

Case Studies on
Best Practices – Vol. I

Edited by

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Case Title	Page No.
Caterpillar Inc.: World's Leading Earthmoving Machinery Manufacturer's Growth Strategies	1
Craigslist.org's Growth Strategies	11
iMac G5's Success: iPod's Halo Effect	19
Magink Display Technologies Inc.: Israeli Firm's Billboard Innovations	37
Mittal Steel's Knowledge Management Strategy: Giving it a Competitive Edge	55
Nucor Corp.'s 'Performance-driven' Organisational Culture: Employee-driven Competitive Advantage?	73
Sharp: Building Competitive Advantage through Innovation	97
Silicon Fen – The Cambridge Clusters	109
Southwest Airlines: Generating Competitive Advantage through Human Resources Management	117
Telecom Italia Mobile: Making Profits in a Mature Market	137
The Container Store's Customer Service: Recruitment and Training as Competitive Advantage	155
Wegmans: The US Retailer's Success Formula	169

OVERVIEW

Best practice is among the most recognised and widely used business management tools. All executives want to model their company's performance on their best-in-class competitor. The US automobile industry transformed itself during the 1980s by adopting Japanese manufacturing techniques. In the telecommunications industry, Nokia's economies of scale are something all admire but few manage to achieve. IKEA's ability to sell furniture that is economical as well as attractive has confounded many a retailers. What sets the Japanese automakers, Nokia and IKEA apart from their counterparts is their ability to do things differently, more effectively and efficiently; thus creating a best practice which others set as a benchmark and strive to reach.

Best practice is an idea that asserts that there is a tool, technology, method, activity, process, reward or incentive that is more effective at delivering a particular outcome than some other tool, technology, method etc. The outcome is usually an increase in the firm's effectiveness, productivity and ultimately earnings.

A best practice can be in any business process or function. Some of the management areas where best practices can be applied are:

Strategic Planning: This includes assessing such factors as trends, strengths and weaknesses of the organisation, risks and competitor response. Following a collaborative approach between the executives, corporate and business units also may be profitable. Frequent use of best practices helps in the effectiveness of strategy formulation. However, companies need to be careful about adopting best practices in strategic planning as a best practice may not be the best strategy.

Human Resource Management: People are an organisation's most valuable asset. Organisations that realise this go out of their way to provide a great environment at the workplace. When the employees are motivated, it helps bring out their talent and latent potential. It helps increase the productivity of the employee. Best practices in human resource management can be across a number of areas – recruitment, training, compensation, appraisal, work environment etc.

Innovation: There are organisations which follow innovation management as a best practice. For example, 3M follows a practice called 'fuzzy front-end innovation' where researchers are given a very broad area to work in and told to 'have at it'.¹ This practice has led to many important developments and products

¹ Riederer P. John, et al., "Innovation Management – An Overview and some Best Practices", http://monet.c-lab.de/fileadmin/redactors/data/Services_Downloads/C-LAB_Reports/C-LAB-TR-2005-3_Innovation_Management_new.pdf, 2005, page 39

and needless to say has propelled 3M into the league of the most innovative companies. Fostering a culture of innovation and creativity helps the organisation to stay ahead of its competitors and ensures that the products are up-to-date and in line with customer requirements.

Quality Assurance: Best practices in quality assurance have moved from being relegated only to the factory or shop-floor to encompass the total organisation. Techniques and practices like Total Quality Management, Quality Circles and audits and promotion of quality-management principles are now implemented on an organisation-wide level.

Risk Management: In a fast-moving business-environment managers have to deal with regulatory risks, geographical spread risk, human capital risk etc. An organisation-wide culture for risk management and executive board support constitutes a best practice in risk management and is used not only to prevent losses but also to protect and enhance the reputation of the organisation.

A best practice is easy to copy, in fact it is meant to be copied. Laggard companies often benchmark their performance against the best practitioners and migrate closer to them. However, following a best practice is a double-edged sword. It provides an advantage in several factors that impact an organisation but at the same time following a herd mentality only results in destroying value for all the participants in that space. Therefore, companies instead of blindly imitating a successful best practice should at best emulate it and attempt their own differentiation.

Everybody wants to copy the leader and there are examples galore of companies that have successfully implemented the tried and tested practices of others in their industry. There are also those that have realised the potential of a best practice and implemented it in their own operation despite there being no connection with the industry. The example below depicts how best practices can be successfully implemented even across sectors.

Aravind Eye Hospital

Dr. Govindappa Venkataswamy, an Indian ophthalmologist, had a vision to eradicate avoidable blindness in his life time. The way to do this was to provide high-quality, high-volume eye-care at low-cost around the developing world. For that, he believed that the McDonald's model was the best to emulate. "My model is McDonald's, they serve the identical hamburger, with the same efficiency, at thousands of outlets."² He founded the Aravind Eye Hospital in Madurai in 1976 that emulated McDonald's

² Jordan Miriam, "Indian Entrepreneur Cuts Costs to Give Sight-Saving Surgery to Poor : The Volume-Discount Vision of Dr. V", <http://www.iht.com/articles/1998/12/19/hosp.t.php>, December 19th 1998

in efficiency. Doctors at Aravind performed 2,000 cataract operations annually compared with an Indian average of 250. Dr. Venkataswamy lowered the unit cost of surgery by raising volume and motivating his staff such that many worked 12-hours six days a week. Due to this, despite performing two-thirds surgeries free, Aravind was able to make profits. Aravind's style of operation prompted many US medical programmes to send residents for training and many countries queued up for advice. After all who would not want to emulate Aravind's best practice?

Like Aravind Eye Hospital there are many companies that have redefined their fortunes by adopting some industry best practices.

However, sometimes a best practice is seen as an excuse for not innovating and just treading down the beaten path. At times, it is important for companies to buck the industry trend and look at unexplored areas in the industry landscape. These areas can be new product niches, value added services, unexploited price points, sales channels, etc. This does entail risk, but companies that manage to do so, while setting a benchmark for others also gain the first-mover advantage.

This book comprises twelve case studies which deal with best practices in different areas of management. Apart from some standard best practices, there are case studies that talk about companies that have shunned industry best practices and created their own benchmarks.

Sl. No.	Case	Industry/Description	Best Practice Area
1	Caterpillar Inc.: World's Leading Earthmoving Machinery Manufacturer's Growth Strategies	Heavy Equipment Manufacturing	Strategy to Generate Profits in a Recessionary Period
2	Craigslist.org's Growth Strategies	Online Advertising	Simplicity of Business Model
3	iMac G5's Success: iPod's Halo Effect	Electronics	Product Innovation
4	Magink Display Technologies Inc.: Israeli Firm's Billboard Innovations	Advertisement	Technological Innovation
5	Mittal Steel's Knowledge Management Strategy: Giving it a Competitive Edge	Steel	Knowledge Management
6	Nucor Corp.'s 'Performance-driven' Organisational Culture: Employee-driven Competitive Advantage?	Steel	Human Resource Management
			Contd...

7	Sharp: Building Competitive Advantage through Innovation	Electronics	Innovation
8	Silicon Fen – The Cambridge Clusters	High-tech Industry Cluster	Obstacles to the Adoption of Best Practices
9	Southwest Airlines: Generating Competitive Advantage through Human Resources Management	Aviation	Human Resource Management
10	Telecom Italia Mobile: Making Profits in a Mature Market	Telecommunications Services	Innovation
11	The Container Store's Customer Service: Recruitment and Training as Competitive Advantage	Retail (Housewares)	Human Resource Management
12	Wegmans: The US Retailer's Success Formula	Retail (Grocery)	Human Resource and Customer Relationship Management

Despite a slow down in the global economic growth rate, Caterpillar became successful because its approach was more innovative and it was continually reinventing its strategy. This is exemplified in the case study *Caterpillar Inc.: World's Leading Earthmoving Machinery Manufacturer's Growth Strategies*.

Cases like *iMac G5's Success: iPod's Halo Effect* and *Sharp: Building Competitive Advantage through Innovation* show how in an industry where new designs, ideas and products are typically copied within six months and where there is the tendency to cluster around the idea that 'clicks', some companies have managed to stay ahead through constant innovation.

The case study *Silicon Fen – The Cambridge Clusters* shows how following the best practices of a leader half heartedly can hinder development and not give the desired output.

Successful businesses are those that attract, develop, motivate and retain the best talent. To understand the importance of best practices in people management, the case studies *Nucor Corp.'s 'Performance-driven' Organisational Culture: Employee-driven Competitive Advantage?*; *Southwest Airlines: Generating Competitive Advantage through Human Resources Management* and *The Container Store's Customer Service: Recruitment and Training as Competitive Advantage* are a must read.