

Making Best Practice Stick

How UK firms can increase productivity
by adopting leading-edge working practices



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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.

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- 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 policy makers...
- 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

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Current AIM research projects focus on:

UK productivity and performance for the 21st century.

How can UK policy makers 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.

A productivity gap has been identified between the UK and its leading international competitors such as the US, France, Germany and Japan. The adoption of leading edge working practices, it is argued, can help UK firms close that gap.

But the UK currently lags behind its major competitors in this area.¹ Even where UK firms do adopt best practices, such as ISO 9000, Total Quality Management (TQM) and Supply Chain Learning (SCL), they tend to do so less effectively and extensively.² The question is why do UK firms struggle to make best practice stick?

As part of its ongoing work, the DTI asked AIM to conduct further research in this area. This report provides an overview of the findings of a team of management scholars selected by AIM to review existing research on the subject.

Key Findings

Where UK firms have failed to reap the benefits of best practices it is often due to a failure of execution. The successful adoption of promising practices involves five key phases – the Five Steps to Best Practice. Together they provide a route map for making best practice stick. The Five Steps are:

- **Evaluation:** the events that lead to the decision to adopt a best practice
- **Set up:** planning for the introduction of the best practice
- **Implementation:** the launch of the initial structural and organisational changes which are required to prepare the introduction of the best practice
- **Ramp-up:** the roll out to company wide use of the best practice
- **Integration:** the final stage of the adoption process, when firms achieve the anticipated benefits and the practice becomes part of the firm's routine

To be effective, best practices must be adapted to a firm's individual circumstances. Firms must learn, select, adapt, and incorporate new practices so that they become routine. To do this they must be open to new ideas, and able to recognise the value of external knowledge, assimilate and apply it commercially. Firms also need to overcome a number of barriers that inhibit adoption, namely: poor leadership; lack of understanding, communication and knowledge-sharing; and cultural resistance.

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High performance workplaces combine best work and management practices. The Porter Report and the DTI Innovation Review both specify the adoption of best practice as an area where UK firms need to improve.^{3,4}

The Porter Report suggests three possible reasons for the slow adoption of modern management practices in the UK. These are:

- Management failure: an inability to manage change or provide adequate training for new best practices
- Insufficient investment: both public and private, in capital assets and R&D
- Insufficient collaborative infrastructure such as industry clusters or other information networks

As part of the DTI's ongoing Innovation Review, AIM asked a team of scholars to review the management literature on the subject. In particular, they considered how firms can become more aware of best practice and the necessary conditions for its successful implementation on a long-term basis. The result is a best practice model for the adoption of best practice – the Five Steps to Best Practice.

The drive to best practice

Best Practice for High Performance Firms

Examples of best practice that have had a substantial impact on the performance of firms, and even national economies, can be grouped under the banner of Quality Management.

Total Quality Management: TQM dates back to the work of the American business academic Dr. W. Edwards Deming in 1940s post-war Japan. It was subsequently exported to the US and the rest of the world. A philosophy of managing the continuous improvement of the organisation towards a goal of customer satisfaction, TQM involves the concepts of quality improvement and quality assurance as well as product and service quality and process control.

Six Sigma: A quality programme first developed in 1986 by the US telecoms company Motorola. Six Sigma was subsequently adopted and refined by other corporations including Asea Brown Boveri, Allied Signal and most notably GE. Motorola defines it as: "a measure of quality that strives for near perfection. The Six Sigma process uses data and rigorous statistical analysis to identify 'defects' in a process or product, reduce variability, and achieve as close to zero defects as possible."

ISO 9000: A specification for a quality management system which is regarded as a quality kitemark. Originally introduced in 1987 ISO 9000 has been through two major revisions. The first substantial revision was in 1994 and emphasised quality assurance. The 2000 revision focuses on process improvement and the idea of process effectiveness via process performance metrics. The ISO standards are developed by the International Organisation for Standardisation, which was founded in 1947. Certification is obtained from accredited third party certification organisations.

In recent years, UK firms have introduced a number of internationally recognised workplace practices. These include ISO 9000, TQM, Six Sigma, benchmarking and Supply Chain Management. The literature indicates that there are two primary drivers for the adoption of best practice. These are:

- Institutional push
- Needs pull

Institutional push: Other external forces play an important role in driving a firm to adopt best practice. These include: new technology; government and other institutional regulations; supply chain dynamics – client pressure, for example; senior management and executive training; networks; consultants and other opinion formers. There can be conflict between the firm’s need for best practice and the external forces driving the firm to adopt best practice. For example, firms may feel that government regulations or client pressure forces them into adopting a best practice even when there is no internal need. ISO 9000, for instance, has been adopted by many companies under pressure from clients. This creates internal resistance. In such cases, adapting the best practice to the specific firm is particularly important for gaining company wide acceptance of the change.



Needs pull: A firm’s decision to adopt a best practice may be driven by a number of factors. One of the most common is reacting to a crisis situation. To deal with a crisis a firm will often consider a more radical change to its working practices than it would normally. Poor performance over a prolonged period may also stimulate the adoption of best practice – and if left too long can trigger a crisis. The adoption of best practice can also be part of a broader strategy or vision. In this situation, senior management recognises that current capabilities are insufficient to deliver strategy, making the adoption of new practices essential.

the route to best practice

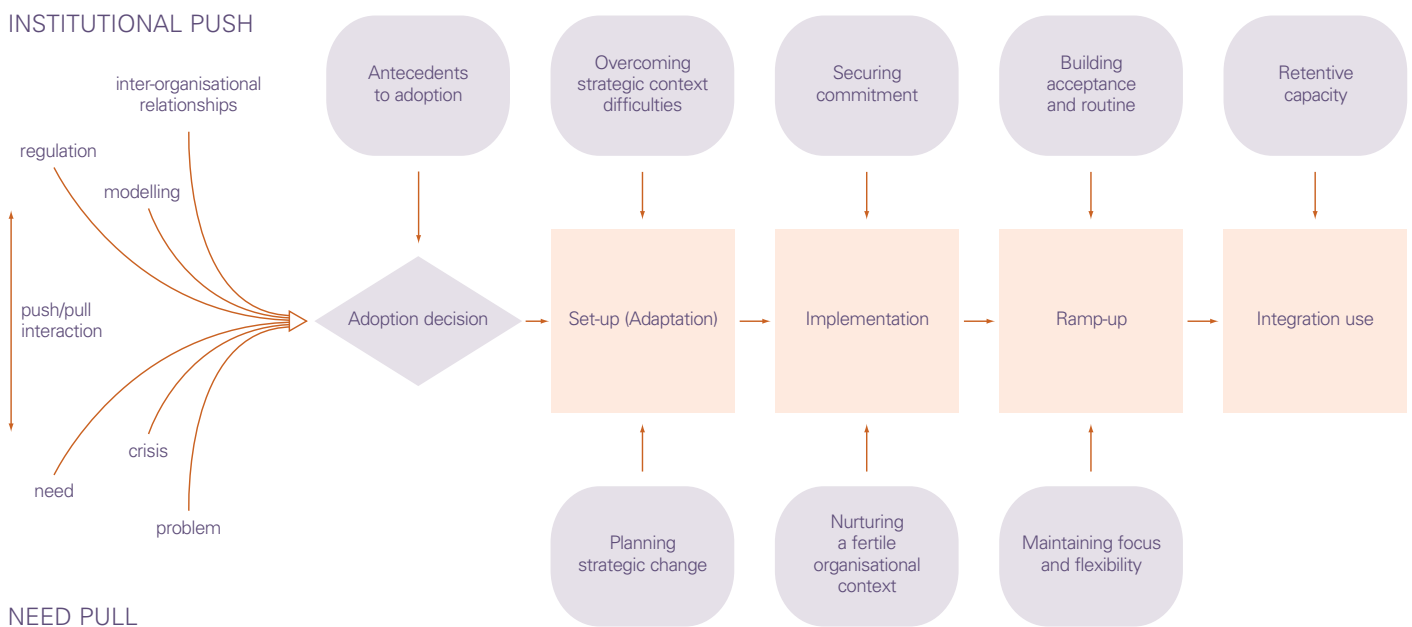
Our research discovered five distinct phases required for the successful adoption of best practice. These provide a process that firms can follow.

The Five Steps to Best Practice are:

- 1 Evaluation:** the events leading to the decision to adopt a best practice
- 2 Set-Up:** creating a plan to proceed to initial implementation
- 3 Implementation:** the launch of the initial small scale change programme or project that introduces the best practice
- 4 Ramp-up:** the roll out to company wide use of the best practice
- 5 Integration:** making the best practice part of the firm's routine

Each step must be successfully completed for best practice to be adopted in a sustainable way.

Generic model of Best Practice Adoption



Step 1: Evaluation

The evaluation of a best practice for adoption should be treated both as a problem-solving process as well as an investment decision.

The discrete stages of adoption are:

- Defining the need
- Gathering information about possible best practices
- Deciding which best practice is the most feasible
- Evaluating the investment implications
- Deciding whether to proceed with the new practice

There are number of external factors which will influence the decision-making process. These can be divided into two groups: internal and external. Internal factors include the structure of the firm, its size, the industry it operates in, its location and its performance. External factors include the competitive environment the firm operates in.

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Step 2: Set-Up

This step is about planning for the implementation of best practice.

Set-up consists of a number of stages:

- Defining adoption objectives
- Formulating an adoption plan
- Analysing the context – organisational, strategic and social – within which adoption will take place
- Adapting practices to the firm
- Planning resources
- Planning the change

It is particularly important to ensure that: best practice is tailored to the needs of the individual firm; and also that the firm has the management and resources to see the strategic change process that is required through to its conclusion.

Adaptation of best practice to the context of the firm

The idea of generic, universally applicable best practice is a misconception. Attempts to implement 'off the shelf' best practice often end in superficial implementation and failure.

Research shows that every organisation has its own optimal configuration, its own best fit of context, structure, and control. Deviation from this optimal configuration will lead to a lack of co-ordination, miscommunication, misunderstanding, poor morale, and poor motivation. This in turn will undermine performance. Trying to impose a one-size-fits-all best practice solution makes no allowance for the organisation's optimal configuration. Generic best practices need to be tailored to the specific context of the firm.

Strategic change management

Adoption of best practice requires careful management. Detailed planning and identification of the resources needed to launch implementation is essential.

Companies should:

- Have clear aims and objectives
- Collect and measure sufficient data to support the planning process
- Analyse possible factors which may prevent the integration of the selected best practice
- Allocate sufficient funds and resources to the adoption process
- Include best practice targets at a strategic planning level

Step 3: Implementation

Implementation in this context has a precise meaning. It refers to the initial changes that precede the introduction of the best practices, and not to the entire adoption process.

For example, procedures are revised, lines of reporting modified, equipment is purchased. No financial return should be expected at this point. Nor should the firm expect to achieve mass acceptance this early. Usually the implementation step will be managed as a project.



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The three main strands of the implementation step take place in parallel. They are: execution; securing commitment; and creating a receptive environment context.

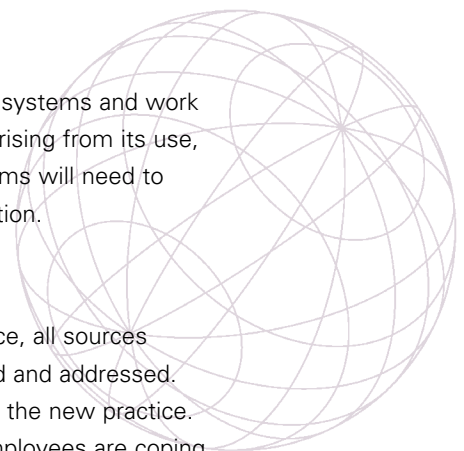
- **Execution.** This is the main strand and involves the firm executing the necessary short-term actions to get the change programme underway. For example, this may include rewriting procedures and buying the appropriate technological infrastructure.
- **Securing commitment.** The change programme must be positively promoted within the organisation. Buy-in and commitment should be obtained from the maximum number of people, paving the way for further action at the ramp-up step. A general sense of commitment to the adoption of best practice should be built early on. Top management support and project champions are particularly important. As is training and educating employees about the proposed changes.
- **Creating a receptive environment.** The implementation step is the first time the organisation is exposed to the new best practice. This will result in a range of responses, both positive and negative. Negative responses are likely to range from, foot dragging, passivity and feigned acceptance to hidden sabotage and outright objection. Now is the time to deal with the negative responses and foster the right environment for the ramp-up step. Companies need to address the following issues:
 - Attitudes and perceptions that may inhibit adoption. Managers must demonstrate a positive attitude towards the adoption process and not appear sceptical. The more visible the project within the organisation the more likely management are to devote extra effort to making it work.
 - Potential conflicts between best practice and the operating culture of the firm. Certain types of organisational culture are more conducive to the adoption of best practice. These tend to be open and supportive cultures. For example, research shows that low cost cultures can block adoption.
 - The absorptive capacity of the firm.⁵ Absorptive capacity is the ability of the firm to recognise the value of new knowledge from outside the organisation, assimilate it and apply it for commercial purposes. It is essential throughout the entire adoption process. Any deficiencies in the firm's absorptive capacity should be dealt with at this step and no later.

Step 4: Ramp-up

Ramp-up is the point when a best practice starts to be used. As systems and work are customised to deploy the best practice and address issues arising from its use, performance gradually ramps up to the target level. To do this firms will need to build acceptance of the best practice at all levels of the organisation.

Several factors are critical at this step:

- **Securing motivation and involvement.** All barriers to acceptance, all sources of managerial and employee resistance should be investigated and addressed. Management and employees should be actively involved with the new practice. Special attention should be given to the way the individual employees are coping with the change process. Although communication is important at each step of the adoption process it is especially so during ramp-up.



An additional source of flexibility is to build a degree of organisational slack into the process so that the firm is flexible enough to respond effectively to unforeseen events.

- Resolving unexpected problems. Problems are to be expected at this stage of adoption. If the adoption of new best practice is to succeed they must be resolved early on. Focus and flexibility are essential.

Sufficient focus is required to prevent everyday business pressures from distracting the team from the adoption process. Equally, external shocks to the organisation, such as a change of ownership, have the potential to knock the process off course or stop it in its tracks unless the team is single minded.

If the adoption process is implemented too rigidly the firm will struggle to overcome unexpected problems. For example, plans and objectives may need to be revised to accommodate unforeseen circumstances and problems.

Individuals who were not initially included in the task force in charge of the ramp-up step may be invited to join it. Budgets may have to be revised to give managers the means to tackle unexpected problems and to revise their approach in the light of early lessons learned. An additional source of flexibility is to build a degree of organisational slack into the process so that the firm is flexible enough to respond effectively to unforeseen events. Inevitably there is an inherent tension between the need to focus and the need to be flexible. The successful firm is the one that finds the right balance between the two.

Step 5: Integration

There is no guarantee that best practices will be sustained beyond ramp-up. Once the firm has achieved satisfactory results with the new practice, it needs to integrate the best practice into the firm. This means that once the resources which were allocated to manage the ramp-up stage are removed, the practice should continue to be used as was initially intended. The aim is to institutionalise the process, to entrench it in the firm. In this way the best practice becomes a routine part of the firm's activities. The ability of the firm to retain best practice can be regarded as its retentive capacity.

There are a number of factors that will help make the best practice part of the firm's routine. These include:

- Education and training;
- Regulative or coercive pressures;
- Cultural factors.

Retentive capacity, however, is a double edged sword. Although it is necessary to make sure that successful practices do not decay or evolve wildly once ramp-up is closed, operational routines which are entrenched can in turn become a source of resistance to change later on, when changing business conditions would require change. This clearly constitutes a delicate balancing act for managers, who should be able to recognise when and how to encourage or discourage the entrenchment of routines.

conclusions

The adoption of best practice is critical to becoming competitive high performance firms. Yet UK firms are not good at adopting best practice, and when they do it is often unsustainable.

To overcome this, they need to apply the Five Step model:

Step 1: Evaluation – deciding to adopt a best practice

Step 2: Set-Up – from decision to proceed to initial implementation

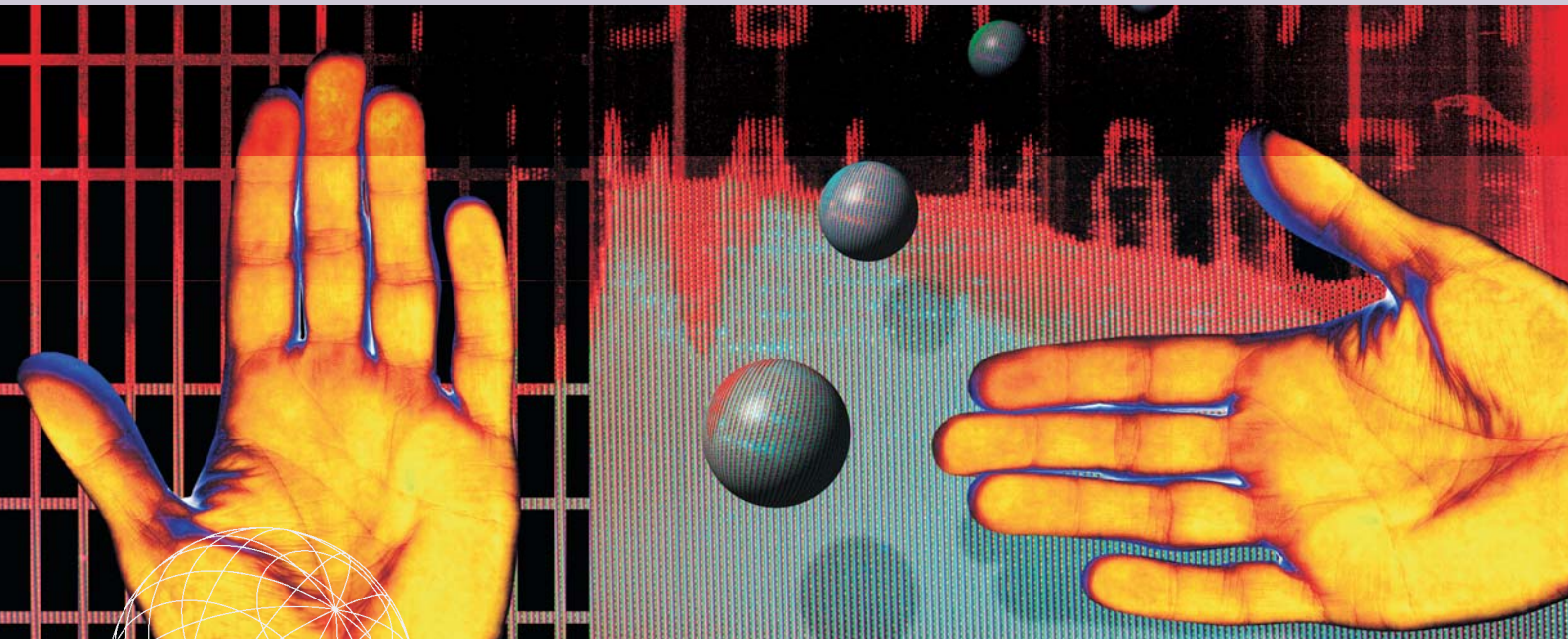
Step 3: Implementation – launching the change programme and executing initially planned short-term actions

Step 4: Ramp-up – ramping-up to full-scale use of the new practice

Step 5: Integration – making the best practice part of the firm's routine

There are a number of actions that firms can and should take to make this easier:

- Ensure top management commitment to best practice adoption
- Communicate the need for new practices to the entire workforce
- Systematically assess and review the progress of the adoption process
- Develop a more external focus to work with customers and suppliers



- Engage in effective networking
- Communicate regularly about new practice implementation
- Empower and involve employees
- Establish clear monitoring and control systems to manage the introduction of new practices
- Set clear goals, objectives and targets for the new practices
- Provide education for managers on how to choose and implement new practices
- Provide training for the workforce on how to work with the new practices

Above all firms should remember that best practice must be adapted to the needs of the individual firms.

Implications for policymakers

There are a number of actions policymakers can take to encourage adoption of best practice. These include:

- Highlighting role models
- Raising awareness of best practices
- Communicating issues concerning implementation of the adoption process
- Providing incentives for firms to adopt best practice
- Identifying knowledge and skills required to implement adoption model
- Providing training for skills needed to work with best practice
- Supporting networks that facilitate best practice

Research implications

The evidence shows that UK firms lag behind their major competitors in adopting best practice. But key questions include:

- At which stage(s) of the process are the problems occurring?



More research is also needed on the adoption model. In particular:

- What actions, if any, are required after the ramp-up stage, to ensure the best practice becomes routine? In particular, how can retentive capacity be increased?
- How can the effectiveness of institutional push mechanisms be measured?
- Do firms treat the adoption of best practice as an investment decision?
- The adoption model should be extensively tested for relevance, competency and accuracy

AIM – The UK's research initiative on management

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The Advanced Institute of Management Research (AIM) was founded in October 2002. It is a multi council initiative of the UK's Economic and Social Research Council (ESRC) and Engineering and Physical Sciences Research Council (EPSRC) – with activities at over 30 institutions in the UK and overseas, and offices at London Business School.