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Benchmarking for Excellence

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ABSTRACT

Most business leaders acknowledge that to be successful in the long-term they need to improve the performance of their organisation's processes, people, and products at a faster-rate than the competition. The most obvious technique to use to help do this is benchmarking – a systematic process for identifying and implementing best or better practices.

However, research shows that best practice benchmarking (the most powerful type of benchmarking) is rarely used by businesses. The reason for this is that benchmarking and best practice transfer can be resource-intensive and costly. This paper presents a solution to this problem – the www.BPIR.com. The Business Performance Improvement Resource (BPIR.com) was launched in April 2002 and provides quick access to a range of benchmarking and business improvement information, including quality tools, measures, benchmarks, and best practice case studies. The resource has many interesting design features to improve functionality – one of which is the ability to search information through business excellence models such as the Baldrige Criteria for Performance Excellence. This paper describes the development of the BPIR and discusses the role of the resource in “making benchmarking easy”. The paper concludes that the BPIR can be of significant assistance to organisations that are on a business excellence journey. Since the resource was developed it has grown considerably and is now used by 1000's of organizations worldwide.

KEY WORDS

Best Practices, Business Excellence, Quality Tools, Website

1. INTRODUCTION

Benchmarking is an organisational practice of learning through comparing in a structured way that can cut through and across cultural, industry, size, and functional boundaries to identify usable high-performing practices and benchmarks. PricewaterhouseCoopers have stated that "*Benchmarking is the first step for identifying performance gaps between a business and its peers. Next, the gaps need to be analyzed to determine their underlying causes and to develop strategies and plans that address them*" [1].

Hill [2] identifies several reasons that an organisation may decide to engage in benchmarking. These include:

- Avoiding beginning 'from scratch', i.e. since another organisation may have already developed an effective process or method.
- It facilitates the transfer of tacit as well as explicit knowledge.
- It creates a sense of urgency and accelerates change by using tested and proven practices.
- It helps identify performance gaps between your organisation and others.
- It helps the organisation develop and set performance goals for its employees to achieve.
- It helps to establish realistic objectives.
- It encourages employees to be continuously innovative.
- It creates a better understanding of your industry.
- Because it is a process of continuous learning, benchmarking will emphasise sensitivity to the changing needs of your customers.

Studies place UK company involvement in benchmarking at 60%, 78% and 85% [3, 4, 5], and in a European study in 1994 suggested that 88% of companies were involved in benchmarking activities [6]. In the US a similar level of involvement was recorded by Bain & Company's 2003 international management tools survey (of which 60% of respondents were US), it indicated that 84% of organisations used benchmarking [7]. In New Zealand the use of benchmarking was lower at 48% [8]. In spite of evidence of the wide extent of the approach, recent surveys [8,9] suggests that most users of benchmarking will be involved in comparisons of performance metrics rather than the more rigorous style of best practice benchmarking. What is often overlooked, mainly due to the general lack of education in benchmarking, is that it is 'best practice benchmarking' which looks at the system delivering the outcomes that has potentially far greater returns in terms of achieving continuous and breakthrough improvement. Indeed it is best practice benchmarking that is broadly recognised as one of the key approaches necessary to achieve world-class performance (benchmarking typically accounts for more than fifty percent of the scores allocated by respected business excellence frameworks).

This paper describes the development of a web-based resource, the Business Performance Improvement Resource (BPIR.com), designed to facilitate organisational improvement by providing access to a range of benchmarking information, improvement tools, measures, and best practice case studies. Of particular interest is that the resource was designed to assist organisations in both performance and best practice benchmarking. To assist organisations in undertaking best practice benchmarking the architects of the BPIR integrated the concept of best practice benchmarking into its design to help managers and improvement practitioners find relevant management information quickly. The paper begins by discussing the barriers to benchmarking and then describes the rationale behind, and structure of, the web-based resource.

2. BARRIERS TO BENCHMARKING

There are two main types of benchmarking; performance benchmarking and best practice benchmarking. Performance benchmarking involves comparing the performance levels of organisations for a specific process or activity. This information can then be used for identifying opportunities for improvement and/or setting performance targets. Performance levels of other organisations are normally called benchmarks and the ideal benchmark derives from an organisation recognised as being a leader in the relevant area. Best practice benchmarking (also called process benchmarking) is where organisations search for and study other organisations that are high performers in particular areas of interest. The processes of these organisations are studied rather than just the associated performance levels. Best practice benchmarking includes the whole process of identifying, capturing, analysing, and implementing best practices.

There are several key issues that both inhibit organisations actively involved in benchmarking and prevent others from attempting active involvement. In a survey of 559 UK respondent organisations [10] findings indicated that among some of those involved in benchmarking there were difficulties encountered during the process. These difficulties included: finding suitable partners; difficulties in comparing data; resource constraints (time, finance and expertise), and staff resistance. The main reasons given by respondents for not being involved in benchmarking at all, were: ignorance (5%); resource constraints (25%); data comparability (29%); being 'too small to gain' (15%); considered not appropriate (26%). Staff buy-in, financial constraints, and lack of skills and expertise were also found to be the underlying inhibitors affecting benchmarking take-up in a Kidwell

study [11]. These inhibitors were also common to those found more recently among the South African financial sector companies. Here, difficulty in finding partners and of getting information from competitors was the most prevalent (85% and 100%), cost and lack of skills were also key inhibitors. Notwithstanding these difficulties 100% of the survey respondents recognised the value of benchmarking to their company [12].

Mindful of problems such as those revealed by these studies, the Centre for Organisational Excellence Research (COER) recognised a service gap in this area and the potential value to organisations of providing a broad-scoped internet-based knowledge resource, based around the activity of benchmarking and business improvement. This would enable both large and small organisations to draw upon a centralised base of information in relation to best-practice benchmarks and practices, with case studies indicating their appropriateness and usefulness within certain contexts.

3. THE BUSINESS PERFORMANCE IMPROVEMENT RESOURCE

Between April 2000 and April 2002 a team of researchers at COER developed the website resource based around business excellence, performance measurement, management/improvement tools, and benchmarking to assist organisations worldwide to better manage their processes and systems and improve their bottom line. The resource itself is a conduit through which to supply individuals and organisations with valuable information in return for revenue that is used to fund more business research within COER. The key operational objective of the website is to offer relevant and comprehensive performance improvement data, knowledge, and guidance on a broad range of topics to individuals and organisations around the world that are looking to improve performance.

3.1 Development

Pre-launch development of the BPIR involved soliciting opinions from industrial contacts and audiences on both the preliminary design concepts and the ongoing direction of development. The sheer scale of the BPIR information offerings has not been able to be achieved without making many partnerships. An extensive network of partners has been formed that has helped the resource to provide key services in the way of these growing and evolving dimensions;

- Downloadable self-assessment tools.
- Nearly one thousand generic measure examples complete with formulae and explanation, many of these having a key commentary on 'why, how, and what to do', and associated benchmarks of performance from all over the world.
- Full access to over 600 searchable business journals/magazines from around the world - well over 2000,000 complete full text articles along with a sophisticated search engine.
- Hundreds of management/quality tools and techniques many with suggestions on implementation and most with case study examples of the tools in action, the benefits gained, and or surveys showing trends of their use.
- Collections of 'expert' opinion articles on strategies, tools, techniques, and issues.
- Hundreds of surveys and studies revealing trends across and within diverse industries.
- Details of thousands of high-performing potential benchmarking partners, all of which have won awards for their performance in one area or another.
- Thousands of case studies illustrating best practice.

- Real life examples of documents – policies, memos, internal newsletters, management guides, internal reports, forms and plans.
- Competitor analysis through tracking the tools and techniques used over the years by specific organisations
- Reviews of related websites
- A service for members where research requests are submitted and the results delivered monthly via email.

As the above list illustrates, the problem for the BPIR was how to structure this vast array of data, so that it becomes useful information for the user. As Newman [13] points out, “...data exists in infinite volume, but its transition into information remains problematical [...] information only exists when we can either see or create patterns within the field of data”.

3.2 Structuring the data

The benchmarking process is defined within COER as comprising the following key steps: (1) Understand and measure, (2) identify areas to improve; (3) collect data, (4) compare and learn; (5) implement improvement strategies; (6) monitor and repeat. The web resource was designed to mirror this approach, offering information to assist in each step of the process. The BPIR’s homepage and navigation tool used throughout the resource is shown in Figure 1. The “BPIR Improvement Cycle” emphasises and encourages the use of a systematic improvement process. In the screenshot, the segments represent the main activities of the process and the outer annotations indicate the associated services or information that the BPIR supplies to assist these activities. Each service link around the outside of the BPIR cycle takes the user to specific databases where relevant information can be found, searching can be carried out by key word(s), or, alternatively the services can be filtered through the smallest criteria of the Baldrige or EFQM models (or a simple Process Classification Framework). This is carried out by entering through the *Best Practice Model Database*. BPIR subscriber Julie Hutton, the Group Quality Manager of *Careers Management*, recently commented:

"We really like the way we can focus the resource down to the smallest criteria of the EFQM model as we have a strong focus on self-assessment using the model within our organisation. Once we have identified our areas for improvement we use the BPIR to help find ways to improve in these areas using the case study and activity materials".

Business excellence models such as the Baldrige ‘criteria for performance excellence’ (CPE) and EFQM Excellence Model were chosen as key frameworks for the resource. This is because of their well-documented success in helping organisations achieve world class performance. In particular, COER believes that the CPE provides one of the most comprehensive holistic approaches to examining processes, their interdependencies and influence on bottom line performance. Other popular models such as the Balanced Scorecard, Performance Prism, and Logic Model attempt to do parts of what can be achieved by the CPE, but without the established and extensive support structure that is available to educate those new to the concepts.

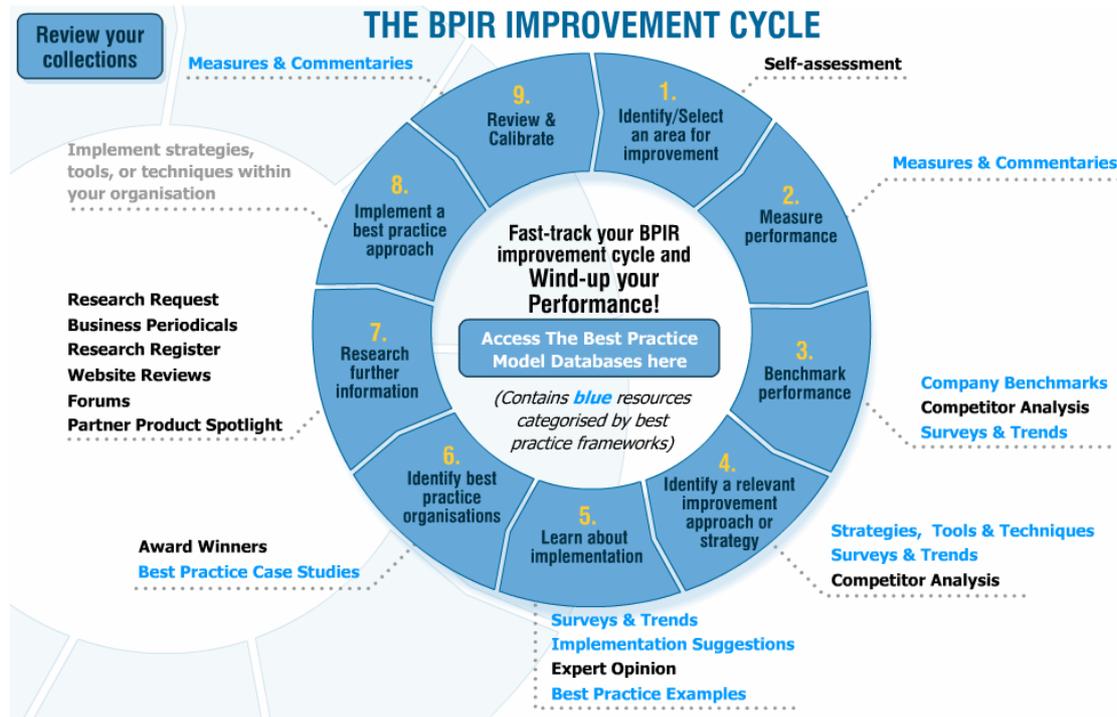


Figure 1: BPIR's improvement cycle showing key services/information types available to support each activity in the cycle

The BPIR cycle is an adaptation of Codling's 12-stage benchmarking process [14]. In the initial design stages the 12-stage benchmarking process (see the core of Figure 2) was used to identify potential information that could be used to assist the benchmarking process (the outer circle). Figure 2 was then adapted to become Figure 1 after feedback from BPIR users and consideration of the type of improvement information that had been collected.

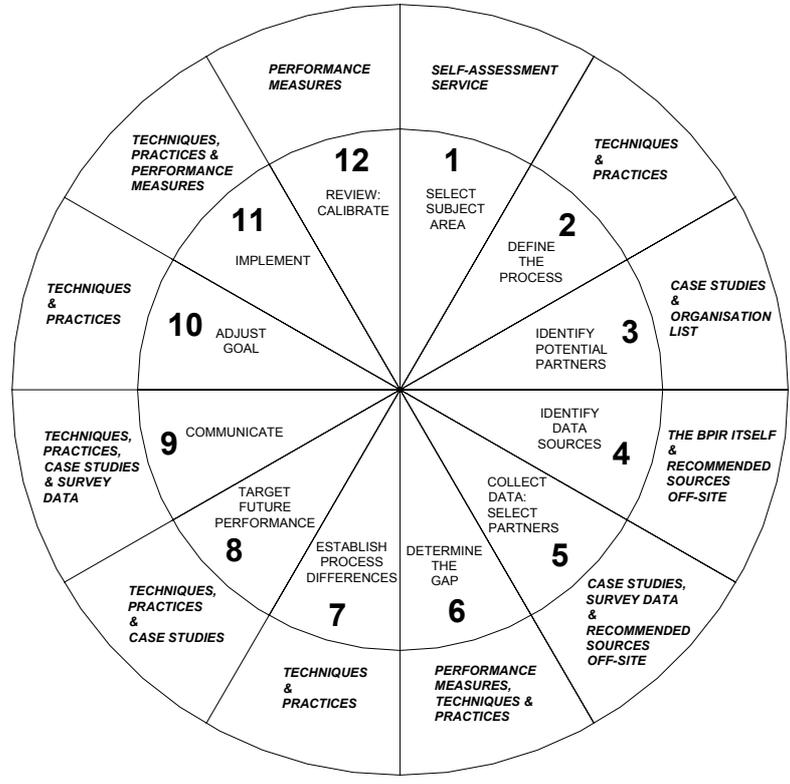


Figure 2: Codling's diagram adapted to show the stages supported by the BPIR

During early stages of development, substantial research was carried out by COER among published evidence to validate its choice of benchmarking and business excellence as tools upon which to base the structure of its resource. Some of the most compelling evidence for the use of benchmarking was its widespread popularity, potential ROI, and the factors that often inhibited the full value being gleaned from benchmarking projects. More recently the Trends from the PricewaterhouseCoopers/BSI Global Research "Trendsetter Barometer" survey [15] have vindicated COER's conclusions about the need for its BPIR, in this survey CEOs interviewed provided strong support for the value that can be gleaned from broader scoped benchmarking databases. The success of the resource is evidence through a 80%+ renewal rate from the first half of its third year of operation. The BPIR is currently used by over 5000 individuals from over 1000 organisations representing twenty countries.

4. CONCLUSIONS

The effectiveness with which the BPIR achieves its aims depends upon the extent to which subscribers utilise the information that it contains. Its potential value as an enabler of internal organisational improvement derives from its unique classification of information through non-prescriptive best-practice self-assessment models such as the CPE and the EFQM Excellence Model (that in many cases the users are already familiar with), and thousands of associated real-life best-practice examples. Of importance is that the BPIR has a key strategy to regularly engage the user in interactions to stimulate learning through its newsletters and its research request facility. Finally, the fact that it is web-based, and therefore generally accessible to a range of organisations and also to groups and individuals within those organisations, means that it offers significant advantages over traditional approaches which often involves contracting consultants to undertake benchmarking research.

To make effective use of a resource such as the BPIR, organisations are encouraged to create the necessary time for users to interact with it, or even build it formally into their own improvement cycle. Use of this 'enabling technology' should become an integral component of the organisation's benchmarking strategy.

In 2005, the BPIR's first detailed customer assessment will be carried out in order to attempt to build objectively onto the positive feedback received so far and assess the effectiveness of the BPIR as a *best practice* business performance improvement resource. This research will also indicate how barriers to benchmarking that *may* exist have been surmounted by BPIR users.

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