June 21, 2011 (Tuesday) 55th EOQ Congress

CONCURRENT SESSIONS **Tuesday 13:30 – 17:30**
KEMPINSKI HOTEL CORVINUS **Erzsébet tér 7-8, Budapest V.**

REGINA BALLROOM I.

10.2. INNOVATION AND QUALITY II.

Session Chair: ***Kostas N. Dervitsiotis****, University of Piraeus, Greece*

16.45 How Important are Business Excellence and Benchmarking for Sustainable Competitiveness?
Robin Mann, Centre for Organisational Excellence Research, New Zealand

Mann, Robin (New Zealand)

Dr Robin Mann is the Head of the Centre for Organisational Excellence Research, New Zealand, www.coer.org.nz, Chairman of the Global Benchmarking Network, www.globalbenchmarking.org, Advisory Board member at the Hamden Bin Mohammed e-University, Dubai www.hbmeu.ae and Co-Founder of BPIR.com Limited, www.bpir.com – a leading benchmarking website resource. Robin's experience includes managing the UK's Food and Drinks Industry Benchmarking and Self-assessment Initiative (1995-1998), New Zealand Benchmarking Club (2000-2004), the Sheikh SAQR Government Excellence Program, UAE (2005-2007), reviewing the Australian Business Excellence Framework (2006), delivering TRADE best practice benchmarking training and certification with COER's partner's in 11 countries, and chief expert for the APO's research project on business excellence in Asia. Robin worked in Edinburgh (1992-1995) for Burton's Biscuits as a process improvement manager and obtained his PhD in TQM at Liverpool University in 1992. Robin undertakes consultancy on business excellence and benchmarking all over the world.

20-23 June, 2011, Budapest – Hungary

How important are business excellence and benchmarking for sustainable competiveness?

Dr Robin Mann
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Overview of Presentation

As the Chairman of the Global Benchmarking Network and Chief Expert for business excellence for the Asian Productivity Organisation's recent research project on the status of business excellence, Robin is in a unique position to provide a global perspective on business excellence and benchmarking.

Robin's presentation will draw from two projects:

- A research project on behalf of the Asian Productivity Organisation (APO) to identify the value and impact of business excellence. This study completed in 2010 was supported by national productivity institutions enabling access to many award winning companies and CEOs in Japan, India, Thailand, Taiwan and Singapore. The findings are now being used by the APO and its 22 member countries to guide their national business excellence strategies.
- A research project on behalf of the Global Benchmarking Network in 2010/11 exploring the role of benchmarking now and in the future. This project involved experts from over 20 countries.

The presentation will:

a) Present the research evidence on business excellence. What evidence is there that business excellence leads to long-term and sustainable success? How has business excellence shaped the economic and social climate in Asian countries?
b) Describe whether business excellence will meet our needs for the future and continue to be relevant from a productivity perspective. Are the models here to stay?
c) Reveal how companies are using business excellence as a strategic tool for business excellence and productivity improvement.
d) Describe the role played by national business excellence custodians (the bodies responsible for business excellence) and how they can help companies more effectively in the future.
e) Focus on recent innovations in "Benchmarking" which has led it to become a powerful innovation tool that accelerates and organisation's progress towards business excellence.
f) Present the expert's views on the steps to take to become world-class.

The presentation will draw from Robin's business excellence research and from his research in benchmarking. A recent paper by Robin on benchmarking is shown below:

Benchmarking Past, Present, and Future

Why use benchmarking? Dr Robin Mann, Chairman of the Global Benchmarking Network, will explain why and what it is as he reviews the history of benchmarking, the present position, and the future.

The Past

It is now over 20 years since the publication of the first book on benchmarking by Dr Robert Camp (1989): *Benchmarking: The Search for Industry Best Practices that lead to Superior Performance.*

This was a ground-breaking book. It described a new methodology called "Benchmarking" and how to apply it based on Dr Camp's experience of managing the benchmarking programme within Xerox. The uniqueness of Xerox's approach was that they moved from "competitive benchmarking", which was principally used to examine manufacturing costs through product comparisons, to "non-competitive benchmarking" which encompassed a 10 step methodology. Xerox recognised that in order to survive and grow they needed to do more than compare against competitors – what they needed to do was to develop superior practices from learning from best practices wherever they exist.

Stage	Step	Camp Model
Planning	1	Identify what is to be benchmarked
	2	Identify comparative companies
	3	Determine data collection method & collect data
Analysis	4	Determine current performance 'gap'
	5	Project future performance levels
Integration	6	Communicate benchmark findings and gain acceptance
	7	Establish functional goals
Action	8	Develop action plans
	9	Implement specific actions & monitor progress
	10	Re-calibrate benchmarks
Maturity	Leadership position attained Practices fully integrated into processes	

Figure 1 – Xerox's 10 Step Benchmarking Methodology

Between 1981 and 1989, Xerox undertook over 200 benchmarking projects, learning from the best irrespective of which industry they came from. These included American Express (for billing and collection), Cummins Engines and Ford (for factory floor layout), Florida Power and Light (for quality improvement), Honda (for supplier development), Toyota (for quality management), Hewlett-Packard (for research and product development), Saturn (a division of General Motors) and Fuji Xerox (for manufacturing operations) and DuPont (for manufacturing safety). Xerox transformed itself from an organisation which was in danger of going out of business (their market share had plummeted from 86% in 1974 to just 17% in 1984) to one that became recognised as a world-class. Xerox became the first company to win both the Malcolm Baldrige National Quality Award in 1989 and the European Quality Award in 1992. This transformation process from "crisis point" to "world-class" took 8 years.

Due to Xerox's success, benchmarking became known worldwide. Figure 2 shows the rise in popularity of benchmarking from 1990 when there were only a few publications on the subject to over 350 per year in 1993. This number of publications has been maintained each year. This is quite unusual – most quality management techniques have followed a "fad cycle" where they are popular for a few years and then their popularity declines.

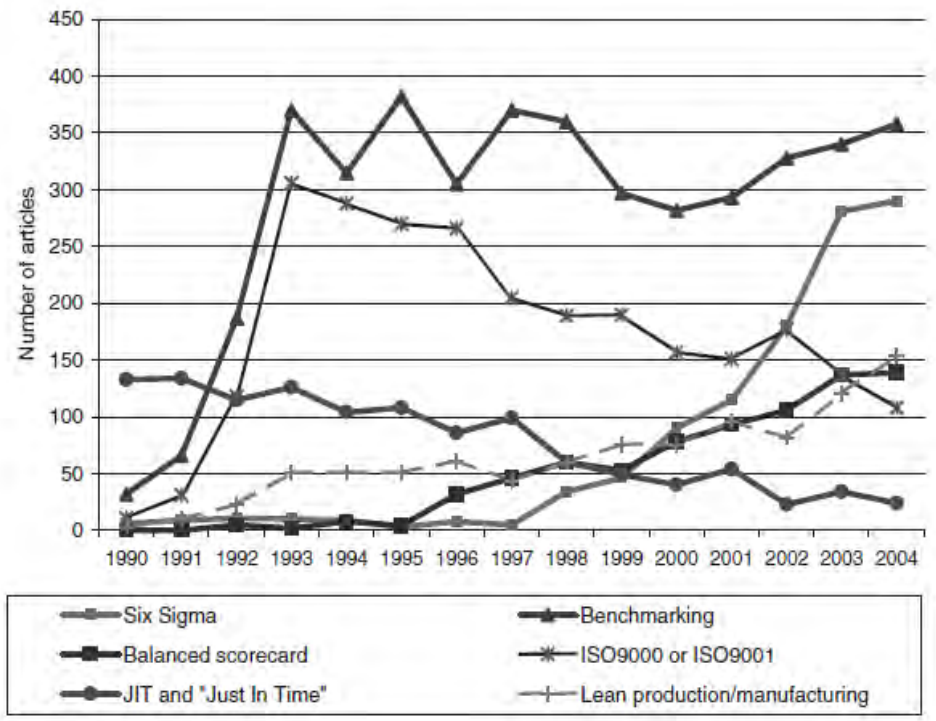

Figure 2 – Number of articles published in ProQuest (1990–2004) on tools and techniques (Thawesaengskulthai, N and J. Tannock, 2008.)

The reason for the continuing popularity of benchmarking stems not only from it being a valuable improvement tool but also because key institutions actively promote it. The developers of both the EFQM Business Excellence Criteria and the Baldrige Criteria for Performance Excellence position benchmarking as a key component of business excellence – therefore bringing greater awareness of benchmarking to leading organisations around the world. Also, the Global Benchmarking Network (GBN) was created in 1994 to promote and encourage its use worldwide. The GBN was formed by experts from benchmarking centres in Germany, Italy, Sweden, the United Kingdom and the United States (with Dr Robert Camp serving as President). Since 1994, the GBN has helped countries around the world to learn about and use benchmarking methods and has now grown to a membership of 25 benchmarking centres representing over 20 countries.

The Present

In the last 20 years, benchmarking methodologies have evolved and technology has helped to make it easier to undertake. Most research studies in the last few years have identified benchmarking as a top five tool in terms of popularity whilst respondents of the 2009, Bain and Co. study (Rigby et al, 2009) rated it as the No.1 tool in terms of usage and average in terms of satisfaction – see Figure 3.

	Usage	Satisfaction
Benchmarking	76%*	3.82
Strategic Planning	67%*	4.01*
Mission and Vision Statements	65%*	3.91*
Customer Relationship Management	63%*	3.83
Outsourcing	63%*	3.79
Balanced Scorecard	53%*	3.83
Customer Segmentation	53%*	3.95*
Business Process Reengineering	50%*	3.85
Core Competencies	48%*	3.82
Mergers and Acquisitions	46%*	3.83
Strategic Alliances	44%	3.82
Supply Chain Management	43%	3.81
Scenario and Contingency Planning	42%	3.83
Knowledge Management	41%	3.66**
Shared Service Centers	41%	3.68**
Growth Strategy Tools	38%**	3.87
Total Quality Management	34%**	3.80
Downsizing	34%**	3.59**
Lean Six Sigma	31%**	3.87
Voice of the Customer Innovation	27%**	3.88
Online Communities	26%**	3.69**
Collaborative Innovation	24%**	3.71**
Price Optimization Models	24%**	3.75
Loyalty Management Tools	17%**	3.79
Decision Rights Tools	10%**	3.68

Figure 3 – Usage and satisfaction of Management Tools and Techniques (over 9,000 respondents worldwide) (Rigby et al, 2009)

*Significantly above the overall mean **Significantly below the overall mean (usage = 42%, satisfaction = 3.82)

Research by the GBN (Mann et al, 2010) identified a potential reason why satisfaction rates for benchmarking were average. It seems that organisations have widely different opinions on what benchmarking is and how to apply it, leading to a sizeable % of organisations recording poor returns from benchmarking. According to the GBN study almost 30% of organisations that use benchmarking obtain an average return/saving per project of less than £6,500. This is in contrast to 20% obtaining an average return/saving per project of greater than £157,000 per project with some obtaining returns in the millions of pounds. The reasons for this disparity in success, was reported as:

- 25% of respondents that used benchmarking had not been trained in benchmarking and another 30% of respondents indicated that "only a few of the employees had received training or that training was rarely given".
- 30% of respondents that used benchmarking do not follow a particular benchmarking methodology when conducting benchmarking projects.
- 25% of respondents do not follow (or rarely follow) a benchmarking code of conduct when undertaking a benchmarking project.
- 30% of respondents "do not, rarely, or sometimes" develop a project brief for their benchmarking project specifying the aim, scope, sponsor, and members of the benchmarking team – thus indicating poor project planning.
- 35% of respondents do not (or rarely) undertake a cost and benefits analysis of the project once it is completed.

One of the common problems is that many people consider benchmarking to be solely about comparison rather than learning from the practices of other organisations and adapting and implementing these practices. In recent years, the GBN has been promoting the following definitions of benchmarking to assist in its understanding.

Informal Benchmarking refers to benchmarking that does not follow a process or a procedure. It refers to the type of benchmarking that everyone does at work, often unconsciously, involving comparing and learning from the behaviour and practices of others. Learning from informal benchmarking typically comes from the following:

- Talking to work colleagues and learning from their experience.
- Consulting with experts who have experience of implementing a particular process or activity in many business environments (Figure 4, shows a photo of Dr Robert Camp).
- Networking with other people from other organisations at conferences, seminars, and Internet forums.
- On-line databases/web sites and publications that share benchmarking information provide quick and easy ways to learn of best practices and benchmarks.

Figure 4 – Informal benchmarking can be used by everyone

Formal Benchmarking consists of two types – Performance Benchmarking and Best Practice Benchmarking.

- Performance benchmarking describes the comparison of performance data obtained from studying similar processes or activities. Performance benchmarking may involve the comparison of financial measures (such as expenditure, cost of labour, cost of buildings/equipment) or non-financial measures (such as absenteeism, staff turnover, complaints, call centre performance).
- Best Practice Benchmarking describes the comparison of performance data obtained from studying similar processes or activities and identifying, adapting, and implementing the practices that produced the best performance results. The Xerox methodology can be described as a best practice benchmarking methodology.

Both Informal and Formal benchmarking can be used internally (learning inside the organisation), externally (learning from other organisations) or competitively (learning from competitors).

A recent development has been the move to professionalise the field of benchmarking. New benchmarking methodologies are emerging that provide in-depth guidelines and instructions on how to do benchmarking well. One such methodology is the TRADE best practice benchmarking methodology which focuses on the exchange (or" trade") of information and best practices to improve the performance of processes, goods and services.

The TRADE methodology, see Figure 5, is not dissimilar to Xerox's but the difference lies in its prescriptive nature. Underneath each of the 5 key stages are 4 to 9 steps that clearly describe what needs to be done before proceeding to the next step and stage. Due to the clarity of the methodology benchmarking teams are able to focus on the learning from the project rather than "what should be done next" as the methodology ensures that a professional research approach is undertaken. Without this discipline, projects are unlikely to be as successful due to project teams focusing on issues without conducting a cost/benefits analysis or specifying clearly what they want to learn, and without obtaining buy-in from key

stakeholders (projects often fail even when best practices are identified as key stakeholders have not been involved in the project and their commitment cannot be gained for implementation).

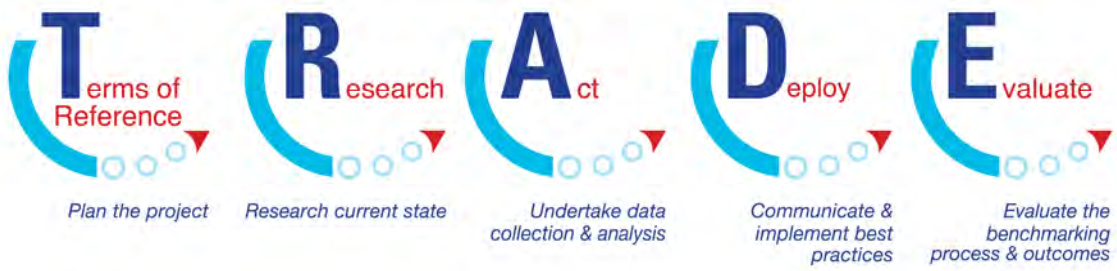

Figure 5 – TRADE best practice benchmarking methodology

Another point of difference is the certification scheme for TRADE. This certification scheme ensures that individuals are adequately trained and can demonstrate their learning if they wish to facilitate or lead benchmarking projects.

Figure 6 - TRADE Certification Levels

Technological advancements have transformed communications and opened up a whole new information based world. Any organisation can now access low-cost internet-based benchmarking services and opportunities such as consortia, surveys both on and off line, virtual common interest groups, best practice information resources and social networking sites for contacting potential benchmarking partners. These resources are a real boon to organisations that want to access best practices and expert advice/opinion but do not have the resources for full-scale benchmarking projects.

The Business Improvement Performance Resource (BPIR.com) is one of the new resources that provides valuable support to benchmarking projects. It is a vast knowledge repository containing databases with thousands of benchmarks, measures, best practices, benchmarking partners and case studies that cover virtually every aspect of business. In addition, the resource provides networking facilities enabling users to create their own personal profile, and record and share best practices directly in textual, photo, or video format.

Figure 7 – Users of the BPIR.com can add and search for best practices

Due to the advances in benchmarking we now have organisations which have become world-class in 3 years (in comparison to Xerox's 8 years). One such example, is Boeing Aerospace Support which transformed itself from an average company in 2000, scoring 300 points against the Baldrige Criteria, to over 700 points (a world-class score) in 2003 when they won the Malcolm Baldrige National Quality Award.

In December 2009, I was lucky enough to talk to David Spong, who led Boeing Aerospace Support during this period. He described how benchmarking was central to Boeing Aerospace Support's achievements. He explained that firstly best practices were transferred from the Boeing Airlift and Tanker Program, winners of the 1998 Malcolm Baldrige National Quality Award, to Boeing Aerospace Support. Secondly, a system was set up so that all the business units within Boeing Aerospace Support could benchmark their performance and learn from each other. To do this, he had all the business units undertake assessments against the Baldrige Criteria. All the assessment scores were then compared. This enabled the business units to identify which business units to learn from for each Baldrige category. Lastly, the business units were encouraged to look outside their industry and learn from the best in other industries. By being able to utilise the new communication technologies this was much easier to do for Boeing than for Xerox.

The Future

So how will benchmarking develop in the next 20 years? This question is currently being asked by the GBN as part of a 2010 research project. This project is exploring the likely role of benchmarking in the future through considering Megatrends affecting governance, political, social and environmental issues. The project intends to answer the following questions: What will benchmarking look like in 2030 – and in between? What are the tools, methodologies and technologies that benchmarkers will use to help organisations and economies to improve?

Undoubtedly technology will play an increasing part in benchmarking enabling organisations to share benchmarks and best practices more quickly and all over the world. With advances in communication technology it will be interesting to see how individuals and organizations cope with the increase in data and information. Some commentators have indicated that our attention span will become shorter because there will not be enough time to review each piece of information. In my own experience of managing a best practice resource, www.bpir.com, we have seen this already. To cater for this the BPIR.com has moved from solely written content to on-line networking and now to video content. With video content, best practices can be more quickly understood and assessed for relevance.

The speed with which businesses want solutions/best practices is expected to accelerate. The providers of benchmarking services need to acknowledge this. I was recently in India attending a BestPrax Club event that was tremendously successful. At this event 16 organisations were given 10 minutes to share three best practices. At the end of 10 minutes a buzzer sounded and the presenter had to leave the stage. In a few hours, 48 practices were shared! These were then judged, and seven best practices were selected as the winners. This type of "X Factor" event undoubtedly appeals to the masses and is a great way to quickly learn of good to best practices.

Figure 8 - Castrol's best practices being judged.

The other innovative aspect of the India event, was that Suresh Lulla of the BestPrax Club had visited each organisation to "harvest" best practices prior to the event to help each organisation identify what they were good at. This harvesting process was seen as of tremendous benefit to all the participants as it was rewarding and motivational to be told that they had a good practice. Usually, consultants, evaluators

and auditors search for non-compliance or opportunities for improvement and managers and employees are often on the defensive as it can be uncomfortable to receive negative feedback. The GBN plans to explore the harvesting and nurturing of best practices further and see how these concepts can be used more widely.

In the future, it is envisaged that benchmarking will help organisations/economies to improve at a faster rate. Whilst the speed of exchanging information (and therefore benchmarking) will increase we need to ensure that organisational decisions are based on sound judgement. I am convinced that a disciplined approach using a benchmarking methodology will always have its place alongside an informal approach to benchmarking. The challenge for organisations will be to decide which type of benchmarking to do. It is likely that a disciplined approach will be required for the largest opportunities for improvement where speed to identify benchmarks and learn from other organisations (say for instance through site visits) is not as critical but where breakthrough improvements could have a huge impact on the bottom-line. Faster approaches will be used for issues/opportunities that need to be tackled in a shorter period of time, with the understanding that faster approaches are riskier and less likely to produce as large a gain.

Sources of Help

Books:

1. Camp, R. (1989). Benchmarking. The Search for Industry Best Practices That Lead to Superior Performance. Productivity Press.

Websites/expertise:

- Business Performance Improvement Resource, www.bpir.com – Website of benchmarks and best practices.
- Global Benchmarking Network, www.globalbenchmarking.org – Provides a listing of those organisations that are the main promoters/ experts in benchmarking from over 20 countries.

References:

- Rigby, D. and Bilodeau, B, 2009. Management Tools and Trends 2009. Bain and Co. http://www.bain.com/management_tools/home.asp.
- Mann, R.S. and Kohl. H., et al, 2010. GBN Survey Results: Business Improvement and Benchmarking, Global Benchmarking Network. www.globalbenchmarking.org.
- Thawesaengskulthai, N and J. Tannock, 2008. Fashion Setting in Quality Management and Continuous Improvement. *Int. Studies of Mgt. & Org.,* vol. 38, no. 2, Summer 2008, pp. 5–24.

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