



# An integrated approach to evaluation and planning of best practices

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## ABSTRACT

This paper develops a new integrated evaluation and planning approach for implementing a given set of best practices in a prioritized and phased manner. The best practices are implemented for achieving lower-level business unit objectives and higher-level strategic goals of an organization. With a multiattribute decision making algorithm under the balanced scorecard (BSC) framework, a new evaluation model is developed to effectively measure the relationship between lower-level objectives and higher-level goals, and to give each best practice a relative priority value. A new adjustment method is also developed to address potential biases in the self-assessment process at the business unit level. The evaluation model enables the prioritization and implementation planning of best practices in terms of their importance and achievability from the viewpoints of the organization, four BSC strategic perspectives, individual business units, and the overall implementation planning zone. An empirical study is conducted to demonstrate the applicability and effectiveness of the integrated evaluation and planning approach.

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## 1. Introduction

Best practices have been widely implemented in an organization as a technique, method, process, activity, or mechanism in order to optimize the result of production or management practices and to minimize the possibility of mistakes. As a business buzzword, best practices are commonly used to describe the most efficient and effective way of accomplishing a task or achieving a goal [1]. The importance of adopting best practices has been well recognized in practice. With limited resources available, it is of strategic importance for an organization to evaluate the best practices to be implemented for effective management of their implementation in a prioritized and phased manner.

From the organizational perspective, the best practices to be implemented usually have different degrees of importance (or potential contribution) to the global strategic goals of the organization, on which the evaluation of best practices should be based. To implement best practices for achieving its global strategic goals, the organization requires a group of strategic or operational business units to work together. Under the current operational settings and resource availability, the best practices often have different levels of achievability when being implemented at the corresponding business units. Thus, the evaluation

of best practices should also consider their achievability as it will affect their contribution to the global strategic goals. As such, best practices should be implemented in a prioritized manner according to their relative importance and achievability.

However, how to effectively prioritize a given set of best practices and strategically plan their implementation for achieving the global strategic goals of the organization remains an open issue. This issue is complicated by the fact that the best practices are performed at the corresponding business units essentially for achieving their own local operational objectives, while being evaluated in terms of their contribution to the higher-level global strategic goals of the organization. To ensure effective implementation of best practices at individual business units for achieving the organization's global strategic goals, it is desirable to plan their implementation in a phased manner from the perspectives of both the organization and individual business units.

To address this issue of strategic importance for an organization, we develop a new integrated evaluation and planning approach. The approach integrates the balanced scorecard (BSC) framework and multiattribute decision making (MADM) technique to evaluate the contribution of best practices. The BSC has been widely implemented by organizations as a performance management and measurement tool [2]. MADM has been widely used to evaluate a finite set of decision alternatives with respect to a set of evaluation criteria [3–5]. In addition, the approach integrates higher-level organization goals and lower-level business unit objectives as the evaluation criteria to evaluate the contribution of best practices. The approach also integrates the viewpoints of the organization, the BSC strategic perspectives and

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individual business units to plan the phased implementation of best practices.

In subsequent sections, we first present the BSC-based MADM evaluation framework with discussions on best practices, the BSC-based framework and the MADM evaluation. Next, we develop a new evaluation model that integrates the BSC and MADM for solving the general best practice evaluation problem. We then develop a new implementation planning process for facilitating the phased implementation of best practices based on the evaluation result. Finally, we conduct an empirical study to demonstrate the effectiveness of the integrated approach for the prioritization and planning of a large set of best practices.

## 2. A BSC-based MADM framework for best practice evaluation

### 2.1. Best practices

Best practices are viewed as precious treasures acquired over time from numerous success or failure experiences in a wide variety of industries and academic institutions [6–11]. Best practices are distinguished from good practices by their repeatability and universality. Only those practices that have been widely recognized over time as excellent approaches for many organizations and recommended by a large number of practitioners or experts to adopt for successful results are regarded as best practices.

Best practices can be identified and learnt from many sources, such as industrial experiences (e.g. practitioners, company handbooks), consulting experiences (e.g. experts), advanced information systems (e.g. enterprise resource planning systems, technology providers) and knowledge base (e.g. literature, field studies, conferences and workshops). As there is no universal definition of best practices, we describe best practices from two perspectives: process-oriented and outcome-oriented. From a process-oriented perspective, best practices are processes or activities that can improve the status quo or optimize existing business processes. From an outcome-oriented perspective, best practices are activities or approaches that can deliver value to customers and bring continuous competitive advantage to an organization. The former emphasizes the process optimization and business improvement, whereas the latter focuses on customer satisfaction and organization sustainability.

Based on their process-oriented or outcome-oriented functionality, a diverse set of best practices are implemented at specific strategic or operational business units of an organization for covering its functional areas as much as possible in order to achieve its strategic goals and to meet its operational objectives. To address this issue, we use the BSC framework to organize the best practices in alignment with the strategic goals of the organization and the operational objectives of its business units. This is because the BSC has been prevalently used by organizations to set up their goals, overall strategies and functional tactics.

### 2.2. The BSC-based framework

As a performance management and measurement tool, the BSC has been used to articulate and communicate the strategy of the business, and to help align organizational, cross-department, and individual initiatives to achieve common goals [12]. With the BSC framework, an organization can manage its performance through four strategic perspectives: (a) learning and growth, which focuses on an organization's ability to change and improve for achieving its vision, (b) internal process, which focuses on the business processes that an organization must excel at in order to satisfy its shareholders and customers, (c) customer, which

focuses on the strategy for creating value of the customers, and (d) financial, which focuses on the strategy for satisfying the shareholders [13,14].

The BSC can be used to facilitate the development of the organization's strategic goals and their associated performance measures for each BSC strategic perspective. The most mentionable merit of the BSC is that it maintains the balance (a) between long-term strategies and short-term activities, (b) between long-term goals and short-term objectives, (c) between financial and non-financial measures, and (d) among all the four strategic perspectives. With this merit, the BSC has been suggested as a framework for grouping the criteria and measures for evaluating a set of alternatives in various decision settings such as IT investments [15], R&D projects [16], ERP systems [17], and banks [18]. In this paper, we use the BSC to group (a) global strategic goals of an organization and their associated performance measures, (b) local objectives of its business units, and (c) best practices to be implemented.

The global strategic goals and their associated performance measures can be identified and grouped into four BSC perspectives of the organization BSC. In cascading the BSC down to the business units, it serves as a foundation of development for all other BSCs at the business unit level. A cascaded BSC will ensure the goal alignment across the organizational hierarchy and establish the linkage of long-term strategies and short-term activities (e.g. best practices implementation). Cascading a BSC is thus a strategic mechanism for (a) increasing the visibility of the organization mission and strategic goals, (b) creating a strategic alignment of the entire organization, and (c) providing better insight and control of the overall performance.

In order to help achieve the global strategic goals of an organization efficiently and effectively, a set of best practices is to be implemented at a group of business units. Depending on their functionality and applicability, these best practices can be implemented either in one specific business unit or across a number of business units in order to help achieve their own local objectives. Thus, implementing best practices will achieve both the local objectives at the business unit level and the global strategic goals at the organization level.

The local objectives to be achieved and the best practices to be implemented at individual business units can be identified and grouped into four BSC perspectives of business unit BSCs, which are aligned with the organization BSC. Under the cascaded BSC framework, the higher-level global strategic goals of the organization, the lower-level local objectives of the business units and the to-be-implemented best practices are all grouped and aligned into four BSC strategic perspectives. However, no formal methodology has been proposed for linking lower-level local objectives with higher-level global strategic goals in a measurable manner.

In this paper, we develop a new evaluation model with an MADM algorithm to measure the relationship between the global strategic goals of an organization and the local objectives of its business units. Equipped with the MADM algorithm under the BSC framework, the evaluation model can prioritize a given set of best practices by their relative importance and achievability from the aspects of the whole organization, four BSC perspectives, individual business units, and overall implementation planning zone, respectively. In addition, implementation planning of best practices can be conducted from the viewpoints of the whole organization, four BSC perspectives and individual business units in an integrated and balanced manner.

### 2.3. MADM evaluation

Research in MADM has suggested the use of simple, understandable, and usable approaches for solving practical MADM

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