often having elements of generic good practice, but articulated through the filter of the company's own character. They evolve internally through the company's history and experience, putting its own slant on practices and routines, much as the performative is to the ostensive. The classic example of a signature process is the bundle of practices that have become known as the Toyota Production System (TPS). The bundle of practices known as the TPS, or 'lean' for short, now commands almost religious respect. Yet it is important not to exaggerate the rationality of its design after the event. Today's TPS did not spring into life fully formed. It grew out of a few simple principles – 'pull', stop the line to prevent defective production and solve problems at source, linked by what might be termed *obsessional tinkering*: a process of simple workplace-level trial and error whose learnings are cumulatively stored in the evolving standardised work routines (a practice in itself that became known as *kaizen*, or continuous improvement). But although it is much imitated and has generated a huge literature, the effects of the TPS have never been precisely replicated elsewhere. We would argue that far from being surprising, or that managers in other companies are to blame for this 'failure', this is predictable and explainable by the fact the practice, or collection of processes and practices of which it consists, has been constantly reflected on, refined and added to over a period of more than half a century; it is organic, uniquely its own, the embodiment of Toyota's values, aspirations and history. In this light it is normal that other companies have difficulty imitating it – while it is possible to describe the routines which make it up

it is much more difficult to capture how one has grown out of and informed others, and how all of them work together in that particular context. In that sense, there is no describable 'secret' of lean production. At Toyota it has been 'emergent', the product of incessant, often small-scale, bottom-up trial and error. Even within Toyota there is no single, definitive account – which of course may make it harder to adjust when, as now, problems have surfaced in one part of it. As one academic author admits: 'We don't really understand what the TPS is, and it is possible we never will'³⁶. This may be one reason the company has little hesitation in allowing journalists or even competitors access to its manufacturing plants. If Toyota can't describe exactly how the TPS functions, how can rivals starting without the history and from different circumstances hope to replicate it? As the same paper puts it: 'We can now be reasonably certain that whatever Toyota has got, it isn't a trivial task to bottle it and sell it on.'

Of course managers can and should learn from successful examples of signature processes such as the TPS or Nokia's modular organisation structure. But such practices are only the starting point for the work of making them useful within a specific context. In this light, we can say that it is perhaps in application rather than selection that accusations of 'faddishness' around practices carry particular weight. As the signature processes show, it is not enough to be aware of the promising practices that are being used in the outside world. Rather than slavishly copying others, managers need to look inward, to identify and build on their own 'heritage' of distinctive promising practices, which then become a filter through which new ones are passed. Calling for sensitivity to both internal and external factors, the appropriation process described here is a fine line to tread. But it makes the promise of practices both understandable and doable; it at last makes practices practical.



5 Creating a context

The importance of context

All innovation is difficult. By definition it is not possible to plan beforehand for the next promising practice.

But it is possible to organise for it: or at least to prepare for it by encouraging a collaborative and supportive context that allows for and promotes engagement with new practices, with the aim of shaping and adapting them to fit the organisation, and at the same time provides a fertile source of potential new ideas for developing current practice.

Again, an important pointer comes from Toyota. Emphasising the essential role of context, the openness to simple pragmatic experiment, with theorising coming much later if at all, is put at the heart of the TPS' continued vitality. One recent author states baldly that the TPS was the product of improvisation, not 'grand design': 'Toyota's greatest strength resides not in just-in-time production or any other method or device but in the company's capacity for creating and applying effective tools, useful capabilities'³⁷. With the confidence of knowing by experience what works, Toyota can now consciously decide to extend the well-trying principles that have guided its manufacturing into other areas, for example marketing and service.

At the other end of the spectrum, the importance of context is also underlined by research that shows the difficulty of sustaining improved practices once adopted³⁸. Interestingly, the research concerned smaller companies that were trying to develop and implement 'lean' manufacturing techniques. Among eight firms, performance over time varied from little change to sustained improvement, but in every case bar one there was a subsequent fall-off from promising initial gains – suggesting that, since impact of new practices is often reported in the first flush of enthusiasm after adoption, sustainability may be even more of a problem than commonly believed. The research suggests that alongside questions relating to the intervention and its leaders, contextual factors – addressing internal barriers and organisational issues, and fitting the intervention to the context and other change programmes – play a large part in improving the chances that the improvement can be sustained over time. As the cautionary tale of Toyota's recent travails indicates, even well-embedded processes do not sustain themselves indefinitely; the more complex and interdependent the practices, the more vulnerable they may turn out to be to slippages in the overall context.

Building context

If, as we maintain, successful practices are not the result of top-down implementation of highly codified routines but instead are emergent and generative, context is (almost) everything. How might companies begin to build such a creative and supportive context? Two of the greatest obstacles to innovation of any kind are top-down management which stifles the bubbling-up of creativity and highly grooved routines that serve the cause of efficiency but are intolerant of fresh thinking. These are hard conditions to break without conscious effort. Ironically, it requires top-down decision to relax the constraints that prevent employees at the bottom and at the periphery from having and trying out new ideas. Virgin, 3M and Google are companies that have made a point of receptiveness, allowing their employees to experiment in small ways that sometimes pay off big. Others, whether deliberately or not, have fostered resilience by tolerating the formation of informal alternative power nodes, or 'counter cultures' to the dominant coalition with different views of the company's future. Research is just beginning to suggest that such internal dissent can play an important role in permitting timely operating and strategic change before crisis induces panic measures.³⁹

Recent AIM research suggests that the rare instances in which firms seem to be able to achieve both major long-term change and also consistent short term performance depends on a combination of characteristics, or traditions. The first is continuity. This involves 'the reinvention of the company's distinctive business model' to fit in with prevailing market conditions. The second is anticipation. This is where it starts to get tricky. To build in anticipation, alternative leaders have to be allowed to start work on the future shape and direction of the company but without undermining the current leadership. This leads to the third characteristic of a winning business, 'contestation' or 'respectful difference that grows out of conflict'. This is vital. Dynamic, growing businesses benefit from the creative tension of civilised disagreement.



Another way of creating sympathetic context is by thinking differently about performance measurement and management. It has long been recognised that at operational levels there is a tension between the demands of efficiency and those of innovation. In particular, since the processes and practices of innovation are very different from the processes of optimising present efficiencies, managing innovation through traditional measurement approaches is problematic if not counterproductive⁴⁰. Exploring new ideas and practices is hard to control and many of its determinants unquantifiable, yet measurement systems are expressly designed to control and quantify. Openness to promising practices demands inquisitiveness and cooperation, yet the design of measurement systems often discourages search and promotes competition at the expense of cooperation. Learning comes from variation and experimentation, necessarily including failure, just the things measurement seeks to reduce and exclude. On the other hand, abandoning measurement is not an option – if anything, pressures to measure and report, both internal and external, are growing. The challenge for managers is therefore to find a way of squaring this circle: to reconceptualise measurement as a learning rather than control system, one that permits and encourages learning by framing it to look forward rather than back, ask for answers rather than data, and think in terms of systems rather than discrete parts.

Good practice is not enough

Our purpose in this report has been to unpick two widespread propositions about management practices. The first is the idea that even well-documented practices can be plucked from an already established rulebook and be applied to any company or workforce, regardless of circumstances. We show that this is simplistic. Practices are elusive and slippery, and subject to different interpretation according to any number of strategic, operational and even political variables. The second is the notion that adopting ‘best’ practice(s) is a recipe for long-term corporate or national success. AIM’s research suggests instead that while good companies abound with effective and valuable practices, these only provide an entry ticket to the game. Roughly speaking, best practice is shared industry knowledge. But the more a practice is replicable, the less able it is to confer unique advantage, and the less qualifiable it is as a practice that is ‘best’. Good practice imported from outside is therefore not enough. However, good practice informed and inflected by context in its widest sense – including heritage and values as well as physical disposition – does yield a distinctive capability, in the shape of ‘signature processes’ that cannot easily be copied by others. Unlike ‘best practice’, signature processes, evolving from a company-specific history, develop from within as well as without. The rewards from such practices are potentially high. Nurturing a creative and supportive context that is capable of generating such distinctive processes is one of management’s most important, and challenging, tasks.

6 Implications and recommendations

As attention switches from the broad economic environment to what happens inside firms as a lever for increasing productivity, management practices – how they are adopted, adapted and developed – need to move up the agenda of practitioners, policymakers and researchers.

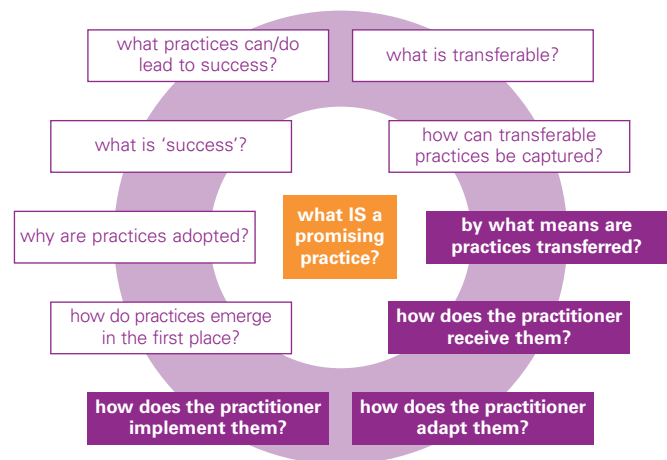
The relationship of practices to organisational performance, the interrelationship of grouped practices, and the ‘fads’ phenomenon have all come under scrutiny in the effort to isolate and support the determinants of improved company performance. However, while understanding is beginning to move from a simple urging of ‘best’ practice imported bodily from outside to an acknowledgement that any practice is largely dependent on, and negotiated through, the individual context, in practice and in theory management practices remain a challenge. Both adapting the practice to the context and nurturing a context that will sympathetically accept rather than reject the transplant are unfamiliar and demanding management concepts. It may not be an exaggeration to say that finding and developing new approaches to them – making practices practical – will be key to the next stage of moving UK plc up the economic value chain.

For managers

The practice of practices is more complex and slippery than it first appears. However this also means that adopting and adapting practices can be of substantial value to any organisation partly because of this greater complexity and need for managerial judgment and insight. In the first place, therefore, the value of getting it right increases. It puts a premium on good management. In the second place we have emphasised the role of pragmatism. To be sure, managers need to be alert and open to both developments in the wider world and the strengths and weaknesses of their own situation as they debate which practices might improve their competitiveness and how they might adopt them. They also need to be aware that ‘business as usual’ will not prosper in a world where others are rapidly improving, and to be constantly ready to challenge their own assumptions. But actually doing things – discovering ‘what works’ in a given context, reflecting on it, and feeding the lessons back into the mix – is not only a practical way of doing this but also a step on the road to developing distinctive practices of their own as opposed to practices shared with and imitated from others.

As many managers will recognise, this sequence is well known in another guise as the iterative four-step problem-solving process termed variously PDCA (Plan-Do-Check-Act), or the Deming Cycle⁴¹, Shewhart cycle⁴², or the Deming Wheel. Hence the case for pragmatism is powerfully put by performance management, which as we have seen is both a practice in its own right and a decisive contributor to the shaping context, whether for good or ill.

A framework for challenging taken for granted wisdom about promising practices



To aid this cycle of reflection and action, we have developed a ‘Wheel of Practices in Practice’ to provide a schematic for the challenge of adopting promising practices – a framework for reflection, tackling taken-for-granted assumptions, acting and working through the implications. As the exhibit suggests, the starting presumption is that answers to the questions posed will be very dependent on the particular organisational context. Much like the TPS’s Five Whys, we believe the questions will enable those involved to develop a better understanding of the specifics of any attempt at adopting and adapting management practices from other organisations. Questions like: What is success? Would adopting this practice contribute to it?

Can it be adopted – what components are transferable and how can they be adapted to our circumstances? What implications do they have for the context, and how can we build on them? Asking and answering such questions is integral to realising the promise in promising practices, and adapting them to the specific context.

We have indicated by enboldening in the wheel diagram the particular questions relating to the process of transferring, receiving, adapting and implementing promising practices. Such questions need to be at the core of how individual managers understand and then act on this understanding in successfully transferring management practices.

Alongside the wheel, AIM researchers have developed a number of other heuristic tools to help managers think through the challenge of promising practices. One is a framework for mapping the various aspects of practice. The '9 Ps' framework breaks a practice down into *Purpose, Procedures, Principles, Place, the Past and Present*, as well as *Pace* (momentum and rhythm) of evolution, *Practitioners* involved and their *Phronesis* (practical judgment)⁴³. These components provide the basis for distinguishing between different types of practice. *Management practices* play a strategic role, while *organisational practices* tend to have an operational focus. *Innovation practices* provide the basis for co-ordinating and connecting across practices, thus giving rise to central and peripheral practices. This hierarchy helps to pinpoint the existence of sub-practices and meta-practices, while the connectivity between practices can help better explain why groupings of practices may emerge. In this view, practices are not simply bundled. Rather, the connectivity within and between practices is dynamic and shifting.

Other AIM studies of a variety of management practices have found strong evidence that a high degree of fit is necessary for them to be effective⁴⁴. Far too often organisations adopt practices because they are widely used elsewhere or because of institutional pressures, without adequate attention or thought to the need for adaptation to create fit.

The matrix categorises practices by use and fit. Best-in-class practices are both widely used and show good fit with the organisation. Having such practices in place will not create competitive advantage, but organisations neglecting them run the risk of falling behind competitors that do. Promising practices can create competitive advantage, on the other hand, having a good fit with the organisation's needs and context, and being little used by others. Managers should seek them out, whether from inside (signature processes) or outside the organisation, establish degree of fit and decide on that basis if rapid implementation makes sense.

On the other side of the ledger, too many practices have both little performance impact and poor fit – they are 'panaceas', and like misfits should be avoided unless they can be adapted to create fit. Seeing where practices fit in the matrix is a good first-cut way for managers to combat pressures to adopt new practices for all the wrong reasons.

For policymakers

The relative failure of policy to influence what happens inside the 'black box' of the firm is coming into focus as a major issue in the UK's continuing 'productivity paradox'. For this reason 'best practice' is a term that resonates among those engaged with policymaking and implementation. Yet while AIM's research confirms that practices are important – in fact even more important than commonly assumed – it also suggests that policy founded on current what might be termed 'over rational' economic assumptions may have significant limitations in terms of its ability to accurately reflect what actually happens in specific settings. Hence such policies have little likelihood of actually influencing behaviour on any significant scale. Much like the current shift towards behavioural economics, there is a need for policy based more on evidence of actual individual and group behaviour.

In making this shift we need to recognise that, in the first place, much of the evidence for the 'success' of 'best' practices is contestable. Indicators of success, for example, will be perceived and evaluated differently by different stakeholders⁴⁵. Causality is also notoriously difficult to establish even in tightly focused research studies and even harder at the level of overall business performance – do organisations succeed because they use certain practices or do they adopt the practices because they are successful? Statistical correlation does not constitute evidence of causality.

Performance	Degree of Use	
	Low	High
Low (inadequate fit)	Misfit	Panacea
High	Promising	Best-in-class

Secondly, the dissemination of ‘best practice’ at the policy level has been largely supply driven, with policymakers seizing on and promoting generic practices whose value we believe is questionable. Such exhortation takes too little account of the problematic nature of practice, giving too much weight to the dubious notion of universal best practice and the related assumption that its essence is in formal codification and by-the-letter implementation.

“Policymakers need to understand what practices are of generic value...”

We argue instead that notions of ‘universality’ and ‘standardised best practice’ are misleading concepts that are likely to result in bland and potentially ineffective policy guidelines, at best. Policymakers need to understand what practices are of generic value and, on the other hand, where value is likely to be more context-specific. Policy therefore should focus not just on the ‘what’ of practice – its formal, codified elements – but also and more particularly on the ‘how’ – the communication and legitimisation of the transfer. This also requires a different approach to evaluation, which needs to be far more sensitively calibrated than current methods, often consisting of tick-box surveys, to pick up what works in practice and, crucially, why.

Some of the research on evaluation of the Manufacturing Advisory Service provides a good example of a more informed way of judging the impact of changed practices, with an emphasis on sustainability and improvement.⁴⁶

For researchers

In turn, the complex and dynamic nature of management practices has important implications for the future research effort in this area. Rather than infer direct causal relationships, research needs to start at the other end, looking in detail at what is meant by practice as well as its outcomes and effects. This means primarily (although not exclusively) in-depth case research designed to throw light on, for instance:

- The prior and current context in which practices are enacted
- The nature of practice itself
- The strategies used by individuals and groups to engage with it
- How practices are accepted, enacted and sustained
- How practices and outcomes interact with context over time

By investigating the relationship of these aspects with organisational outcomes, how outcomes result from such interrelationships and how ‘performance’ in its various forms might be explained, such research offers the best prospect of the elusive causal explanation – solving the riddle whether good practices lead to high performance or vice versa – that in turn is needed to inform effective evidence-based policy.



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