

Making the Best of Best Practices

Motorola learned delivery management methods from Domino's Pizza, and Xerox learned warehouse productivity improvement methods from retailer L. L. Bean. General Electric got many innovative ideas for cost-cutting and improving customer service from AMP and Ford. These companies have thrown out the "it wasn't invented here" attitude and replaced it with approaches that value the best practices of other companies.

Attention to the following eleven key points will help your utility successfully undertake a best-practices process and, in doing so, realize demonstrable and enduring results.

Point 1: Build a Commitment to Sharing

Getting outside companies to share with you is certainly the essence of any best-practices activity. Less obvious, perhaps, is the necessity of sharing within your company. Sharing is one of the keys to success—sharing a common sense of the company's most important priorities, and sharing a sincere intent to work horizontally across organizational lines and vertically among management levels to institute improvements. We can all learn from the efforts of Whirlpool's management that have engendered greater sharing and teamwork by de-emphasizing hierarchical job titles and referring to all employees as "teammates." A real commitment to sharing and teamwork is essential to the successful adoption of a best-practices approach.

Point 2: Increase Your Tolerance for Risk Taking

The evolving nature of the utility business makes the assumption of more risk a necessity in order to sustain corporate earnings growth, and, in some cases, to retain corporate viability. Risk is also an issue when it comes to "biting the bullet" of change required in implementing new best practices. Stakeholders at all levels of the organization must be educated on the benefits of the change, as well as the risks involved. For example, many time-honored work rules will become candidates for efficiency improvements, and utility management must be willing to take on the planning, hard work, team building, and risk necessary to change the status quo. Key members of your management team may feel so threatened by the implications of change that they "opt out," either explicitly or implicitly. Reasoned, negotiated risk-taking, with as many of the players on board as possible, is the hallmark of any successful best-practices program for a utility progressing through an era of change.

Point 3: Set Your Sights on Excellence

Largely because of the historic regulated nature of the utility industry, executives have traditionally acted in

terms of incremental improvement, rather than quantum leaps. As a consequence, utilities have often applied Band-Aids to problems when major surgery was needed. How many times has a utility spent tens of millions of dollars on a new customer information system that merely automated existing outdated processes? If that same utility had set its sights on *long-term* excellence, it would have reevaluated the basic processes and undertaken any necessary redesign prior to bringing in the IT people.

The real focus should be on attaining long-term excellence—on "being the best you can possibly be" and not just on "being better." If your utility's long-term reference point is mediocrity, then mediocrity is the best you can ever hope to achieve.

Point 4: Don't Be Preoccupied with Numbers

Many utilities have undertaken what they call "benchmarking" programs that bear little or no resemblance to successful best-practices programs. These utilities have engaged number-crunching exercises to compare their company's performance with other utilities using a set of performance indicators. In cases where the utility in question stacks up well relative to the comparison group, the executives naturally take pride in themselves for doing a good job and hope that their constituents share that favorable opinion. Rarely, however, do good relative results on indicators induce utility managers to strive for excellence. "Better" for those executives is "good enough." In those cases where the utility in question rates poorly relative to the comparison group, management is faced with a dilemma because, at this point, it has no idea what best practices and processes cause the better results at other utilities. If your goal in undertaking a benchmarking effort is merely to grade your company's performance, be wary and don't expect too much.

Point 5: Select Your Targets Carefully

The best results can be achieved by selecting strategic issues that really make a difference to the success of your utility, are highly visible, and are easily understood. Initially, go for the easy winners—the low-hanging fruit. Companies that have already been down this road have found the best opportunities in such areas as fuel procurement maintenance-reliability management and workforce management.

Point 6: Focus on Processes

The quantum leaps to excellence will be found by examining the entire process and the role of all relevant organizational elements and levels that may be causing inefficiencies, redundancies, gaps and overlaps. For example: Recent experience has shown that one of the

most fruitful areas to address in an electric utility is fossil plant reliability. The payback on best-practices efforts has been phenomenal because many of the important drivers of performance in plant operations and maintenance are self-contained processes within a plant or group of plants. And those performance drivers often involve processes that touch several different organizational elements within plant operations. So, whether the focus of your best-practices effort is a companywide issue or a specific organization within the company, remember that the really big improvements will likely be found in those processes that involve multiple organizational or sub-organizational units.

Point 7: Recognize the Impact of Change

To pursue excellence in adapting and implementing best practices versus merely modifying or enhancing the status quo means that some traditional ways of doing things may go by the boards. Jobs may be modified, eliminated, or added; management decision-making authority might change; work rules could be revised; and more. These changes may result in adverse impacts on employees in the short run, but the organization will reap benefits in the long run. Promoting honest and open communications with employees about the possible changes helps ensure success for a best-practices program in the short and long term.

Point 8: Plan Your Outside Meetings

A successful best-practices effort requires an organized method for all key analytical aspects of the undertaking. Nowhere is this more important than in the first-hand examination of other companies' best practices. Avoid descending on another company with little or no preparation—"We're just here to kick the tires and see what you're doing that's so great." Such expeditions are nothing more than a visit in the literal sense of the word. A properly organized evaluation of a best-practices company requires substantial effort prior to the in-person visit:

- Conduct the proper research to be sure that you select the appropriate best-practices companies
- Prepare a set of fact-finding questions well in advance
- Collect and fully analyze relevant information from the best-practices company
- Develop and arrange your agenda for the visit well in advance of your trip
- Ensure that your team includes people who are knowledgeable of the relevant processes and highly respected by their fellow employees
- Gain a commitment from the host best-practices company that the requisite people from the company will participate in the meeting

Point 9: Favor Adaptation over Copycatting

Excellent processes and methods directly copied from others may even be counterproductive without a thorough understanding of the underlying philosophies, practices and processes for conducting business. An approach based on the creative adaptation of best practices will help your team understand the pitfalls of blind copycatting and will help lay the proper foundation for translating the positive experience of others into lasting, meaningful results at your company.

The following four steps are required: First, your best-practices team observes what is actually going on at XYZ best-practices company. Then, the team forms an idea of what these observed best practices really suggest about the fundamental drivers of those practices, such as management style, empowerment, trust, communication, and employee engagement, recognition and rewards. Next, the team members should evaluate your company's status on each driver and openly challenge time-honored positions. Fourth, they apply what has been learned to fully understand what it will take to make the specific practices work at your utility.

Point 10: Monitor, but Don't Bridle, Enthusiasm

Employee enthusiasm for adapting best practices can and must be the energy that keeps a best-practices effort going and sustains implementation. Such enthusiasm should be encouraged and reinforced. Successful best-practices initiatives have found employees racing back from first-hand observations at other companies to commence efforts to install those best-practices processes. The good part is that enthusiasm is translated into forward-seeking actions. The bad part is that these actions are often not well thought out and thus fail to achieve the desired results. A delicate balance must be achieved between encouraging and bridling enthusiasm, and only vigilant management oversight can help achieve that balance. No magic is required—just intelligent, in-touch management.

Point 11: Give the Best-Practices Companies Something in Return

The quality of results of a best-practices program is directly proportional to the receptivity of the host best-practices companies to having their brains picked. Your company can win their cooperation by sharing with the participants something of value in return for their knowledge and time. That something can be a brief report summarizing the findings at all the best-practices companies. It can be the opportunity to accompany your team to a meeting with another best-practices company. Such sharing will often promote and encourage a continuing dialogue between your company and best-practices hosts. Thus, as was true of the first point, this last point centers on sharing—which in the final analysis forms the core of best-practices efforts.