Best Practice Benchmarking: the Path to Excellence

One of the first pioneers of benchmarking and today considered as a benchmarking “guru”, Robert C. Camp, is ideally placed to provide an historical resume of benchmarking and to offer his views on how the initiative will assist the global economy.

Background

From its humble beginnings as the surveyor’s standard reference mark for elevation and sometimes position (latitude and longitude), the notion of a benchmark and benchmarking have become almost obligatory for any organisation wanting to improve its products, services, or processes to better serve customers and improve business results.

In today’s business application, the benchmark is that performance objective which incorporates the best practice, the epitome or standard of excellence; and benchmarking is the activity of learning, exchanging, and adapting best practices to your organisation. Benchmarking is finding and implementing best practices.

The Japanese word dantotsu - striving to be the best of the best – captures the essence of benchmarking. Benchmarking is a positive, proactive process to change operations in a structured fashion to achieve superior performance. The purpose of benchmarking is to gain a competitive edge.

History, worldwide reach

In a recent article in The Toronto Globe and Mail (“The Ins and Outs of Management Tools”) Gordon Pitts reported that benchmarking was the third most used management tool in 1996, having risen from sixth place in 1993. This confirms the continuing, expanding, and intensifying interest in this improvement approach around the world.

Benchmarking and the search for best practices have had a wave-like movement across the globe. It was picked up and embraced by Europe within years of its significant use in the USA. What has been astounding, however, is the intensity with which it has been pursued in the Asia/Pacific area. Conversely, there has been something of a lag in application in the South and Central Americas and in Canada. But, more importantly, this trend shows that this business improvement approach can, in fact, be successfully applied everywhere. This should serve to motivate organisations, around the globe, to learn from each other and bring benchmarking, worldwide, up to an exemplary level of expertise and application.

There is now a continuing interest and high demand for case studies of successful benchmarking investigations. This demand is second only to the preliminary interest that organisations have in finding performance data. Once the organisation understands what the benchmark data reveals about where they stand and the magnitude of the gap, there is intense follow-on interest in what best practices will close the gap. That information and insight is usually revealed in case studies as shown in Figure 1. There are 35 case studies among my three books, and they are a rich source of quick learning (see Reference on page 18).

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>United States</th>
<th>Europe</th>
<th>Asia Pacific</th>
<th>Americas</th>
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<tr>
<td>Manufacturing</td>
<td>Chevron</td>
<td>SIA/Heating Delivery</td>
<td>Fletcher Challenge</td>
<td>PNG Coal Continuous Miner</td>
</tr>
<tr>
<td>Service</td>
<td>Pacific Bell</td>
<td>IBM Procurement</td>
<td>NRMA Successful Change</td>
<td>Canada Publishing Book Fulfilment</td>
</tr>
<tr>
<td>Non-Profit</td>
<td>Dartmouth Medical Bypass Surgery</td>
<td>PSS Singapore</td>
<td>GRT Training</td>
<td>Benchmark’s Group Program Launch</td>
</tr>
<tr>
<td>Government</td>
<td>Federal Consortia Complaint Handling</td>
<td>Royal Mail Pipeline Processing</td>
<td>Urban Water Supply &amp; Sewerage</td>
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<tr>
<td>Education</td>
<td>Babson College Enrollment Management</td>
<td>Queensland U. Law Research</td>
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</table>

Figure 1

Current Driving Initiatives

Today benchmarking is an essential ingredient in strategic planning and operational improvement. Long-range strategies, if not survival, require organisations to continuously change and adapt to the known marketplaces of today and the expected markets of tomorrow to remain competitive and deliver on today’s imperatives of more, better, faster and
cheaper (Figure 2). To energise and motivate its people, an organisation must:

- believe there is a need for change
- determine what it wants to change
- create a picture of how it wants to look after the change.

<table>
<thead>
<tr>
<th>Today’s Imperatives</th>
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<tbody>
<tr>
<td>More</td>
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<tr>
<td></td>
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<tr>
<td>• Growth</td>
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<tr>
<td>☑ Profitable growth</td>
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<td>☑ New markets, products</td>
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<td>Better</td>
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<td></td>
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<tr>
<td>• Quality / Satisfaction</td>
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<tr>
<td>☑ Meeting requirements</td>
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<td>☑ Customer Loyalty</td>
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<td>Faster</td>
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<tr>
<td>• Cycle Time Compression</td>
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<td>☑ Non-value added</td>
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<td>☑ No value added</td>
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<td>Cheaper</td>
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<td></td>
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<tr>
<td>• Return on Assets</td>
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<tr>
<td>☑ Business results</td>
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<tr>
<td>☑ Human assets</td>
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</tbody>
</table>

Figure 2

Benchmarking achieves all three. By identifying gaps between the organisation and the competition, it creates a need. By helping the organisation understand how industry leaders do things, benchmarking helps identify what has to change. And by showing what is possible and what other companies have done, it motivates individuals toward achievable goals and strategies which drive their efforts.

Management uses it to continuously improve how the organisation operates, to increase productivity, to deliver outputs that satisfy customers and grow the business. This increased demand has come, in part, from success stories on how organisations have turned themselves around in times of competitive crises and interest and awareness created by the many quality awards, but also, increasingly, by the fundamental need to pursue business excellence in everything they do.

Strategic Need for Best Practice Benchmarking

There are many reasons why senior managers should actively consider benchmarking when searching for best practices to improve business performance. There are several basic obstacles that organisations face. Firstly, no one is best at everything they do. Secondly, there is a need to constantly search for good, promising, practical, and better, if not best, practices. Lastly, once found, the best practice knowledge needs to be captured, transferred, and adopted throughout the organisation. These basics are why benchmarking exists - to overcome these obstacles in a disciplined way.

However, there are other reasons why benchmarking is increasingly being pursued as the preferred method to improve performance. Among them are: bringing rigor to the approach in setting goals; overcoming disbelief; assigning accountability; and speeding up culture change. It is the careful pursuit of best practices, and understanding these key reasons, why benchmarking improves business performance - and that may be the only way to create a sustainable, competitive advantage.

The Best Practice Evolution

If one looks over the last 15 years at the evolution of the art and science of best practice benchmarking, there appear to be distinct phases of increasing interest (Figure 3). These include the search for performance benchmarks, the interest in process proficiency, the understanding and mastery of best practices, and the development of best practice models. What lies beyond, or what can be extrapolated into the future, is the 64-thousand-dollar question. But there are some emerging indicators.

Figure 3
Performance Benchmarks

Invariably, organisations want to start with data. Most requests therefore start with a need for performance benchmarks - data that will allow the organisation to measure the gap between its performance and others (Figure 4). The data may show a significant difference to those, say, in the top quartile and promote interest and action to understand why.

![Benchmarking Process Methodology]

(Percentage of company revenue spent on supply-chain activities)

<table>
<thead>
<tr>
<th>Industry</th>
<th>4.3%</th>
<th>6.0%</th>
<th>6.4%</th>
<th>7.2%</th>
<th>8.5%</th>
<th>9.5%</th>
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<td>Automotive</td>
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<td>Appliances</td>
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<td>Chemical</td>
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<td>Computer</td>
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<td>Packaged Goods</td>
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<tr>
<td>Pharmaceuticals</td>
<td>3.3%</td>
<td>6.5%</td>
<td>16.5%</td>
<td>22.0%</td>
<td>43.3%</td>
<td>55.0%</td>
</tr>
<tr>
<td>Semiconductors</td>
<td>1.8%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>13.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td>7.4%</td>
<td>14.4%</td>
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But the shortcomings of these measures are well known. They tend to be financially dominated and historically based. They provide little in the way of prediction. They almost never tackle growth creation, innovation, and learning - all key initiatives in today's information and intelligence-based economy and the source of new products, services, and markets.

Best practice performance measures should include customer, employee, asset (including intellectual capital), and financial results metrics in a balanced scorecard format. Measures would vertically align to business priorities and cascade to all levels of the organisation - as well as horizontally link to processes. Designing performance measures is an organisational imperative because it drives the right behaviour. And the desired behaviour achieves business results.

When setting stretch goals, the organisation needs to know the possibilities. What is the benchmark performance being achieved by others? Benchmarking helps establish attainable but stretch goals through a rigorous methodology to understand the performance of others. The establishment of stretch goals based on performance of exemplar organisations can energise an organisation to achieve breakthrough results and accelerate change. "If they can, why can't we?" is the attitude.

Process Proficiency

The second phase gives recognition to the fact that results (performance measures) are the quantification of the outputs of specifically identified processes. The organisation then develops interest in inventorising its processes, documenting them, and assigns ownership for improvement - becoming process proficient as shown in Figure 5.

Organisations need to know where they stand against internal performance, industry performance, best in class and, ultimately, world class. Invariably, this drives them to self-assessment. Out of that comes the realisation that certain key, core (and most often cross-functional) processes are either performing poorly or are, literally, unhealthy.

The deployment of responsibility and accountability for change is achieved by assigning owners to processes. Having a structure of named processes then ensures comprehensiveness in achieving performance improvement and productivity by assigning accountability and, thereby, providing a plan for covering all work processes. This is markedly more effective than the random search for productivity through reactively chasing problems. The redesign of those known, named, assigned processes can then be based on the best practices of others.

![Process Proficiency]

**By Process:**
- Identify
- Classify
- Prioritize
- Ownership
- Analyze

**Improve**
- Implement
- Inspect
- Manage
- Organize

**Best Practice Mastery**

Data - benchmarks - will excite action, but only the understanding of best practices sustains action. Measurements
do drive change, but measures are often overemphasised and processes overlooked!

Therefore the third, and most beneficial phase in terms of performance improvement, whether improved customer satisfaction, shortened cycle times for new product introductions, increased market share, or financial results, is the understanding of best practices (see Figure 6). It is only through the incorporation of best practices in identified processes that business results are achieved. Best practice mastery is the understanding, sharing, and adoption when best practices are incorporated, and processes are changed, to attain world-class performance.

Best practice understanding is, essentially, a learning experience. It helps an organisation to focus and drive for consensus on what needs to be done and how to achieve it, not argue over what should be done. It can provide the stimulus for improvement by people at all levels through an externally-focused, competitive assessment to achieve world-class performance with increased customer satisfaction. Very few people are willing to settle for second place, once they are aware of what needs to be done and know how to do it through a careful understanding of better practices.

**Best Practice Models**

Once an understanding of best practices has matured, models of the "best of the best" can be constructed to guide the organisation into the future. These process reference models (Figure 7) provide a standard set of descriptions, characterisations, and the basis for evaluation of complex functional processes. They allow for consistent communication among benchmarking partners when reconfiguring business entities to align with new markets and strategic imperatives. They are an invaluable tool for understanding and evaluating performance and to map potential software application products. With a standard process framework - metrics, definitions, and best practices - the models are key to understanding and managing the challenges facing complex businesses.
a powerful approach to overcoming scepticism of their ability to achieve radical change. Seeing the better practices in actual operation elsewhere is the most convincing approach to silencing the disbelievers.

The bottom-line benefit of benchmarking is improved competitiveness and increased value in the eyes of customers. Effective use of benchmarking can develop and implement improvement actions that can help organisations achieve superior levels of customer service. This, in turn, will lead to increased market share, growth, and improved financial results.

The Future

There is no doubt that the same significant trends being pursued in certain regions of the world will be embraced everywhere. Best practice benchmarking will be seen as a strategic need for organisations. It is a competitive strength when practiced, and can be a fatal weakness when overlooked. Best practice benchmarking is pursued to find and emulate best practices wherever they exist, worldwide, to close the gap, and attain superiority. Benchmarking and best practice mastery are synonymous.

Managing benchmarking and best practice sharing programmes, in an organisation of any size, will be an imperative. And there will be an opportunity to leverage the digital, network-connected, electronic environment to conduct best practice exchanges and share best practice knowledge. The intranet and website will be the most obvious and, eventually, ubiquitous mechanism to deliver this need. The corporate website (Figure 8) will become the central resource for delivering:

- organisational models to show the connection to best practices.
- bulletin boards to provide a message inquiry posting service.
- a reference library for professional assistance with literature searches.
- best practice repositories to capture and archive best practices for sharing throughout the organisation.
- benchmarking guides and tutorials to make the benchmarking process available just-in-time, in bite-size pieces, for learning and application when needed.
- chat rooms where current and emerging interests can be discussed, analysed, and solutions found.

- recent contact listings for best practice exchange - as opposed to visits, which imply travel and are probably not necessary or minimised in the electronic world.
- a directory of other recommended websites deemed productive for assistance in any aspect of best practice capture, sharing, and adoption.
- a directory of the internal network of individuals responsible for benchmarking competency in their respective organisations.

**Figure 8**

Software-based benchmarking solution suites - from a process tutorial, to an electronic reference guide, to the wide array of software, collaborative ‘groupware’ and digital job performance aids - will become accepted practice for conducting benchmarking electronically. And with the flattening of organisations resulting in lean resources, some best practice initiatives will be outsourced to third parties on a collaborative basis. These would include professional associations, consortia, benchmarking centres, and consultants with the requisite competencies.

Some of the potential capability of the electronic world can be documented (Figure 9); but the full potential will only be revealed, over time, in the approaches developed by creative and innovative individuals involved in advancing the art and science of best practice benchmarking.

This will include a wide range of communication technologies for seamless sharing, in real time, anywhere in the world.
Digital Tools (for best practice exchange)

- Networking / Communication
  - Intranets, Extranets, Internets
  - E-mail
- Collaborative Groupware
  - Lotus Notes / Domino
  - Novell Groupwise
- Search Engines
  - Yahoo
  - AltaVista
- Benchmarking Suites
  - Benchmarking Software Suite
- Diagramming
  - Visio
- Electronic Surveys
  - TBE Surveyor
  - Surveyor Solutions (Web)
- Electronic Meetings
  - Ventana Group Systems
  - Virtual Lightboarding
- Document Management
  - Documentum
  - Knowledgebases
- Analysis & Stimulation
  - Path Maker
- Implementation
  - MS Project

Collaborative groupware, the simplest being email, and more likely Lotus Notes/Domino, and job performance aids such as process diagramming, lightning speed search engines, electronic surveys, and simulations, when coupled with knowledge-based repositories, will make best practice data and information accessible, searchable, and performance data and best practice information analyses possible from these archives.

Focus for the future is not only on becoming the most efficient operation, but also seeing how best practice knowledge can be embedded in products, services, and processes that serve customers to drive growth. Today the competition is between processes - processes that serve customers. The incorporation of best practice knowledge will be the fundamental way organisations achieve excellence. In the future, this will only be heightened through best practice sharing, innovation, and leveraging intellectual assets through organisational learning conducted electronically.

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References
Books

Dr Camp’s three books are available from: www.qualitypress.asq.org

Articles