# THE DARK SIDE OF BEST PRACTICES

## Concerns and questions to ask

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How can you possibly argue with best practices? These practices are, more often than not, superior to your own. Indeed, best practices embody how the best firms within an industry conduct business. By adopting them, you can share in that success. So, if they are better than what you currently have, and they are proven to be effective in your industry, then why not make the switch?

You may have heard this argument from consulting firms or software vendors (most enterprise software packages are built on a best practices model). In many cases, what they say is correct. Modifying or replacing your existing practices to make them more consistent with the best practices in your industry makes sense. Yet, there is a dark side to best practices that can hurt your business as much as it can help. Here are four areas of concern that you should consider before jumping onto the best practices bandwagon.

**Concern 1: It may not be best for you!**

This concern is exemplified in the old saying, ‘what's good for the goose is not always good for the gander’.  Just because a practice, process or capability has been associated with success in one setting, does not mean that it will lead to success in another. All firms are unique. They differ, often substantively, along a wide range of dimensions, such as size, location, history, and culture. All these differences can profoundly affect how firms operate.

In other words, best practices are imperfectly mobile. While they may work like a charm in one environment, they may fall flat in another. I saw a clear example of this a few years ago, when a bank adopted a set of industry best practices around customer retention. The problem was that their customer base was at the low end of the market, and the practices proved to be ineffective.

**Concern 2: It may not be best for anyone!**

You may wonder where best practices come from. Your assumption may be that they arise from a systematic and well defined process. The truth is substantially fuzzier. In fact, there is no proven methodology for the identification and development of best practices. The process typically goes something like this. An organization, normally a consulting firm or a software vendor, collects data about the highly admired firms in an industry. Sometimes this occurs via interviews with senior executives and/or surveys of employees at various levels; however, all too often the data collection comes from publicly available sources, such as the internet, and case files from past consulting projects.

From this data, a set of raw best practices are identified. These are the things that the highly admired firms do that appear to contribute to their success. This set is then stripped of firm specific elements and refined into something that is general enough to be applicable to many firms. On the surface, there is nothing wrong with this process as long as it is done in a systematic, consistent and careful manner (it often isn’t).  However, the result may be invalid even if the process is good.

The problem is that the link between the best practice and some form of organizational success is devilishly hard to demonstrate. Many factors lead to success, and the best practice is only one of a large set of possibilities. In the absence of surrounding practices, the ‘best’ practice cannot be guaranteed to help the firm. Indeed, it can be argued that practices cannot faithfully be disentangled from an organizational context at all.

There is an additional problem. While consulting firms always conduct best practice research on the leading firms in an industry (the first quartile, top 10%, etc.); they rarely, if ever, check to see what the poorer performing firms do.  You may wonder why they should care. The answer is that it is possible, likely even, that the bottom firms are following the same ‘best practices’ as the leaders. Thus, the factors that are associated with success may also be associated with failure – what scientists call an internal validity problem.

While consulting firms are quick to point out that the adoption of best practices must be accompanied with a shift in complementary systems, this is rarely followed up on. There is also the issue of durability. With increasing volatility and speed of change within many industries, the best practice may be past due by the time to comes to you.

**Concern 3: It can make you less competitive, not more!**

This third concern with best practices relates to competitive differentiation. By adopting industry best practices, firms in essence give up the ability to differentiate themselves from competitors on the basis of that practice. This problem is particularly acute when best practices are incorporated into business process re-engineering plans promoted by consulting firms, or built into enterprise software packages, like SAP. Because these systems are based on standardized processes, and because customizations can be very expensive and disruptive, firms within industries that have high rates of SAP adoption end up looking a lot alike. This leads to added pressure to build points of competitive differentiation on a small number of factors that are outside the control of the enterprise application. Thus, even if concern 1 (the best practice is mobile) and concern 2 (it actually links to success) can be verified, the best practice may only take you to the level of your competitors, not further.

**Concern 4: It’s demoralizing!**

Finally, best practices can be demoralizing to employees who have worked hard to develop and implement practices that are, presumably, something other than best. Indeed, when you bring best practices into an organization, you are in effect saying that your existing practices are sub-optimal. This may be true, but it can still ruffle a few feathers. Many of your employees have a large investment in current processes and practices, often as users, but perhaps also as designers. If you are not careful, there may be passive or active resistance to the new best practice

**Conclusion**

Best practices are an easy sell. Who doesn’t want to be associated with something that is, well, best? In this article, I have raised some notes of caution that I hope will lead you to pause and reflect on the true value of adopting best practices in your organization. In some situations, it will be the right thing to do. But, in some other cases, based on the four notes of cautions outlined above, the costs may outweigh the benefits.

I recommend that when you are faced with an opportunity to adopt best practices, you ask yourself the following set of questions:

- How mobile is the best practice, i.e. is the best practice likely to be portable across firms of different types?

- Why will this best practice be best for me, i.e. is it likely to work within a firm like mine?
- How was the best practice identified, i.e. how rigorous was the process used to identify and modify the best practice?
- How many firms in my industry have adopted this best practice, i.e. is it possible that my firm will lose points of competitive differentiation if this best practice is adopted?
- How much will I have to change my existing practices, i.e. given all of the above, is it worth the effort?

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