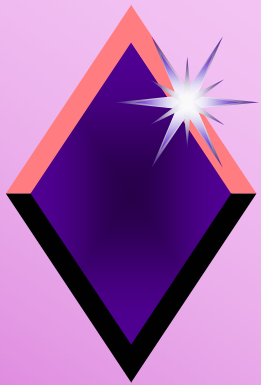


# DEVELOPMENT OF PRODUCTIVITY SPECIALISTS

May-July 2005

Islamabad, Pakistan



## P & Q IMPROVEMENT THROUGH BENCHMARKING

**Hasan Haider.**

**Head Training Division**

**National Productivity Organization**



# *OUTLINE*

- **What Benchmarking is, what it is not?**
- **Benefits of Benchmarking**
- **Types of Benchmarking**
- **Benchmarking Phases**
- **Critical Success Factors**
- **Code of Conduct**
- **Challenges**



# ***IN RESTROSPECT . . .***

- **Late 70's and Early 80's: Xerox Initiatives**
  - Bob Camp: "Benchmarks lead to Benchmarking."
  - Areas of Xerox Benchmarking:
    - Performance (Validate Objectives/measures)
    - Product Service (Product/plan/development)
    - Process (Business process improvement)



# ***IN RESTROSPECT . . .***

- **Mid to Late 90's: APO Thrusts on**
  - Quality Management
  - New Tools & Techniques for Productivity
  - Launching of Benchmarking Program



# *IN RECENT YEARS*

- APO Capability Building for National Quality Awards/Excellence Frameworks
- APO Thrust on Knowledge Management
- APO Best Practice Network
- Training/Seminars on Benchmarking



# **BENCHMARK**

**“A surveyor’s mark .... of previously determined position .... and used as a reference point .... standard by which something can be measured or judged.”**

*- Webster’s Dictionary -*



# **BENCHMARK**

- **A point of reference against which performance is measured and compared.**

**Examples:**

- **Employee Satisfaction Rate = 90%**
- **Customer Retention Rate = 90%**
- **Material utilization = 88%**
- **Training hours per worker per year = 40 hours**
- **Response time to APO project nomination = 1 month**



# ***WHAT IS A BENCHMARK?***

**BENCHMARK = TARGET**



**BENCHMARKING = LEARNING**



# **WHAT IS BENCHMARKING?**

**Philosophically . . .**

**“Benchmarking is the practice of being humble enough to admit that someone else is better at something and being wise enough to try and learn how to match and even surpass them at it.”**

*- M.. Harmon, Quality Digest -*



# WHAT IS BENCHMARKING?

Operationally . . .

A continuous learning process for understanding & measuring our own operations, comparing them to other organizations which are recognized as having superior practices, and implementing plans to adapt & change our operations, to meet & surpass those practices



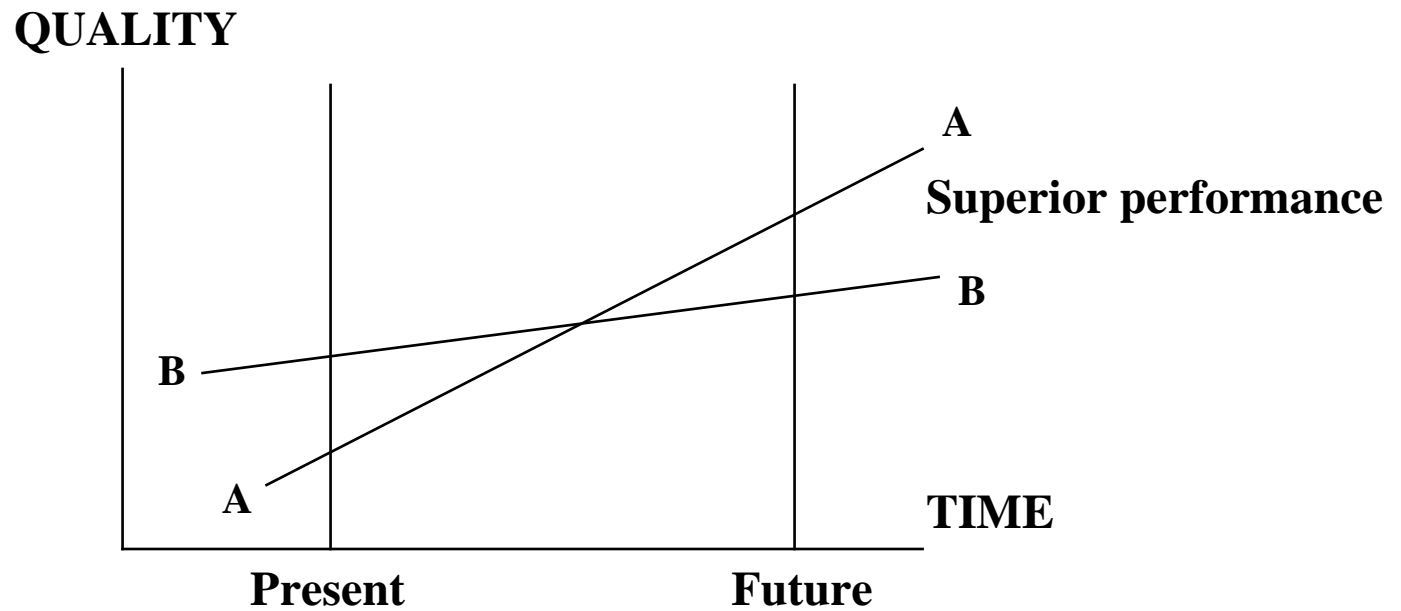
# ***BENCHMARKING IS . . .***

- Knowing your position/operation
- Knowing the industry leaders or competitors
- Incorporating the best practices
- Gaining superiority
  - Benchmarking makes us know US and THEM better.



# BENCHMARKING IS . . .

## Overtaking the benchmark

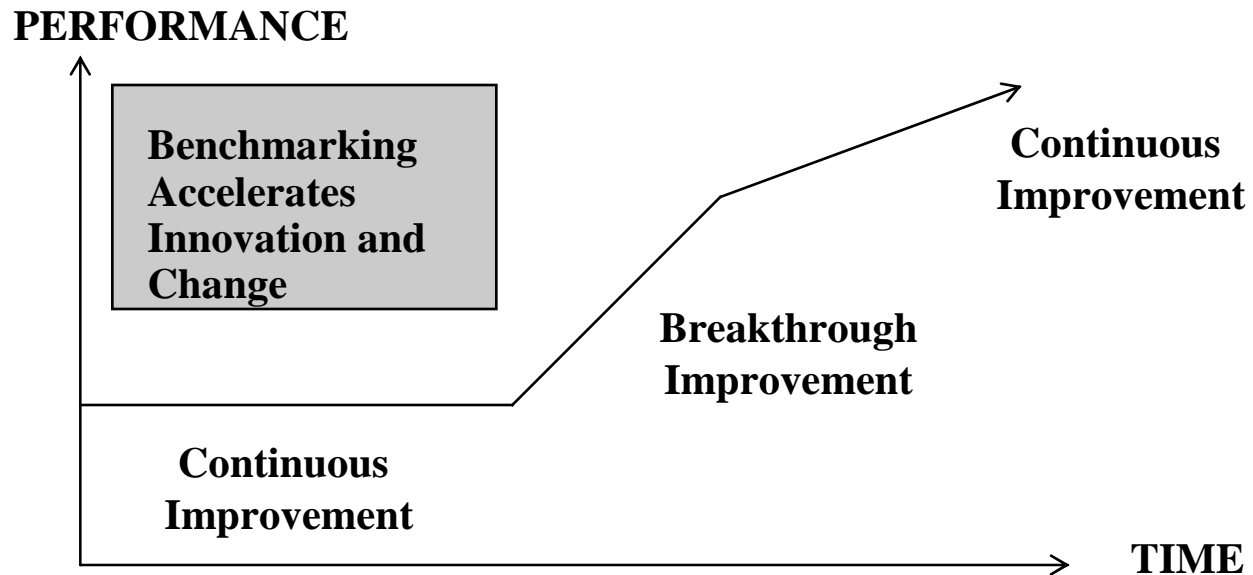




# BENCHMARKING

## A Continuous Learning Process

**Organizational Learning** → **Performance Improvement**





# WHAT IS BEST PRACTICE?

- A relative term indicating outstanding business practices which have been identified as contributing to improved performance significantly in leading companies.
- These are the methods or work processes that produce outputs which best meet customer requirements/expectations.



## ***EXAMPLE OF BEST PRACTICE:***

- **MAS Electronic Booking/ Ticketing.** The process is simple and involved three simple steps:
  1. **Calling Malaysia Airline Reservations to make a booking.**
  2. **Effecting payment at any Maybank, Mayban Finance ATM**
  3. **Presenting the transaction slip for check-in before boarding the flight.**



## ***BEST PRACTICE:***

The process **saves time, energy and effort** as passengers do not have to depend on the airline travel agents, or ticket offices to have their booking ticketed when they need to travel. It also realizes **cost saving** as tickets do not have to be printed.



# ***BENEFITS OF BENCHMARKING***

- It ensures best practices will be **identified**, which in turn assures **appropriate improvement** targets are set
- It provides a **deeper understanding** of the organization's processes
- It helps **overcome disbelief** of outside practices and convinces the organizations it can improve upon them
- It **counters reluctance** to try something different, and **stimulates innovations and breakthroughs.**



# BENEFITS OF BENCHMARKING

- It helps identify **new technologies** that may have started in other industries, for example **bar coding** and it will overcome the “**Not Invented Here**” satisfaction or arrogance.
- It redirects the focus on an organization. Instead of being **self-absorbed**, the organization will **look outwards** and thus see “**outside the box**”.
- It is a practical tool for **continuous improvement**.



# **BENCHMARKING MAKES US**

## **KNOW US & KNOW THEM ...**

- **Better awareness of ourselves (Us)**
  - What are we doing
  - How we are doing it
  - How well we are doing it
- **Better awareness of the best (Them)**
  - What they are doing
  - How they are doing it
  - How well they are doing it



# ***THE XEROX BENCHMARKING STORY***

## **Benchmark Company**

**American Express**

**American Hospital Supplies**

**AT&T**

**Baxter International**

**Cummings Engine**

## **Process**

**Collections**

**Inventory Control**

**Research & Dev't**

**Employee Recognition and  
HR Management**

**Plant Layout and design  
supplier certification**



## Benchmark Company

## Process

**Dow Chemical**

**Supplier certification**

**Florida, Power & Light**

**The quality process**

**Hewlett-Packard**

**R & D, Engineering**

**L.L. Bean**

**Inventory Control;**

**distribution; telephonics**

**Marriot**

**Customer survey techniques**

**Milliken**

**Employee Recognition**

**USAA**

**Telephonics**



## ***XEROX - BENEFITS OF BENCHMARKING***

- Challenges **“business as usual”**
- Builds effective **teamwork**
- Increased awareness of our **costs and performance** compared to **competition**
- Is a **logical and proven** method for developing **winning strategies**



# TYPES OF BENCHMARKING

## INTERNAL

Comparing **similar operations** within or across **different departments** or business units of the organization.

**Ex.:** Comparing HR practices such as TNA, Performance Evaluation, Training Cost among branches/subsidiaries.

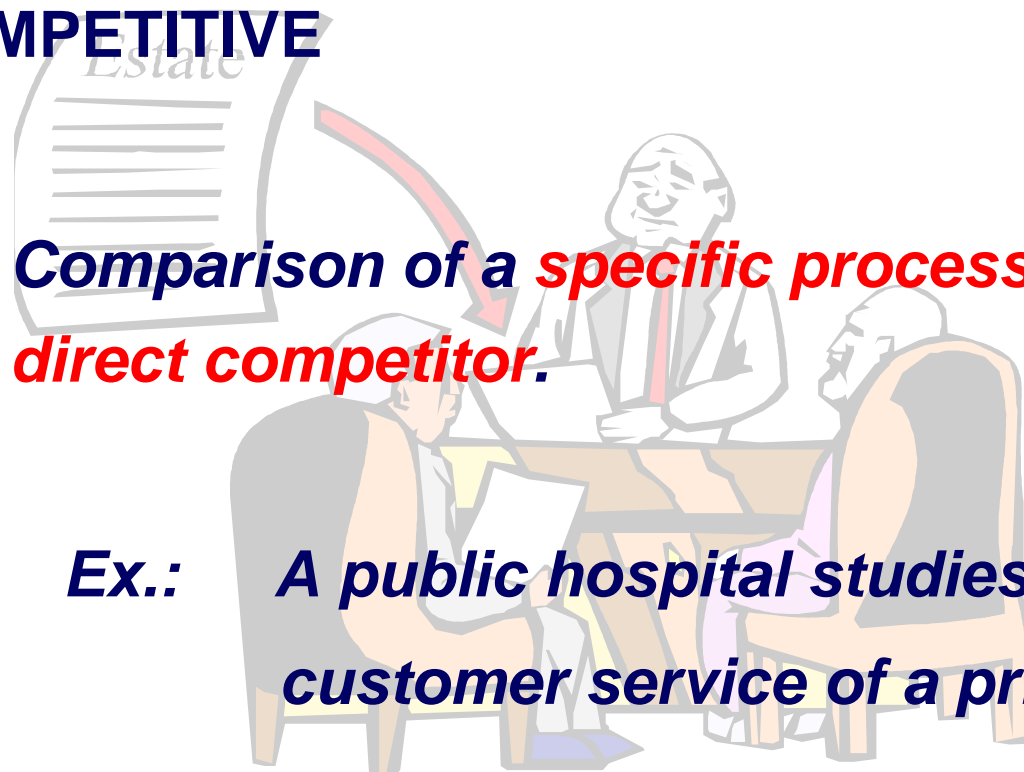


# TYPES OF BENCHMARKING

## COMPETITIVE

Comparison of a **specific process** with that of **direct competitor**.

**Ex.:** *A public hospital studies the frontline customer service of a private hospital.*





# TYPES OF BENCHMARKING

## FUNCTIONAL/INDUSTRY

Comparison of a **specific process** against other organizations in search of **better practices of the same industry.**

*It involves partners in the same functional area like Finance Management, HR, Logistics Management in the public or private sector*



# TYPES OF BENCHMARKING

## GENERIC

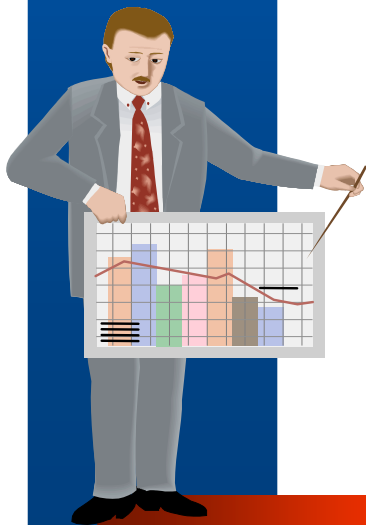
Comparison of specific process from **unrelated industries** or business line towards **identifying innovation**.

**Ex.:** *A Municipal Council learning and adapting the best practices of managing industrial waste from an established chemical company.*



# ***GETTING STARTED IN BENCHMARKING***

- **Senior management “buy-in”**
- **Training/Capability Building**
- **Pilot project**
- **Choose high-impact project**
- **Study lessons learned**



# BENCHMARKING PHASES





# ***PHASES OF BENCHMARKING***

## **PLAN**

### **1. Prepare to Benchmark**

- **Get Top Management Support**
- **Form the Team/Assign Benchmarking Sponsor**
- **Decide what to benchmark**
- **Understand your own process**
- **Identify prospective benchmark Partners**
- **Determine Performance Measures**



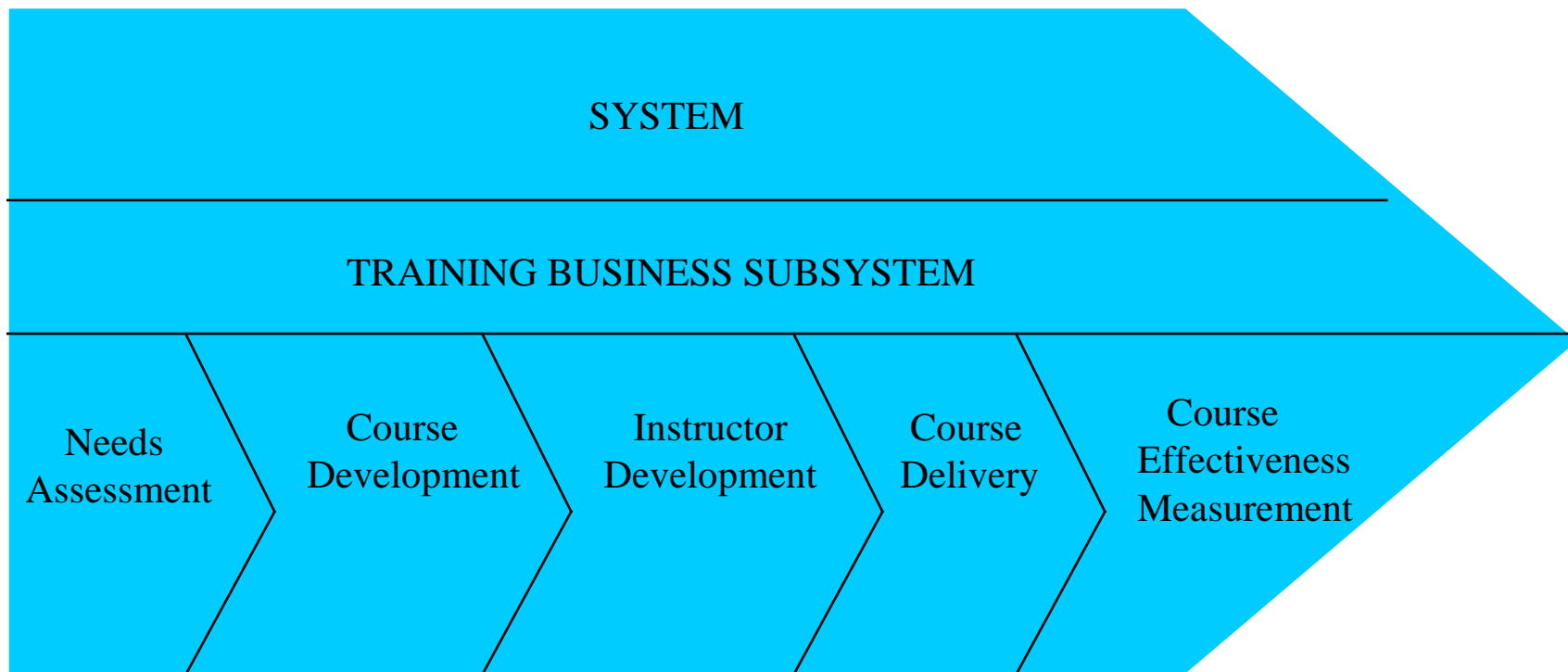
# **PLAN**

## ***CHOOSING THE BENCHMARKING TOPIC***

- **Impact on customer satisfaction?**
- **Impact on decision making?**
- **Impact of solving the problem?**
- **Impact on plans and strategies?**

# PLAN

## ***EXAMPLE OF POSSIBLE BENCHMARKING AREA***





# **PLAN**

## ***TRIGGERS FOR BENCHMARKING***

- **Quality management processes**
- **News/observation about competitors or best-in-class organizations**
- **Cost control**
- **Evaluation of customer satisfaction or surveys**



# *PLAN*

## ***SPONSOR'S ROLE***

- **Provides visibility and credibility**
- **Process owner**
- **Prepares Quality Control for benchmarking**
- **Removes roadblocks**
- **Works with legal counsel**
- **Clarifies what can be shared with partners**



# PLAN

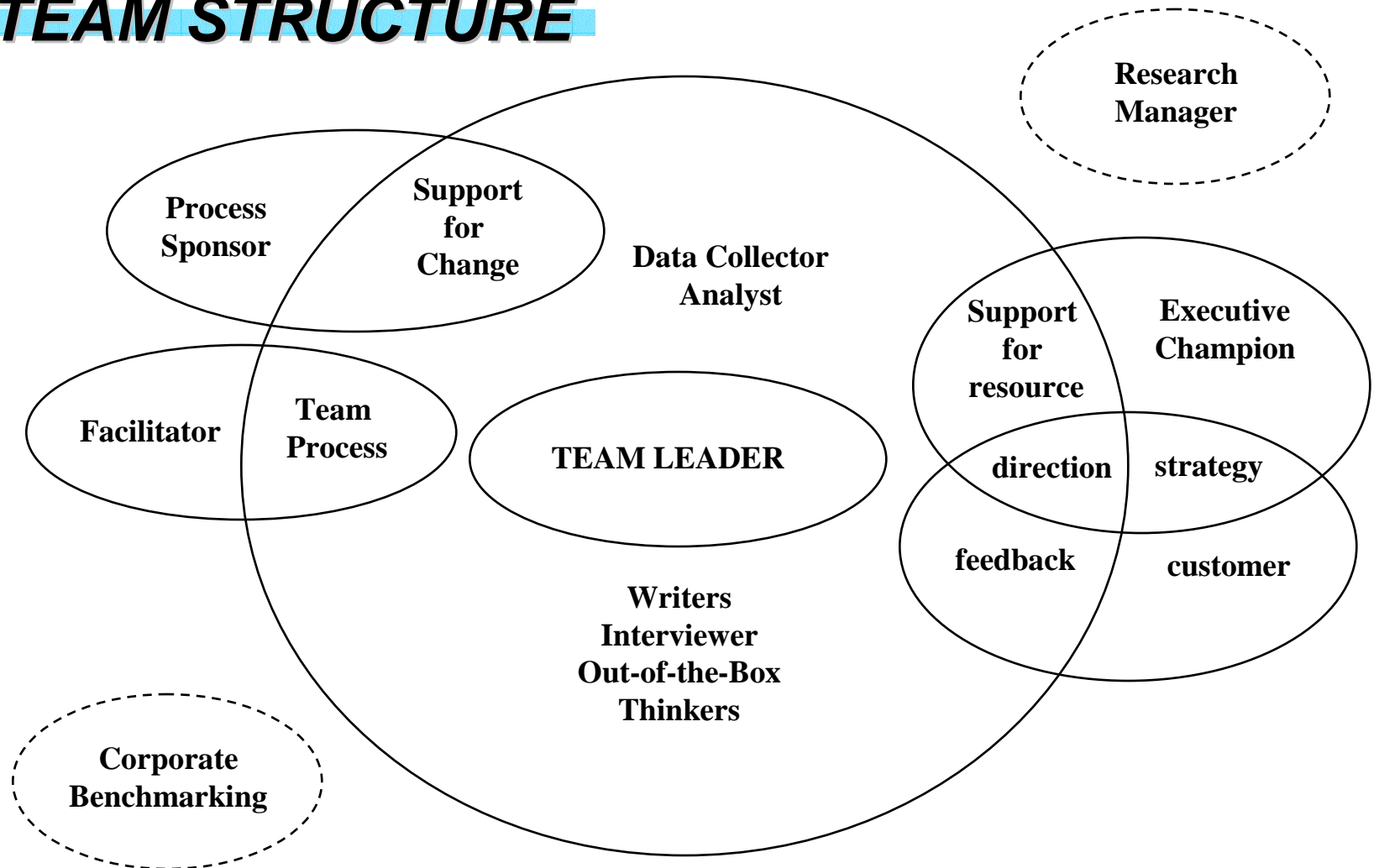
## ***TEAM SELECTION CRITERIA:***

- **Team selection:** represent required expertise and affected areas
- **Time:** sense of urgency, be available & involved
- **Knowledge:** understand strategic Quality planning goals
- **Innovation:** be creative and flexible
- **Communication skills**
- **Include researcher & financial analyst**



# PLAN

## TEAM STRUCTURE





**PLAN**

## ***KEY PERFORMANCE INDICATORS***

**KPI**

**Key Performance Indicators**

**are numbers showing your**

**'EXCELLENCE'**

**or otherwise**



# PLAN

## ***THESE MEASURES (KPIs)***

- Provide a deep understanding of the organization's **performance and processes;**
- Make us becoming aware of and **searching** for industry **best practices;**
- Assist us in identifying **breakthrough improvements.**



# PLAN

## ***PERFORMANCE MEASURES***

### **❖ COST**

- Number of debtor-days outstanding
- Work-in-process levels
- Value-to-cost ratio
- Cost per order



# PLAN

## ***PERFORMANCE MEASURES***

### **❖ QUALITY**

- Number of defects per hundred items produced
- % of satisfied customers
- Process Completion to Plan ratio
- Sales/Complaint ratio



# PLAN

## ***PERFORMANCE MEASURES***

### **❖ TIME**

- Delivery Process
- Process change-over time
- Production cycle time
- Unit production time
- Hours lost from machine downtime or labour

disputes



# PLAN

## ***PERFORMANCE MEASURES***

### **❖ SERVICE**

- Delivery response time
- Percentage of deliveries made-on-time
- Time taken to response to customer queries or complaints
- % of repeat customers to total



# PLAN

## ***PERFORMANCE MEASURES***

### **❖ PRODUCTIVITY**

- Added Value per Employee
- Total Output per Employee
- Total Output per Unit of Fixed Assets
- Labour Cost per Employee
- Process Efficiency



# ***PHASES OF BENCHMARKING***

## **DO**

### **2. Discover the Facts**

- **Select Potential Partners**
- **Decide how the data will be collected**
- **Collect the information**
- **Analyze the results**



**DO**

## ***BENCHMARKING***

**Strategy for data collection**

- **Secondary Research**
- **Screening Survey**
- **Questionnaire**
- **Site Visit**

**Who's out there?**

**Who's good?**

**Who's best:**

**What do they do?**

**How did they make  
it work?**



**DO**

## ***PLANNING THE SITE VISIT:***

- **Determine what data is needed**
- **Design the set of questions to ask the benchmarking partner**
- **Decide how and when to conduct the visit**



**DO**

## ***GUIDELINES FOR THE ON-SITE VISIT:***

- Review your **internal operation first**
- Know precisely the **information** you want to **gather**
- Structure the **questions** to proceed from the **general to the specific**
- Determine the information about your own organization that you would be willing to share with target organizations



**DO**

***GUIDELINES FOR THE ON-SITE VISIT:***

- Identify the **appropriate targets**
- Identify which member of the **benchmarking team will be responsible** for each **target area**
- Contact the **authorized person**
- Present the organization selected for a visit with **beneficial reasons** why they should participate in the process



**DO**

## ***GUIDELINES FOR THE ON-SITE VISIT:***

- Send a **confirmation letter** when a visit is set up
- Practice before you visit the target organization
- Send a **thank you letter** after the visit is completed
- **Document** your visit with a trip report



# PHASES OF BENCHMARKING

## CHECK

### 3. Analyze performance gaps

- Compare current performance to data collected to identify performance gaps
- Identify best practices
- Develop own practices from 'best of breed'



# **PHASES OF BENCHMARKING**

## **ACT**

### **4. Implement Best Practices**

- **Communicate Findings**
- **Establish functional goals**
- **Develop plan to implement best practices**
- **Implement Plan and Monitor progress**
- **Communicate Progress/Celebrate**
- **Recalibrate benchmarks, identify new opportunities**



# **BENCHMARKING IN A NUTSHELL:**

- Solicit the **appropriate process** or activity to improve
- **Compare own performance** to the best performance
- **Adapt and adopt** the practices of the best performers
- **Implement an action plan** to achieve desired changes
- Strive and sustain the **“best”** status



# ARE YOU READY?

<b>OPEN MIND?</b>	<ul style="list-style-type: none"><li>● Even if you're on the right track, you'll get run over if you just sit there</li><li>● Raise the bar</li><li>● Dissatisfaction with status quo</li><li>● Someone has moved the cheese</li></ul>
<b>MEASUREMENT?</b>	<ul style="list-style-type: none"><li>● If you don't measure, you don't manage</li><li>● Key to determine the gap</li><li>● Key to determine the progress</li></ul>
<b>LEARNING CULTURE?</b>	Learn & adapt or adopt
<b>SHARING?</b>	Give and take



## ***DON'T BE PART OF THESE LOTS***

- **We are #1, so why bother?**
- **The thought of sharing and learning from competitors is unthinkable and downright horrifying!**
- **Competitors won't share!**
- **Our bottom-line is fine!**
- **We are in different business.**
- **NIH (Not Invented Here) Syndrome**
- **We will look into it.**



# **CRITICAL SUCCESS FACTORS**

- Undertake the **right study**
- **Commit to implement** best practices learned
- Use an **appropriate benchmarking** process
- **Mobilize/empower** the right team
- Know your own process first
- Select the **right partner(s)**
- Adhere to a **Code of Conduct**
- **Evaluate adaptability** of best practices/enablers
- **Verify results** of implementation



# ***RULES OF THE GAME***

1. Conduct yourself within legal bounds
2. Participate by exchanging information
3. Respect confidentiality of information
4. Use information only for the intended purpose
5. Initiate contacts with designated individuals
6. Obtain permission before providing contacts
7. Be prepared for each benchmarking event
8. Follow through with commitments to partners
9. Treat information from others as they desire

Source: International Benchmarking Clearinghouse



# CONCLUSION

**Benchmarking, if properly implemented can help resolve problems by forcing an organization to compare itself with best-in-class organizations, quantifying the gaps in performance, documenting why the difference exist and identifying what to do to become as good as and eventually better than these organizations.**



# CONCLUSION

To ensure success of benchmarking activities in any organization, certain requirements need to be fulfilled.

Among these are:

- Full support of Top Management
- Doing the right study
- Using appropriate benchmarking process
- Adhering to the Code of Conduct
- Implementation as a team activity



# CONCLUSION

- **Planned and organized execution**
- **Understanding of own processes**
- **Commitment to implementing the results/  
recommendations of the benchmarking study**



# **EMERGING DIRECTIONS**

***Considering the rapid advancement in information and communicating technology***

***Benchmarking will eventually be:***

- **Less formal, done faster, cost less.**
- **Accomplished in a distributive fashion.**
- **Utilizing Internet/Intranet, pervasively.**
- **More “real time”/**
- **Requiring fewer site-visits (Networking).**
- **Utilizing pre-packaged benchmarks & best practices (Benchcasing)**



# **YOUR CHALLENGE . . .**

- **To build on the basic knowledge of the benchmarking process.**
- **To appreciate the value of benchmarking as a tool for managing change for continuous improvement.**
- **Help set high expectations for your organization.**
- **Advocate learning from others.**
- **Encourage benchmarking efforts & reward results.**



## PARTING QUOTES:



*“If you know neither yourself nor your enemy, you will succumb in every battle. If you know yourself but not the enemy, for every victory gained you will also suffer defeat. If you know yourself and your enemy, you need not fear the results of a hundred battles.”*

*-- SUN TSU  
(The Art of War)*



THANK  
YOU