

IMPROVING PERFORMANCE THROUGH BENCHMARKING

There is great scope for New Zealand businesses to improve their performance through benchmarking, particularly with overseas companies, Sharon Cuzens finds.

"I love learning. I want to do things right and grow a really good strong company. And if I can learn from others' mistakes, then I can shortcut." For Actionmail CEO Betsy Duncan, the justification for investing in benchmarking her company's performance against others in New Zealand and overseas is quite simple – her company is focused on doing things right.

Last year the Auckland-based mail house achieved a milestone as the most improved member of the NZ Benchmarking Club. Established by Massey University's Centre for Organisational Excellence Research (COER) in May 2000, the club's 12 members work together and with Massey researchers to achieve the highest standards of business excellence. Centre director Robin Mann says benchmarking is a key component of the centre's work. "For organisations to become excellent, they need to learn from others," he says.

Members' performance is self-assessed annually against standards based on the internationally recognised

Baldrige framework for performance excellence. This covers an organisation's performance in seven main areas:

- leadership
- strategic planning
- customer and market focus
- measurement, analysis and knowledge management
- human resources
- process management
- business results

Points are awarded according to the results of the self-assessment. "Our members commit to trying for a 50-point improvement in their score each year," says Robin Mann. "The average rate of improvement for members since the club was established in May 2000 has been 43.3 points per annum. The average total score for club members is 332 points, compared with an estimated average score for New Zealand organisations of 125-175 points. The Baldrige criteria acknowledge a world-class standard at 700 points. Only two organisations in New Zealand – Telecom Directories (in

1995) and Toyota (1993) – have so far made it to the New Zealand National Quality Award standard of 600 points.

"New Zealand organisations generally see the value of some form of benchmarking. Go to any organisation and you'll see individuals trying to learn from others within or outside the organisation, whether by going to seminars or bringing in consultants. So

it's happening informally, but is not very structured."

This observation is borne out by results from the *Firm Foundations* report, a national survey of business practices and processes published in 2002 by the Ministry of Economic Development. One of its authors, Stephen Knuckey, says this survey of New Zealand businesses is the most





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comprehensive of its type. It shows that only about two percent of New Zealand businesses undertake generic benchmarking – comparing their activities systematically with firms in other industries, while 52 percent of all firms do not compare their performance with others at all.

Leading firms (those in the top 20 percent in terms of strategies, practices and outcomes) compare their performance with others to a much greater extent (77 percent of them saying they had benchmarked in the three years before the survey) than those in the bottom 20 percent (only 13 percent doing any kind of benchmarking).

“There’s a lack of understanding of what benchmarking involves,” says Stephen Knuckey. “New Zealand companies tend to think of it as comparing products or prices rather than as a systematic process covering a whole range of indicators.”

One common misconception about business excellence frameworks such as the Baldrige is that they are only useful for large organisations. Most

New Zealand businesses are small/medium enterprises (SMEs), so what value can they get from it?

Sharing ideas

Actionmail has been in business since 1996 and has 44 staff. Betsy Duncan says that while there is a cost in terms of both time and money to participate in the club and to carry out the benchmarking, the pay-off for her company is knowing what they need to focus on to improve the business. “Sharing ideas with others is the most valuable thing. We have club meetings focusing on a particular topic such as strategic planning. Everyone takes along their best ideas and lists things they need help with and we discuss those things. We’ve also got a lot out of the research papers.”

The club usually has five or six projects on aspects of business management under way at a time, facilitated by PhD students. Actionmail has also taken the initiative and contacted companies overseas, as the competitive market in New Zealand means other companies in the same

business are reluctant to share ideas. “We’ve shared and compared practices with mail houses in Australia, the UK and the US and have recently made contact with a South African company,” says Betsy Duncan. “We can talk openly with them and have found more similarities than differences.”

The company keeps building on the improvements it has already made by action-planning. “All the managers get together with a facilitator to identify areas of weakness and look for opportunities for improvement.”

As well as looking to other companies for ways in which to boost performance, another Benchmarking Club member, Fonterra, is using internal benchmarking to help bring its various manufacturing sites up to a common standard. Regional GM manufacturing Paul Brown heads a benchmarking integration group within the company’s operations group.

“The company was formed on the back of different systems and applications,” he says. “We’ve recognised that we have to get our own house in order so initially we are

looking at 80 percent internal benchmarking and 20 percent working with other organisations in the club, looking at where our benchmarking should be heading. In a few years’ time the ratio will change and we will spend a higher percentage benchmarking with outside organisations.

“Benchmarking internally allows us to identify areas of excellence and good performance within the company. We want to build up a critical base of good performance consistently across the organisation. It’s also about having good standardised measures that can be applied across the company.

“Benchmarking has been formally recognised by the company as a vital role. A lot of our product is in the commodity trade internationally. Commodity products are reducing in value internationally so we need to do what we can to offset that. Focusing on external benchmarking stops you becoming insular – it takes the blinkers off. The dairy industry can learn from forestry, meat and IT industries – being part of the Baldrige community is important.”

Ways to improve

One New Zealand organisation that maintains close links with the Baldrige organisation in the US is Business Excellence NZ. Formed with backing from both the private sector and central government, Business Excellence NZ runs the Performance Excellence Study Awards (originally established as the Business Development Quality Awards in 1992).

Director Errol Slyfield says the original idea of the awards was that business and government would work together to promote the use of continuous improvement in business practices. "Over the years they have evolved to meet the demands of New Zealand business and other sectors, including health, education and local government," he says. Up to six or seven award winners may be chosen in a year from applications that have averaged 20 to 30 annually over the past few years. Award winners have the opportunity to travel on a subsidised study tour to the US, visiting Baldrige-winning organisations, while Baldrige winners

are also brought out to New Zealand on speaking engagements.

"We also bring someone out from the Baldrige organisation every year to update our assessment panel, which comprises a number of highly experienced people from around New Zealand. We have made it a policy to ensure consistency in our assessments – three of our people are doing international assessments offshore at present. The value of the feedback report they provide to organisations at the end of the assessment is well recognised as one of the most cost-effective tools available to business."

New Zealand companies looking for ways to improve their performance can also join the not-for-profit New Zealand Business Excellence Foundation, which partnered with COER in establishing the Benchmarking Club. The foundation offers training and advisory assistance, networking and evaluation services as well as access to the latest criteria for performance excellence.

Foundation CEO Mike Watson has a key message for businesses looking to boost their performance: "Don't

reinvent the wheel! We have templates that work – strategic planning processes and business plan templates. Why sit down and try and reinvent something when other organisations are happy to share their knowledge?"

Over 100 foundation members ranging from small businesses to large corporates, including local and central government entities, are encouraged to use the Baldrige best practice framework to improve their performance. The foundation also offers an annual Business Excellence Awards programme.

"There is a perception that benchmarking is something for larger corporates, but benchmarking is applicable for organisations of any size – it's looking at who's doing this best and working out how to emulate them. The complexity of the Baldrige system can sometimes turn people away – particularly small businesses. But we're developing simplified templates that SMEs can use and plan to develop a programme tailored for SMEs."

Product development

While the business excellence criteria have been developed specifically to measure quality processes, another Massey University centre is focusing its attention on product development. Dr Aruna Shekar, director of the Centre for Product Innovation, is about to launch a survey that aims to compare New Zealand product development processes with best practice in the US. "Product development starts from the initial opportunity to develop a new product – idea generation, concept development, rapid prototyping etc – right through to the launch into the market," says Aruna Shekar. "This field is becoming increasingly important with the growing

recognition that successful innovation leads to economic wealth."

The centre is working with the US Product Development and Management Association, which is currently running its third such survey in the US. "We have adapted their questionnaire for the New Zealand context but changed it as little as possible to give us a good comparison for analysis. We will cover each stage of the product development process – asking what techniques and tools have been used and how successful they've been; how to organise for product development; portfolio management; and looking at whether companies have new product development strategies and planning."

A number of companies – including Formway, Carter Holt Harvey and Danisco – have already agreed to participate and 600 invitations will be sent out asking for other respondents. "We're hoping for a good response – and I'm very keen to hear from anyone who's interested in taking part," says Aruna Shekar. "What's exciting about this is that it will give us a baseline measurement that a lot of companies don't have at present."

She hopes to take the survey to Australia later in the year, in partnership with the Royal Melbourne Institute of Technology, which will extend the information available to companies both here and overseas. "Once we have the survey results, the next phase is to organise appropriate groups of companies and facilitate information sharing. We plan to make this an annual survey and hope to extend it to Singapore as well.

"We're dealing in a global market so we must get global research. It's really important for New Zealand



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industry to raise their act – we must be best in the global market, not just in New Zealand.”

Interest in benchmarking is growing in New Zealand, and COER director Robin Mann believes organisations here need more practical assistance on how to use the criteria to improve. The centre is undertaking a number of initiatives to help with this, including organising Australasia’s first conference on benchmarking, to be held in Auckland between March 16-17.

Another major resource developed and managed by the COER is BPIR.com – the Benchmarking and Performance Improvement Resource – an on-line treasure trove of information, performance measures and networking opportunities from around the world.

Robin Mann believes more support for or promotion of benchmarking from government and business organisations would benefit New Zealand hugely. “There is now substantial evidence that frameworks such as the Baldrige and the European Business Excellence model are valid methods of assessing organisations.

“If you improve your score year by year, your organisation will become more profitable. Other countries know about these frameworks – if we could take 20 New Zealand companies to a world-class level, other countries would really sit up and take notice.”

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*Below left: Paul Brown (left)
and Robert Alloway, Fonterra
Below: Dr Aruna Shekar with a wrist
blood pressure and pulse monitor
that Massey University has been
involved in developing*

What's it all about?

Three main types of benchmarking have been identified:

- performance benchmarking – comparing performance measures to determine how good the business is compared with others
- process benchmarking – comparing operations, work practices and processes
- strategic benchmarking – comparing competitors’ business strategies and structures in an attempt to change the strategic direction of an organisation

Why benchmark?

- enables an organisation to assess its performance objectively
- creates pressure for improvement
- exposes underlying problems and areas where improvement is needed
- compares existing processes with best practice, helping identify better ways of doing things
- identifies the links between processes and results
- tests whether changes in strategy and practice have produced the desired improvements

How to do it...

- find organisations that are best at what your own organisation does
- study how they achieve their results
- plan to improve your own performance
- implement the plans
- monitor and evaluate the results.