

Possibilities and limits of adopting successful managerial approaches: from "Best Practice" to "Best Fit"

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Abstract

Approaches, processes, and management methods that allegedly helped enterprises to achieve great results are often described as "Best Practice." These approaches are usually recommended to other enterprises, often without a detailed analysis of the causes of their alleged success, as well as without assessment if they are suitable in other conditions. The article focuses on critical review of the conditions of using best practice when managing enterprises and shows its limits. It comes to the conclusion that "best practice" recommendations are rarely based on rigorous empirical methods of research and therefore are generally unreliable. There is, in addition, no widely held understanding of what is meant by the use of the term. Based on these findings and conclusions, the article promotes a more suitable approach of "Best Fit" which, unlike the methods of best practice based on processes, is based on common goals of successful managerial methods and their adaptation to the conditions and strategies of other enterprises. The approach is demonstrated by methods of human resources management.

Key words

Enterprise management, Best Practice, Best Fit, Human Resources Management

JEL Classification: M00, M14

Received: 4.10.2017 Accepted: 23.4.2018

Introduction

The fundament of the "best practice" concept is the thought that enterprises that want to be successful should assume or copy the methods and approaches of those who (allegedly) thrived thanks to these methods (Komus, 2011). Such a recommendation, however, often does not work (Hoy, 2014, Vermeulen, 2013, Vermeulen, 2010, Collins, 2013). The reason is that only a few managerial approaches have such universal character that would make them suitable or the best everywhere.

One such example are enterprises of the same sector that became successful thanks to completely different personnel policies, such as enterprises that have a long-term strategy of training their important employees themselves in comparison to enterprises that have a long-term (and successful) strategy of attracting capable employees from the competition. There is absolutely no reason to take their approaches out of context of their broader strategies or to proclaim one or the other as "best practice."

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Historically, one of the first analyses of this issue can be found in the article by Wareham and Gerrits (1999). Further analyses in this regard were conducted by Pudelko and Mendenhall (2009), stressing the contingent nature of best practices in national competitiveness as well as by Druery et al., (2013). The effectiveness of the best practices approach in human resource management was critically analyzed by Bezzina et al. (2017).

The objective of the article, which is based on historical experience with the concept of best practice as well as on experience with some specific managerial methods, falling into this category, is to point out the limit of the concept of "best practice." Instead of this method, the approach called "best fit" is introduced that is based on not adopting approaches but goals of successful methods, while their concrete tools or approaches are adapted to the enterprise's needs. The approach is demonstrated on the example of methods from the area of human resources management.

1 Methodology

The paper reviews articles that identify and discuss best practices, in order to determine how "best practices" are distinguished from other practices, and whether these determinations are made on the basis of consistent and reliable evidence. The review also takes into account definitions of the term to discover if a common definition is used amongst authors.

The underlying approach of this review was the analysis of assertions made, regarding best practices, as to whether they really rest on detailed empirical studies or rather on opinion, individual experience and anecdotal information. The long-term experience with methods claimed to be best practice focusing on their strong and weak points is analyzed by reviewing literature mentioning both successful and unsuccessful business performance of companies that followed „best practice“ methods.

On the basis of the critical review of the best practice methods and its results in practice we introduce an alternative to this method that replaces its „process“ focus with stress on goals of successful managerial methods.

2 The concept of "best practice" and its deficiencies

The core of the concept of "best practice" is the idea that an enterprise that wants to be successful should adopt or copy methods and approaches of those who were (allegedly) successful based on these methods. The method is a specialty of consulting companies offering prefabricated approaches or models used for "setting up" certain enterprise processes. This often happens without assessing if these methods or processes are suitable somewhere else as well. Despite the frequency with which the term is used, there is often little discussion about what is meant by the term and how one can reliably identify a best practice.

Adopting or copying methods used by other enterprises is also fueled by the fact that persons who had introduced certain methods in their enterprises tend to praise

them and to overvalue their benefits. Zbaracki (1998) noticed this years ago in connection with the TQM method and discovered a paradox situation: persons who were managing the enterprises who used this method rated the method as much better than the method's developers.

2.1 The Icarus paradox

The issue connected to the concept of best practice is that successful enterprises that developed it are often in its core unique; the usability of their "best practice" depends on a variety of conditions. Such are the specifics of their sectors, their size and strategies, as well as the country in which they operate or its culture. Finding an enterprise that is active in the same sector, has approximately the same size, and in its core does not differ culturally or strategically is oftentimes not only difficult but perhaps even impossible. As Khan (2012) states, "contextual intelligence" is important understand the differences of the "context" of individual enterprises from the perspective of their suitability to adopt a certain managerial method.

"Successful enterprises" that serve as an example for others do not however necessarily need to be successful at all times. At the point in time when their "best practice" is adopted they may have already peaked.

The well-known publication "In Search of Excellence" (Peters, 2006) that made the method of best practice famous is an example of this. The majority of enterprises whose practices the publication had presented were by far not the most successful enterprises a few years after the book's publication.

The same experience (although from another perspective) is provided by the long-term observation of the stock market performance of enterprises. Out of the one hundred enterprises that the American magazine Forbes had listed in 1966 as the one hundred most successful American corporations, more than sixty did not exist in 2006. Only 19 managed to remain on the most successful list of one hundred enterprises (Vermeulen, 2013).

The declining of success of some enterprises relying on "best practice" can however also have some systematic causes. It is the phenomenon called the Icarus paradox or the trap of success (Vermeulen, 2013). It is based on the premise that an enterprise using "best practice" and after a period of obvious success encounters severe issues based on the same tools and strategies that helped generate its previous success.

The reason behind this paradox is the conviction that successful methods it is based on will function the same without any changes in the future. Confidence, self-satisfaction, and underestimating the competition also play a role. Enterprises sometimes also underestimate the role that chance had – they overestimate the influence of certain managerial decisions.

Relying too much on previously successful methods leads enterprises that are affected by this paradox to overlook or underestimate changes that happen in their vicinity. They only try to perfect the competitive advantage that they created; an advantage that proves to be insufficient in the future.

2.2 Common “Best practice” methods that do not work every time and everywhere

There are many methods categorized as “best practice” that have become known and adopted. The majority of these methods sooner or later proved not to work everywhere. Some of the most famous are:

- **The Six Sigma method.** The method was made famous by the enterprise Motorola in the 1980s as a tool for finding and eliminating deficiencies of enterprises. A number of consulting companies that adopted it helped to make the method well-known. The goal of the method is not flawed; the issue is with the way the method strives to fulfill it.

Its tools are complicated and oftentimes exist rather for their own sake: they are based on selected managers being awarded various colorful belts for their experiences. They become hierarchically organized experts walking through the enterprise looking for problems or deficiencies in the work of others. There are follow-up meetings where their recommendations are discussed.

A number of companies used this method. Many of them, however, came to the conclusion that they wasted a lot of time (caused by measuring a number of indicators and long meetings about which of the recommendations is plausible) without any results; their results sometimes even became worse (Nayab, 2011). The same study that was aimed at examining the impacts of this method even came to the conclusion that enterprises that strictly followed the method experienced a decline of their share price on the stock market (Nayab, 2011).

- **Matrix management.** This management and organization method has a lot of followers as well and also **originates** in the 1980s. Most commonly, it works under the premise that employees with a certain specialization form divisions under joint expert management but are also at the same members of teams lead by project managers. One employee can therefore have – depending on how many project teams he/she is in – two or more bosses.

The method is logical to a certain degree and makes managing of enterprises - whose activity primarily consists of temporary projects – easier. Its success however depends on to which extent the enterprise can suppress competences conflicts that arise during its implementation between the heads of the projects who try to push their needs through. If the enterprise is not successful in doing so then these conflicts consume a considerable amount of work time. If the method is strictly followed it can lead to an excessive number of managers in the enterprise (or even to the situation where project managers become members of other specialized organizational divisions that focus on managing projects).

- **Management by objectives.** The method is based on setting up clear long-term performance objectives of individual employees known as their key performance indicators. At first sight, the method seems to have no issues.

A number of enterprises facing uncertain tasks (or tasks that do not match their higher performance objectives) and their intangible evaluation significantly make use of this method.

The method should be simple. It becomes a problem when it devolves from a simple defining of personal objectives to a complicated administrative exercise consuming more time than the actual tasks. Its implementation can also be more complicated in enterprises that are forced to often change their objectives due to unexpected events.

“Forced rating” when evaluating employees. The method was made well-known by Jack Welch, the former CEO of General Electric (GE) who insisted on using it in his enterprise. The method has many variations and is based on the management not being able to evaluate their employees freely. They have to comply with specific percentages of “above-average” or “below-average” evaluations. In its marginal form at GE it led to the firing of the lowest ten percent of employees each year.

The method can be beneficial in conditions where employee evaluation is only performed formally and in situations where the management is scared to evaluate their employees differently – distinguishing between efficient and weaker employees. The issue of this method is that it results in higher competitiveness between employees and can therefore support rivalry that hinders cooperation. In some cases it can lead to skilled employees leaving the enterprise who were not evaluated well enough. Even GE, the company that introduced it, ceased to use the method after J. Welch left (Cappelli, 2016).

- **Management by walking around (MBWA).** It is a management style in which managers spend a significant amount of their time by visiting workplaces and interviewing employees; it is often accompanied by an “open door” policy of the managers. The goal is to familiarize themselves with the issues of individual workplaces or even to immediately solve them while there. The method is based on the idea that a manager cannot rely on his/her employees coming to him/her with their problems directly, which is why he/she should visit them directly.

Hewlett Packard popularized MBWA; Tom Peters and his book “A Passion for Excellence (Peters and Austin, 1985)” also helped to disseminate the method. The method proved to be beneficial for enterprises who are going through changes (or who plan changes) and whose employees feel uncertain. It primarily applies when this method was already used before as a management tool. A prerequisite for its use is that managers really listen to what their employees are telling them and that they are then able to immediately at least partially help them. If this is not the case, employees perceive the method rather as an unwanted distraction from their work or even as unnecessary control or a mistrust in their abilities.

2.3 Fear of renouncing the “collective solution”

A specific type of using “best practice” is the tendency of some companies to use methods that are known for not achieving convincing results. It is caused by the fact that others – oftentimes the competitors in their sectors – use them and the enterprises are scared to let these methods go. Shifting responsibilities by the management who tries to prepare for the case when the company does not perform well can also contribute to this situation.

The pharmaceutical industry and its practice of selling medicaments via sales representatives visiting practices and health care facilities is one such example (Vermeulen, 2010). This practice is very costly, primarily because it features a number of financially demanding “motivational tools” trying to persuade health care facilities to prescribe certain medications.

A direct consequence of this form of sales is that the costs of marketing of pharmaceutical enterprises are three times as high as their costs of research and development (the industry tries to blame the high prices of medication on this area). The issue of the method is however its low efficiency reflecting in the spent costs for one prescribed medication.

Pharmaceutical enterprises have known of this fact for a long time. It is however a generally widespread “best” practice which they are scared of leaving fearing that it could damage their position in comparison to their competitors.

3 Processes versus goals

The primary weakness of the method of “best practice” is that the enterprises focus on certain processes or approaches. The success of management methods does rather depend on which goals they pursue (Bretschneider, Marc-Aurele, Jr and Wu, 2005). Their concrete form – meaning the approaches or tools – can however differ in individual enterprises (Hiltrop, 1999).

3.1 Goals and methods of human resources management

An example demonstrating the differences between goals and approaches of successful management methods are the methods of human resources management. As Lawler and Bouldreau (2012) show, some of the successful methods (regardless of their concrete form or enterprise type) are primarily methods that

- **support the selection, stability, and use of talented employees.** These are also tools that support their further expert development and primarily their employment where they can benefit the enterprise the most;
- **strengthen the efficiency of employees and their groups.** Their mutual indicator is usually the support of personal responsibility and a clear as well

as simple relation between performance and awards of the employee. These are however also methods that support the balance between personal or sometimes group goals of the employees and the goals or strategies of the enterprise;

- **make possible to regularly and reciprocal communication of the enterprise or its management with the employees**, meaning informing the employees about the enterprise's development but also gathering of opinions and inspiration from the employees.

Methods that fulfill such universally beneficial goals should simultaneously meet the enterprise's conditions. The "best fit" method takes these different conditions into consideration: it is based on the prerequisite that the adopted practice should be adapted primarily to the enterprise's strategy, its main competitive advantages that are the base of its success, its development stage, size, culture, etc. The more the methods are adapted to these factors, the more successful the methods usually are.

Common goals with different methods are one such example and increase personal performance of persons and their groups. They can be demonstrated by different approaches to defining and differentiating of starting salaries, measuring and evaluating the performance of employees, or tools for increasing their productivity corresponding to the different strategy of the enterprise.

This is for example the case with enterprises whose competitiveness is based primarily on being able to produce fast product innovations and introducing them on the market. One of the crucial prerequisite for their success is to attract top-ranking talent and further developing them. Striving to gain and keep these employees should therefore have higher priority than trying to lower their costs even in times when the enterprise is trying to lower its costs. The starting and basic salaries of employees (including the ones working in same workplaces) can significantly differ based on their abilities and contributions to introducing new products.

To a certain extent, enterprises whose competitiveness is based primarily on lowering and controlling operating costs, efficiency of production processes and their standardization have entirely opposite prerequisites. Defining starting and basic salaries should be solved by the demand for internal equality of rewards. Team work tends to be the most important feature of these enterprises, not individual contributions of individual employees; group performance should be more important than the performance of individuals. The differences of basic and starting salaries lack economic justification and could lead to threatening team cooperation.

Enterprises that base their competitiveness on their relations to customers (e.g. understanding their needs and quickly solve their individual needs) understand the support of mutual cooperation between employees (within their groups and across the enterprise) as their main managerial priority. When managing and evaluating the performance of employees, it is therefore necessary to apply methods that support such cooperation, such as an indicator of group productivity (Lawler, Bouldreau, 2012).

3.2 Other conditions for the “best fit” methods

When evaluating the suitability of a certain management method, the enterprises – apart of their specific needs – should take other conditions into consideration as well; primarily “best practice” focuses on other conditions as well, primarily based on

- **what information the given method was defined as appropriate or the “best”;**
- **in which conditions and under which circumstances can the method be understood as the best;**
- **who promotes the given method and what are his/her interests or goals.** The question can for example be if the practice is not only promoted because it provides an alibi for certain people in case of failure;
- **how probable it is that the method can actually be implemented within the enterprise’s conditions,** based on its abilities and needed resources.

The stated criteria can prevent accepting methods that are not suitable for the enterprise or the ones that are not sufficiently adapted to its conditions (Bretschneider, Marc-Aurele and Wu, 2005).

Conclusion

The basis of the concept of “best practice” is the idea that enterprises that strive to be successful should adopt or copy methods and approaches of the enterprises that based on the methods (allegedly) achieved success. This simple approach does however often not work. Only a small number of management approaches has such universal character that would make them applicable or even the best in all enterprises. It is caused by the fact that the usability of “best practice” depends on a number of factors, primarily sector specifics that the enterprises operate in, their size and strategies, and even the country that they originate in or its culture.

Historical experience also shows that “successful” enterprises that are presented as an example to others do not necessarily stay successful forever. In times when their “best practice” is being copied, they have often peaked. This is reflected in the Icarus paradox or the trap of success that are based on the premise that an enterprise using the “best practice” experiences severe problems after periods of significant success based on the same tools and strategies that helped generate the success.

The main weakness of the method of “best practice” is the focus on certain approaches instead on goals. The “best fit” method is a more appropriate method than the method of “best practice” since it does not adopt approaches but goals of successful methods and it adapts the successful methods to the needs of the individual enterprises – primarily their strategies or main factors that generate their competitiveness. Verifying why the certain method was labeled as appropriate or “best,” under which circumstances

it can be viewed as the best, who promotes it and what are his/her interest, and to what extent it can be expected that the method can be actually implemented within the conditions of the enterprise based on its possibilities and needed resources are all part of this approach.

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