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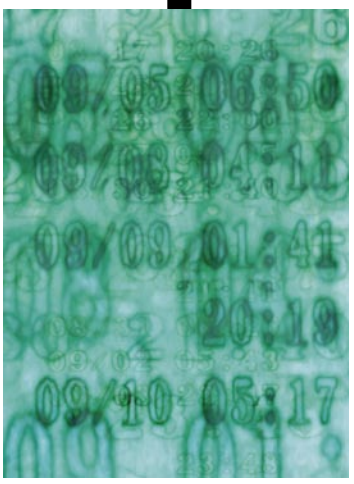

Implementing Best Practices

A pragmatic look at what goes wrong, and how to do it right.

ORACLE PARTNER

Best Practices

Organizations turn to best practices to solve operational problems, expecting lower costs of operation, an improved bottom line, and greater competitiveness. Generally, best practice projects get kicked off with high expectations and the best of intentions. Why, then, do they so often fail?

In this reprint from our e-newsletter, we identify the reasons they fail, and how to do it right.

Definition: Best Practice

A "best practice" is a way of accomplishing a business function by a process that is superior to all other known methods, and that through common usage, has risen to the level of a standard.

Part 1: Why They Fail

People Assume What "Best Practices" Means

When somebody says "We need to implement best practices so that we can improve inventory accuracy," the tendency is for us to all nod our heads as if we were sharing a moment of wisdom. However, the solutions we're each envisioning may be quite different, based on our individual experiences.

People assume that a lesson learned from one area of a business can be passed on to another area of the business, and between businesses. While the principles (e.g., inventory reduction) driving best practices are shared by all, implementation objectives vary significantly. For example, the best practices for a vertically integrated multinational will bury Joe's Job Shop in mountains of unneeded detail created at significant cost.

The same questions, posed under differing circumstances, generate differing answers. Consequently, when people try to implement business practices that were designed with another company or department in mind, failure results.

Solving The Wrong Problem

For an implementation of best practices to be useful, it needs to address the issues that are holding the company back.

If the issue is inventory accuracy, is the problem having the right items on hand? Is it a lack of accurate transaction data, meaning you need to know which items need to be measured, and how?

If your accounts receivable are out of whack, is the problem with your terms, or getting invoices out in a timely and accurate way? Or is it a sales problem, with sales orders not being processed properly?

While many things compete for the attention of a plant manager, the challenge is to find the root cause to all the problems. Fix the root cause and you've truly implemented a best practice.

Fixing the right problem doesn't solve all the other problems, but it's a good start. Once you've got those best practices up and running, turn your attention to the next biggest problem (which is now your new biggest problem!)

Trusting Software To Solve The Problem

Since the current generation software is designed around industry best practices, many consultants wrongly look to the software to drive best practices implementations, and to solve the problems coming from poor business practices.

Industry best practices are an excellent starting point. However, as we've seen, best practices must be tailored to the specific circumstances facing the company. The software won't work by itself — it must be configured by an experienced professional who understands the issues, challenges, environment and objectives of the project.

Running Before You Walk

If you're trying to get somewhere fast, you may try to run instead of walk. If you're trying to get the best results as quickly as possible, you may try to implement best practices before your company is executing the fundamentals properly.

For example, cycle counting may be a best practice for your industry, but it will do you no good if your inventory transactions do not provide an audit trail. If you cannot review your data to find out where the errors occurred, the information provided by cycle counting can never be put to a "best practices" use.

Irresistible Forces And Immovable Objects

Many best practices projects fail because the project isn't managed properly, leading to scope creep, blown budgets and missed deadlines. Often, however, project management doesn't get the "credit." Instead, people note how the best practices project surfaced unanticipated problems. It's easier to blame "unanticipated problems" instead of a project manager who should have known that implementations are likely to bring visibility to formerly invisible problems. For example, better insight into inventory may reveal holes in accounting procedures. A good project manager knows what to do when requests for unbudgeted, unscheduled "collaboration" and/or consulting resources are made to address the newly identified issues. The problems and challenges of best practices implementations are magnified when new software is involved. Typically, ERP solutions require revolutionary (rather than evolutionary) change because the new software cannot map old processes, data, parameters, code structures, or transactions, despite the best efforts of the implementation team. Moreover, the software often has functionality the users want to implement right away, even though surrounding systems may not be ready to support the implementation. It isn't reasonable to expect to foresee every problem that may crop up during this type of implementation, but it is reasonable to know that they will. Companies can blame unanticipated problems, the software, or the users. But the bottom line is that even if the blame is well deserved, it doesn't bring them a successful implementation.

People Are The Key

For all kinds of projects, managers tend to focus on technical and process issues, leaving the most difficult – people issues – until it's too late. The project cannot succeed without the support of the people doing the work. No matter how valuable the project will be when it's implemented, there's usually a lot more work for everyone involved until it is.

Part 2: Doing It Right

Make Sure You're Ready

Before you start a "best practices" implementation, you need to be sure you're executing on the fundamentals. If you see these "red flags," think "fundamentals" instead of best practices:

- Inaccurate or out of date Bills of Material.
- Large adjustments to inventory.
- Too much short or excess inventory.
- Low inventory turns.
- Lack of audit trails.

Be willing to invest in outside resources if you need to. The cost will be much less than a failed best practices attempt.

Set The Stage

Implementing best practices means accepting that there are other, better ways of doing things, even in your unique environment. This often requires a shift from a "not invented here" perspective. Early in the process, engage the managers you're going to be asking to change. Have them help you set the tone that "change is good."

Start by reminding everyone that the company can improve a lot faster if you don't have to think up all the ideas by yourself. Without buy-in, managers and employees alike can feel like they've been "set up" once their results get compared to world-class results.

Finally, identify the resources you'll need to successfully complete the project (among them will be a people-savvy project manager, and possibly an outside resource with best practices implementation experience and expertise). Now, you're ready to begin.

Identify The Target Process

Often, you'll know which process to work on. However, if more than one process appears to be a viable candidate, choose the one that adds the greatest value for your customers.

Using "value to customer" as the criteria will also help you choose the right companies to use as benchmarks, as it will draw you to organizations which most closely match your own.

Create A Plan

As with any other project, project management is critical to success. Create a plan that identifies what needs to be done, prioritizes objectives, and is specific about the desired end-results. Without a plan, your benchmarking efforts may amount to little more than "industrial tourism." Entertaining and interesting, but ultimately not enough to give your company the information it needs to move forward.

Somewhere during this project planning process, select a highly qualified project manager with practical experience, industry and process expertise, and leadership and communications skills.

Project management is key. It doesn't have to be fancy. Have a plan, constantly monitor and manage to that plan, and don't change it without a cost-benefit analysis. The project manager must have the knowledge and experience to make the right calls on particular issues, and if needed, present the business case to add scope to company management. A good project manager will also know if the scope of a particular project needs to be broken into multiple projects.

Let The Benchmarking Begin!

Many people think of a best practices project only in terms of benchmarking (studying the best operating numbers, tactics and strategies of world-class organizations, and applying that learning to their own organization). As this series has shown, there is much more involved. Even so, benchmarking is a central element of a best practices implementation.

Benchmarking begins with understanding the process you want to improve. Without a thorough understanding of where you are and what you're doing, comparisons will be meaningless. With that understanding, you'll be ready to research comparison organizations, as well as industry trends and developments.

Select organizations that appear to be appropriate for your purpose, and begin your data collection. You'll need to identify, understand, and compare financial ratios, efficiency, and other objective measures of performance with the organizations you've selected.

These numerical results may tell you that you have a problem, but not what the problem is. Alternatively, they may suggest to you that some of the organizations you've chosen really aren't comparable. If that's the case, you'll need to begin again with different organizations chosen as your benchmarks.

Now that you've established that you're looking at the right companies, and that their operating results are superior to your own, you can start comparing their processes with yours.

Your task here is to understand the hows that underlie the numbers. Getting the information can be a laborious process, easily taking twice as long or more than getting the whats. Resist the urge to settle for a superficial interpretation, and be aware of context, as numbers in a vacuum are often misleading.

As you do the work, make sure you're comparing processes that are truly comparable, and highlight methods that you may need to alter to fit your unique culture or operations. Don't be surprised if you learn that trying to achieve a best-in-class measure isn't cost-effective for you or that the activity being bench marked might best be outsourced.

Measure What's Needed, Not What's Easy

Benchmarking the broader and more widely similar measures of corporate performance can fail to give you actionable information. You need information that is sufficiently detailed for a unit manager to make changes that improve performance.

You don't need a lot of measures. Instead, find the key measures that serve as critical indicators. Surprisingly, the sort of measure that can provide such a breakthrough is a sometimes obscure, but precise measure that turns out to be a critical indicator of overall performance.

The more specific the process is you're trying to benchmark, the harder it will be to find meaningful, comparable data. If you can't find anything, consider your trade association, as many trade associations run benchmarking operations for their member firms. Keep in mind you may need to share data to get data.

If you're benchmarking less industry specific processes (e.g., customer service, payroll), you'll be able to find plenty of information and data, and it won't need to be specific to your industry.

At the conclusion of benchmarking, you should have a good idea of what you need to do. It's time to put all that information to work.

Moving Forward

Whether you're planning to update existing processes or create new ones, identify all the barriers to change so that they can be addressed in your project plan. This is a critical juncture in your implementation, as you'll discover much more to do than there is time or budget to attack. Your project manager must be qualified to make the right calls about what justifies additional scope and budget, and what can be dealt with another day.

The very name of "best practices" misleads us into thinking that the implementation is a one-time event. After all, once you've implemented the "best," where can you go from there?

The best-case scenario is that your efforts will bring to light other practices that need improvement. Often, however, a serious assessment will reveal that work needs to be done to shore up the fundamentals before taking on best practices.

Either way, it's easy to get wrapped up in new metrics and new processes, and in doing so, letting non-bench marked measures slip (e.g., boost production by letting the quality go downhill a bit). In the same vein, make sure your benchmarks remain relevant, as business changes rapidly.

By committing to continuous improvement, you'll be working on the right thing at the right time, whether it's a fundamental or a "best practice". With that commitment in place, you'll be on the road to success with best practices.

Nick Testa

Nick Testa has been in senior management for over 30 years, working with and within organizations of all sizes and types. His partnering approach fosters excellent client service and rapport while generating in-depth understanding of client issues and perspectives. His approach, experience and expertise, coupled with his ability to work with all levels and disciplines within an organization, translate directly into faster problem identification and resolution, more effective project leadership, better cost and schedule performance, and highly focused results.

Nick currently serves as President of APICS' Board of Directors. APICS, The Association for Operations Management, is the premier source of the body of knowledge in operations management, including production, inventory, supply chain, materials management, logistics, etc. His many years of service to the organization have recently led to his service on the Board Of Directors for the last 5 years.

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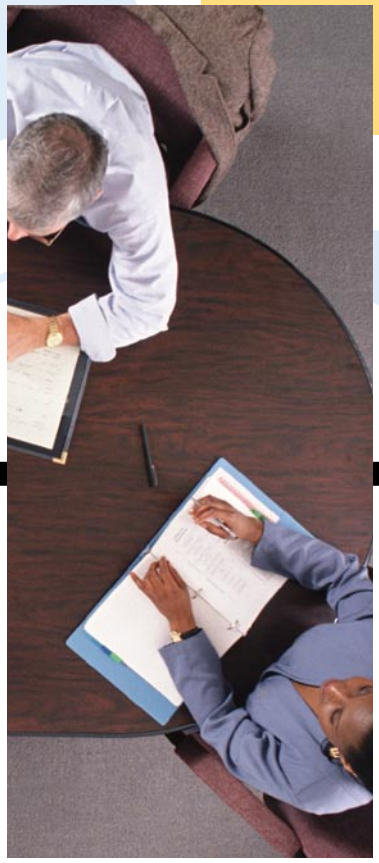

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