

Getting the Most Out of “Best Practices”

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Corporate America today is consumed with the search for “best practices.” Whether it’s developing effective strategic plans, improving the throughput of a particular manufacturing facility, or responding to phone calls from unhappy customers, companies are seeking to learn from their peers, their competitors, or anyone else who may have figured out a better way to do the job.

Managing transportation activities is no exception. “*What can we learn from others so that we can obtain a competitive advantage in this area?*” is surely in the Top 10 list of frequently asked questions by industry professionals today. This week, for example, over 4,000 people are gathering in San Diego for the 32nd annual Council of Logistics Management conference. Three hundred separate sessions will focus on “best practices” in use today, emerging trends, and new ways of doing business that can lead to improved profitability and market share for manufacturers, retailers, distributors, transportation carriers, consultants, and other service providers.

What can you learn from “best practices,” either at CLM or through other methods? The short answer is, a lot.

In nearly every area of a company’s operations, there is a wide gap between “average” performance and industry leaders. In transportation and logistics, for example, anyone who’s worked on a shipping dock or in a warehouse knows that some carriers can always be counted on to deliver on time, damage-free, with complete paperwork, and using a well-organized customer-focused approach to solving any problems that may come up. Others, however, repeatedly show up on the “chronic disaster” list that every shipping or warehouse manager has in the back of his or her head, if not prominently displayed on the office wall.

Somebody’s doing something right, and with the growing importance of logistics and transportation functions today, they’re getting more business as a result. *Who are those guys? What is it they’re doing? How can it be applied to our situation? Why don’t we start doing it, too?*

You can hear some interesting presentations and have a lot of fun in your search for answers, but not learn very much that you can really use in your own organization. For some, “best practices” has come to mean a quick ticket for field-trip visits to hear leading companies give well-rehearsed testimonials about their business success. These are useful extensions of the marketing departments in those companies, and may possibly even be new profit centers for them, but this approach often fails to help the visitors really improve the performance of their own operations.

Suppose you learn, for example, that a leading company in another industry outsourced its outbound freight transportation to a third-party logistics provider, saved 10 percent and improved service by five points as a result. Should you do the same thing? After all, it seems to work for them, and they’re the best operation around.

Only after taking a number of important considerations into account can you really determine whether adopting someone else's action plan is the right move for you. How do the requirements of their customers and products compare to yours? Does their manufacturing and distribution networks have the same structure as yours? Do you face the same situation involving seasonality, quality, returns, or other "special issues"? Finally, and perhaps most importantly, can you achieve comparable improvements within your own operations through better planning, scheduling, equipment utilization or other methods rather than adopting their outsourcing strategy?

To get the most out of a "best practice" process, a more disciplined, systematic approach is needed. While there's a wealth of information and experience available directly from other companies, through professional organizations and conferences, and using consultants and other industry experts, most of it won't mean much unless you have a detailed, step-by-step way to collect, process, and interpret it.

Learning the specific operational decisions made by one or two leading companies is much less valuable than understanding what many of the top performers have in common:

- How are they organized?
- How do they spend their time on a day-to-day basis?
- How do they make decisions?
- What analytic techniques and information systems do they use to support their operations?
- How do they measure and reward performance?
- What constitutes "success" for them, and how do they set targets for future improvement?
- How have various popular methodologies or disciplines such as TQM, time-based competition or re-engineering been used to help achieve competitive advantage?
- How have they overcome roadblocks along the way?
- What changes do they foresee for the future, and how are they planning to address them?

With a broad understanding of these real "best practices" you will be in a much better position to make specific decisions about how to achieve real improvements in your own operations.

In transportation, for example, an excellent way to get the most out of "best practices" is to give yourself a TEST: A Transportation Effectiveness Scorecard Tabulation. Using specific quantitative and qualitative measures, you can compare your company's activities and performance in a number of areas against the standards set by leaders in various industries. The TEST results identify areas where you have relatively strong performance (perhaps you have a competitive advantage you didn't know about!) and, alas, those areas where you have significant shortfalls that really need some attention.

Here's how it works.

First, outline the key components of your transportation functions that should be put to the TEST. Once commonly used framework classifies transportation activities into four primary types: requirements planning, contracting and carrier management, day-to-day execution, and management and support.

Second, identify the detailed activities, techniques, and potential keys to success within each of these categories. For example, important areas within contracting and carrier management include leveraging overall transportation volume to obtain the best prices and terms, actively negotiating with current and potential new suppliers, going beyond price to assess the total cost of various alternatives, and forming partnerships with suppliers (or customers) in situations where it makes good business sense. Conferences, associations, and consultants can be especially useful here – giving you the TEST questions.

Third, focus “best practices” visits around these specific topics. The objective is to understand how other companies’ answers have helped them create competitive advantage – creating a set of model answers to the TEST. For example, how concentrated is the carrier base in these companies? How much volume was needed for them to exert some leverage in the marketplace, and what results can be anticipated based on their experience? How much time do they spend negotiating individual supplier contracts, and what negotiating approach do they employ? What analytic techniques are used to assess total costs, and what difference do they make compared to looking at price alone? What are the criteria that help decide when partnerships really do make business sense – and what action did they take to make new relationships work?

Fourth, score the TEST by putting your own performance side by side against the “best practices” you have obtained from others, and make a frank assessment of both your strengths and your areas for improvement. For example, you may find that there is little difference in the number of carriers you use, but that leading companies devote much more time and effort to building relationships and working out the operating details with each of their suppliers.

Fifth, and finally, use your TEST results to develop an action plan for closing the “gaps,” taking into account the timing, resources, and degree of difficulty required to achieve “best practices” improvement. Devoting added resources to building supplier relationships, for example, cannot be accomplished overnight, of course, and changes in staffing, workloads, procedures, priorities, reporting relationships, training, and a host of other areas may well be needed.

In addition, setting appropriate priorities for “best practices” implementation requires deciding how much impact making specific changes will have on your business performance. Some TEST scores are more important than others. One frequent failing of “best practices” programs is that they take a “path of least resistance” by focusing exclusively on short-term issues that require minimal resources and are easy to do – but that also don’t make much difference for the bottom line.

What can you learn from “best practices” either at this week’s CLM conference or through other methods? The important answer is that you can learn a lot, provided that you put in the time and effort to do it right, including putting yourself to the TEST. Field trips are fun and interesting, but a disciplined, systematic “best practices” process can help you win in the marketplace. For those of you attending the CLM conference this week, it’s a great opportunity. For the rest of you, “hello from San Diego ... wish you were here.

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