



BENCHMARKING IN THE SOUTH AFRICAN CORPORATE ENVIRONMENT

By

DANIËL MARAIS MOUTON

Submitted in partial fulfilment of the requirements for the degree

MASTER OF ENGINEERING (INDUSTRIAL ENGINEERING)

in the

Department of Industrial and Systems Engineering

in the

Faculty of Engineering, Built Environment and Information Technology

at the

UNIVERSITY OF PRETORIA

Supervisor: Prof S J Claasen

November, 2001

*To my father, whom I regard as the
benchmark in my life.*

Dankie Paps.

ACKNOWLEDGEMENTS

Just as benchmarking is a team exercise, so is the production of a study like this. I have a lot to be grateful for and so many people I wish to thank for their encouragement, support, assistance and guidance. As one goes through different phases in a long-term study, there are always colleagues and very dear friends who offer their encouragement, support and even good-natured jibes to guide one on one's way. Thanks to all of you. I would like to express a special thank you to the following:

- i) *God, Almighty, for putting me on this beautiful earth and for helping me to notice the small things.*
- ii) *My parents, for teaching me the value of life and for letting me make my own mistakes and then helping me to learn from them.*
- iii) *My wife, Sanet, for loving me, believing in me, and teaching me the virtue of perseverance.*
- iv) *My colleagues, specifically Mellet, Gerrit and Ernst, for guiding my career and teaching me a lot more than what was needed.*
- v) *The gurus, Warren Jeffries (Xerox Corporation), Bob George (DuPont), Andy Gerigk (AT&T) and Pieter van Schalkwyk (Bensa) for making time to discuss the art with me.*
- vi) *Prof Schalk Claasen, for guiding this work and for giving valuable input throughout.*
- vii) *Iscor management, especially Ben Alberts (retired), Ernst Venter and Mellet Moll, for sponsoring this study.*

DMM

Dissertation summary

BENCHMARKING IN THE SOUTH AFRICAN CORPORATE ENVIRONMENT

DANIËL MARAIS MOUTON

SUPERVISOR: Prof S J Claasen

DEPARTMENT: Department of Industrial and Systems Engineering, Faculty of Engineering, Built Environment and Information Technology, University of Pretoria

DEGREE: Master of Engineering (Industrial Engineering)

KEYWORDS: Benchmarking, Benchmarks, Management process, Best practice, Strategic planning, Continuous improvement, Target setting, Benchmarking fundamentals, Change management, Supporting process

Most new generation organisations have management models and processes for measuring and managing organisational performance. However, the application of these models and the direction the company needs to take are not always clearly established. Organisations need a clear picture of where they want to go, where they are and how to bridge this gap in order to successfully get to the future intent.

It is also important for organisations to have a solid base from which to start a new strategy. In the past couple of years, organisations have strived to build such a solid base by re-engineering, continuous renewal, total quality management, downsizing and a plethora of other techniques. But, getting the foundation in order and just

slowly getting better at what we do is not enough in today's competitive environment. Continuing in this manner is only going to keep a company in the race, when the object is to win the race. A company needs to become the world-leader in key processes to ensure survival into the future.

Benchmarking can be defined as the search for industry best practices that lead to superior performance. The emphasis is on "best" and "superior". There are no limitations on the search; the more creative the thinking, the greater the potential reward. Unlike traditional competitive analysis that focuses on outputs, benchmarking is applied to key operational processes within the business. Processes are compared and the best process is adapted into the organisation. It is a process of learning to be better while becoming the best.

The purpose of this study was to provide a way for a company to get ahead in the race by means of benchmarking. The reason for benchmarking stems from this need to get ahead of others. One first need to know where one is compared to others and then to understand why the others are ahead. With this understanding, processes can then be adapted and changed to ensure that the company gets ahead of its competitors.

Benchmarking is not guaranteed to be successful – it needs to be managed and nurtured in the organisation and allowed to grow throughout the organisation to finally become a way of life. It also needs to be integrated into continuous, key business processes in order to ensure that the benefits can be reaped into the distant future.

The end-result of this study was therefore a guideline for creating, managing and sustaining a benchmarking capability in a typical South African corporation.

Opsomming van verhandeling

NORMERING IN DIE SUID-AFRIKAANSE KORPORATIEWE OMGEWING

DANIËL MARAIS MOUTON

LEIER: Prof S J Claasen

DEPARTEMENT: Departement Bedryfs- en Sisteemingenieurswese, Fakulteit Ingenieurswese, Bou-omgewing en Inligtingtegnologie, University van Pretoria

GRAAD: Magister in Ingenieurswese (Bedryfsingenieurswese)

SLEUTELTERME: Normering, Metings, Bestuursproses, Beste praktyke, Strategiese beplanning, Deurlopende verbetering, Doelwitstelling, Normeringsbeginsels, Veranderingsbestuur, Ondersteunende prosesse

Nuwerwetse organisasies het almal bestuursmodelle en -prosesse vir die meet en bestuur van prestasie. Die gebruik van hierdie modelle om verbetering teweeg te bring en die strategiese rigting wat die organisasie moet neem om prestasie te verbeter, is egter nog areas met groot leemtes. Organisasies benodig 'n duidelike visie van wat bereik wil word versus hoe die organisasie tans presteer, met 'n plan van aksie om die gaping te oorbrug.

Dit is ook belangrik om 'n stabiele basis te hê waarvandaan 'n nuwe strategiese rigting ingeslaan kan word. Gedurende die laaste dekade het organisasies na so 'n soliede basis gestrewe deur middel van tegnieke soos die her-ontwerp van prosesse,

kwaliteitsbestuur en herstrukturering. Dit was ook in die meeste gevalle suksesvol, maar om net 'n goeie basis daar te stel sonder 'n sistematiese verbeteringsproses is nie genoeg in die hedendaagse besigheidswêreld nie. 'n Organisasie moet 'n wêreldleier in sleutelprosesse word om sy voortbestaan te verseker.

Normering word gedefinieer as die soeke na beste praktyke in die industrie wat sal lei na uitmuntende prestasie. Die klem word geplaas op “beste” en “uitmuntende”. Daar is geen beperking op of einde aan die soeke nie – hoe kreatiewer die denke, hoe groter die potensiaal. Normering word, anders as met tradisionele kompeterende analise wat fokus op die analise van besigheidsresultate, toegepas op sleutelprosesse in die organisasie en analiseer hierdie prosesse om verbeteringspotensiaal te bewerkstellig. Hierdie prosesse word vergelyk met ander en die beste proses word dan geïmplementeer. Die kruks van normering is dus om deurlopend te leer hoe om prosesse te verbeter.

Die doel van hierdie studie was om te ondersoek in te stel na die gebruik van normering om 'n organisasie 'n voorprong te gee op die pad na verbetering. Normering is egter nie gewaarborg om suksesvol te wees nie. Dit moet sistematies bestuur en gedryf word sodat die tegniek kan groei en versprei deur die hele organisasie totdat dit 'n lewenswyse word. Hiervoor is dit nodig om normering te integreer met deurlopende besigheidsprosesse.

Die eind-resultaat van die studie is gevolglik 'n riglyn vir die daarstelling, bestuur en ondersteuning van normering in 'n tipiese Suid-Afrikaanse onderneming.

Table of Contents

1	INTRODUCTION	1
1.1	Background	1
1.2	Objective of the study	3
2	WHAT IS BENCHMARKING?	5
2.1	Defining the terms	6
2.1.1	Benchmarks	6
2.1.2	Benchmarking	9
2.2	Levels of focus in benchmarking	13
2.2.1	Performance benchmarking	14
2.2.2	Process benchmarking	14
2.2.3	Strategic benchmarking	15
2.3	Types of benchmarking	15
2.3.1	Internal benchmarking	15
2.3.2	Competitive benchmarking	15
2.3.3	Functional benchmarking	16
2.3.4	Generic benchmarking	17
2.4	Conclusion	18
3	WHY DO BENCHMARKING?	20
3.1	A fast-changing world	21
3.2	Benchmarking facilitates change	24
3.3	Applications of Benchmarking	28
3.3.1	Strategic planning	28
3.3.2	Comparison of products and processes	28
3.3.3	Forecasting	29
3.3.4	Innovative ideas	29
3.3.5	Target setting	30
3.4	Camp's five important benefits of benchmarking	31
3.5	Conclusion	32
4	THE BENCHMARKING PROCESS	33
4.1	A user process and a management process	33
4.2	The user process	36
4.2.1	Why a process model?	36
4.2.2	The steps in the benchmarking process	37
4.3	The management process	42



4.4	Conclusion	42
5	ENSURING SUCCESSFUL BENCHMARKING EXERCISES	44
5.1	Misconceptions about benchmarking	44
5.1.1	Benchmarking is a one-time event	45
5.1.2	Benchmarking provides solutions	45
5.1.3	Benchmarking is copying or imitating	46
5.1.4	Benchmarking is quick and easy	46
5.1.5	Benchmarking is a fad	47
5.2	Critical success factors in a benchmarking study	48
5.2.1	Management support	49
5.2.2	Necessary support services	50
5.2.3	Resources	54
5.2.4	Culture of learning	59
5.3	Conclusion	61
	Appendix 5-A: The European benchmarking code of conduct	63
6	MANAGING BENCHMARKING	67
6.1	Establishing a benchmarking program	68
6.1.1	Strategy	68
6.1.2	Define expectations	70
6.1.3	Sensitise the organisation	74
6.1.4	Empower experts	75
6.1.5	Develop guidelines	77
6.1.6	Establish a network	79
6.2	Sustaining a benchmarking program	80
6.2.1	Benchmarking champion	80
6.2.2	Re-utilising a skilled benchmarking team	81
6.2.3	Utilising third party experts effectively	81
6.2.4	Communication of successes	82
6.2.5	Recognition	84
6.3	The benchmarking environment	85
6.3.1	Phase 1: Puberty	86
6.3.2	Phase 2: Youth	89
6.3.3	Phase 3: Middle age	91
6.3.4	Phase 4: Maturity	93
6.4	Conclusion	94
7	APPLYING BENCHMARKING IN A SOUTH AFRICAN CORPORATION	96
7.1	Background on the company	96
7.2	Benchmarking in Iscor	98
7.2.1	The effort thus far	98
7.2.2	The current benchmarking environment	101
7.3	Re-launching benchmarking	103
7.3.1	Benchmarking strategy	104
7.3.2	Implementing benchmarking in Iscor	105

7.4	Supporting and sustaining the benchmarking drive	113
7.4.1	Results and recognition	113
7.4.2	Self-assessment	114
7.5	Conclusion	116
Appendix 7-A: Benchmarking manual outline		118
8	CONCLUSION	122
REFERENCES		125

List of figures

FIGURE 2-1: THE BENCHMARK OBJECTIVE ³	8
FIGURE 2-2: THE BENCHMARKING MENU	10
FIGURE 3-1: THE ESCALATING RATE OF CHANGE	22
FIGURE 3-2: EFFICIENCY OF DIFFERENT IMPROVEMENT TECHNIQUES	25
FIGURE 3-3: LEVELS OF PERFORMANCE THAT CAN BE ATTAINED ³	27
FIGURE 4-1: THE RELATIONSHIP BETWEEN THE USER AND MANAGEMENT PROCESSES	36
FIGURE 5-1: DURATION OF BENCHMARKING STUDIES	47
FIGURE 5-2: RELATIONSHIP BETWEEN COST AND BENEFIT OF LEARNING STRATEGIES	60
FIGURE 6-1: DIRECTION-SETTING STATEMENT ¹⁹	70
FIGURE 6-2: TOPICS TO BE COVERED IN A BENCHMARKING REFERENCE GUIDE (ADAPTED FROM CAMP ¹⁹)	78
FIGURE 6-3: PREDOMINANT ACTIVITY AND MANAGEMENT INVOLVEMENT DURING THE FOUR PHASES OF BENCHMARKING DEVELOPMENT	86
FIGURE 7-1: ISCOR BENCHMARKING CENTRE	107
FIGURE 7-2: ELEMENTS OF ISCOR'S STRATEGY	111
FIGURE 7-3: SAEF MODEL FOR BUSINESS EXCELLENCE ©	114

List of tables

TABLE 2-1: TYPES OF BENCHMARKING	18
TABLE 3-1: COMPARISON: WITH OR WITHOUT BENCHMARKING	31
TABLE 4-1: BENCHMARKING PROCESS MODELS	35
TABLE 5-1: BENCHMARKING: WHAT IT IS AND WHAT IT ISN'T	48
TABLE 5-2: IMPORTANCE OF SKILLS FOR BENCHMARKING STUDY PARTICIPANTS	55
TABLE 5-3: CURRICULUM FOR BENCHMARKING TRAINING	57
TABLE 7-1: CHARACTERISTICS OF THE CURRENT ISCOR BENCHMARKING ENVIRONMENT	102
TABLE 7-2: LEVEL OF IMPACT OF DIFFERENT TYPES OF BENCHMARKING STUDIES	110
TABLE 7-3: ACTIVITIES IN THE ANALYSIS PHASE OF EACH STRATEGY ELEMENT	112

1 Introduction

“We are in the early phase of revolution that will fundamentally transform enterprises around the planet... The transformation is a paradigm shift of immense magnitude. Some corporations will take the new opportunities and thrive; other will be swept away.”

-- James Martin

“More than an end to war, we want an end to the beginnings of all wars”

-- Franklin D. Roosevelt

“No great thing is created suddenly.”

-- Epictetus

With businesses expanding across the world, and competition becoming more intense, managers are increasingly caught up in the struggle to survive. Terms such as *transformation*, *business re-engineering*, *business process redesign*, *learning organisation* and *restructuring* are at the order of the day. There are increased pressures on companies to improve, but it is not always known what, where to and how to improve.

1.1 Background

Benchmarking is one of the most popular topics in business and industry today¹. While a benchmark is the mark Old World craftsman used for measurement – all production and construction was compared to the benchmark to assure it would fit – the practice of benchmarking is a bit more sophisticated. As a management tool today, benchmarking is a means to improve operations by measuring a company against the most successful companies, both inside and outside its own industry.

The main image that many people in the West had of the Japanese in the 1970s and 1980s was of swarms of dark-suited men with tape recorders and cameras, photographing everything, including the washroom signs. The Japanese took apart Western products and studied them in meticulous detail. Meanwhile in most Western corporations a negative attitude toward things not invented in the West prevailed. Westerners, who joked about the Japanese and their cameras, were overtaken by the Japanese. The Japanese learned about good products and practices at a faster rate and then improved key processes by adapting the Western ways to suit their companies – in other words, they did benchmarking.

The Western world had to catch up or get left behind. Today, more than ever, benchmarking is changing the perspectives of executives and managers around the world. It is showing them how good or bad their company is in aspects of their own business as compared to world-class companies. It provides a base from which to evaluate and improve a company and continually seeks best practices to enable the company to produce superior performance. The key word is *enable*. Benchmarking is not a miracle cure for all problems or a new philosophy that will steer a company into the future to become a world-class company without any effort. It is a tool that, when properly deployed and used, can enable a company to solve key problems and continually renew and improve to eventually become all that it can be.

Benchmarking is such a powerful renewal concept that it should be part of each and every manager's suite of competencies. One of the reasons why benchmarking is regarded as such a powerful concept is because it can be used at every level and in every facet of an organisation. The worrying fact is that it is not.

Often organisations regard benchmarking as just another buzzword that is sufficiently recognised if a person or team is designated to investigate the concept and make a presentation to management. In other instances, managers tend to be interested in the figures and not in the processes by

which these figures were achieved. It seems as if benchmarking is not managed properly.

In South Africa, the drive towards benchmarking received a huge injection with the establishment of a South African benchmarking clearinghouse under the supervision of the National Productivity Institute. This clearinghouse had as its vision *to contribute significantly to the achievement of global market leadership by South African companies through the application of benchmarking by industry*². Although a lot has been done towards the achievement of this vision, it is my personal experience that most companies in South Africa, including those actively involved in the activities of this clearinghouse, are not using benchmarking continuously as a tool for improvement. Although benchmarking studies are being done, it is very sporadic and there is a lack of continuity that leads to a situation where the experienced gained in a study is not utilised in the next study.

1.2 **Objective of the study**

The objective of this study is not only to focus on the process followed when conducting a benchmarking study, but also to focus on the proper management of benchmarking in a corporate environment. Proper management of benchmarking will ensure that there is continuity that will lead to ever improving benchmarking results.

The study aims to:

- explore the fundamentals of benchmarking;
- discuss the need for and potential of benchmarking;
- suggest a generic process and organisation for conducting benchmarking studies;
- explore ways of deploying and managing benchmarking in a corporate environment in order to utilise it in a more fruitful manner; and

- investigate and suggest special measures to ensure that benchmarking in a typical South African organisation performs just as well as in countries where benchmarking is highly successful.

2 What is benchmarking?

“Those who are enamoured of practice without science are like a pilot who goes into ship without rudder or compass and never has any certainty where he is going. Practice should always be based upon a sound knowledge of theory.”

-- Leonardo da Vinci

“There are no new fundamentals. You’ve got to be a little suspicious of someone who says, ‘I’ve got a new fundamental.’ That is like someone inviting you to tour a factory where they are manufacturing antiques.”

-- Jim Rohn

“Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity.”

-- George S. Patton, Jr.

“A child miseducated is a child lost”

-- John F. Kennedy

In today's fast-moving world, everyone has much to learn about how to do things better. It makes sense for employees and change agents everywhere to compare their operations with the best practices. For managers and organisations, the word *benchmark* has long been used to denote an acceptable standard, specification or performance. Benchmark setting then evolved as the technique whereby benchmarks were identified so that companies could devise strategies to ensure they achieved that standard. Thus, companies would set a “hurdle rate” against which to measure performance.

Benchmarking continuously challenge operations and what is believed to be best practices in modern management and operations. The principles of

benchmarking are equally applicable to manufacturing or service industries and to large and small organisations.

The term *benchmarking* is loosely used to describe a process of hunting for the best practices and comparing one's own operation with those. The growth of benchmarking has been so rapid, and the experience of its use so diverse, that there is confusion as to what exactly the term covers.

This confusion surrounding benchmarking and all that it entails can be a major barrier to having a benchmarking program that produces results. In order to successfully deploy and maintain a benchmarking program in a large corporation, it is necessary to fundamentally understand the definitions and processes describing this phenomenon.

2.1 *Defining the terms*

2.1.1 **Benchmarks**

Benchmarking's linguistic roots lie in the land surveyor's term, where a benchmark was a distinctive mark made on a rock, wall or a building. In this context, a benchmark served as a reference point in determining one's current position or altitude. In the most general terms, a benchmark was originally a sighting point from which measurements were made – in other words, a standard against which everyone could measure their position.

In today's business world, the term "*Benchmarks*" is loosely used to describe the numbers used to describe the performance of a specific process. This is then used to compare performance to other companies or divisions of the same companies employing the same process. The term *metrics* is a synonym that is frequently used.

In a more formal manner Robert Camp³ defines a benchmark *an industry standard*. This implies the standard against which everyone measures performance. Camp distinguishes mainly between two types of benchmarks, descriptive benchmarks and quantitative benchmarks.

- Descriptive benchmarks

Any work process is made up of inputs, a repeatable number of steps based on a set of practices or methods, and outputs. If the practices are the best in the industry, it is assumed without question that they will deliver outputs that will completely satisfy customers. A descriptive benchmark is usually used to point out the fact that a best practice is used, and not a measure of how well it is used.

In other words, when a process that is believed to be a best practice is employed in a company, it is assumed that the company is excelling in the area of business where this process is used. In the 1980s it was common in production lines to state, “We have JIT production.” This implied that a best practice called JIT was used in the process and that the company therefore excelled in their production area – a descriptive benchmark.

- Quantitative benchmarks

Quantitative benchmarks or performance measurements are the conversion of benchmark practices to operational measures. There can be benchmarks for all goals and objectives, such as customer satisfaction (number of complaints per week), production efficiency (parts produced per hour), quality (percentage rejects) and financial performance (price-earnings ratio). Quantitative benchmarks are the description of how well we are performing. These are also the figures that are frequently quoted in company reports or marketing of a company’s abilities. It is a definite measure that explicitly shows how well a certain aspect of the company is performing.

Benchmarks ensure that different goals can be set by different organisations. The goal depends on the need of the company and the benchmark is a target that defines the level of performance that needs to be attained. The goal that a company is striving for can be defined in terms of the following (shown graphically in Figure 2-1):

- What the customer wants today and in the future;
- What is the best in the industry; or
- What is world-class performance.

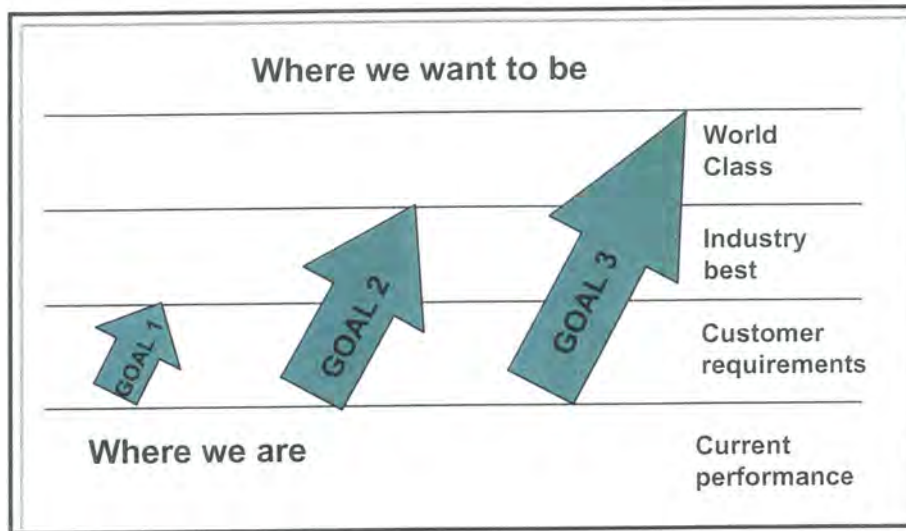


Figure 2-1: The Benchmark Objective³

Benchmarks define a company's current performance and how well it should perform in order to become the market leader. It enables management to set stretched targets for any vital performance measure. Although the targets are stretched, it is benchmarked against someone who is already doing it. This lends credibility to the stretched target.

Benchmarks help a company to do a current status assessment as measured against the rest of the market. It also points out how well the company should be doing if it wants to become the market leader in the specific field or process being assessed. This relates to the desired position of a company. When the current status and the desired position are compared, gaps are pointed out and specific areas where improvement ideas should be focussed are defined.

When companies are seeking and defining benchmarks, there is a very important pitfall that must be avoided. All efforts should not be going into finding the benchmarks and comparing it, but the real question is HOW to

bridge the gap in order to achieve the performance that is associated with a specific best practice. Pryor and Katz⁴ state that one of the most important steps in any benchmarking project lies in changing the focus from how much to improve to how to improve. The key is looking for connections and patterns between the benchmarks and the “hows and whys.”

2.1.2 Benchmarking

In the 1970s the concept of a benchmark evolved beyond a technical term signifying a reference point. The word migrated in such a way that it came to signify the measurement process by which comparisons were conducted.

During the 1980s, the definition of benchmarking grew in scope and focus. No longer were the metrical objects or benchmarks of primary concern. Benchmarking referred, and still refers, to the process of comparing yourself against others. Various practitioners offered the following definitions:⁵

- *A process for rigorously measuring your performance versus the best-in-class companies and for using the analysis to meet and surpass the best in class.* (Kaiser Associates, a management consulting firm that has actively promoted benchmarking.)
- *A standard of excellence or achievement against which other similar things must be measured or judged.* (Sam Bookhart, former manager of benchmarking at DuPont Fibres.)
- *Benchmarking is the search for industry best practices that lead to superior performance.* (Robert C Camp, a Xerox Corporation manager and one of the foremost benchmarking experts in the world.)

In “The benchmarking book”⁶, Michael Spendolini states that he collected forty-nine definitions of benchmarking from a survey of fifty-seven companies. All these definitions had some common elements, mostly just stated in a different way. In order to facilitate the preferences certain companies had for certain words in describing a common object, he analysed these definitions and developed what he calls the benchmarking menu. This

menu is presented in Figure 2-2. The objective is to select one word or phrase from each of the nine boxes and thereby create a definition of benchmarking. Some companies will use more than one item from a box in order to create a definition more acceptable to their corporate language. The open spaces in each box are for new words that can be added if it proves to be necessary.

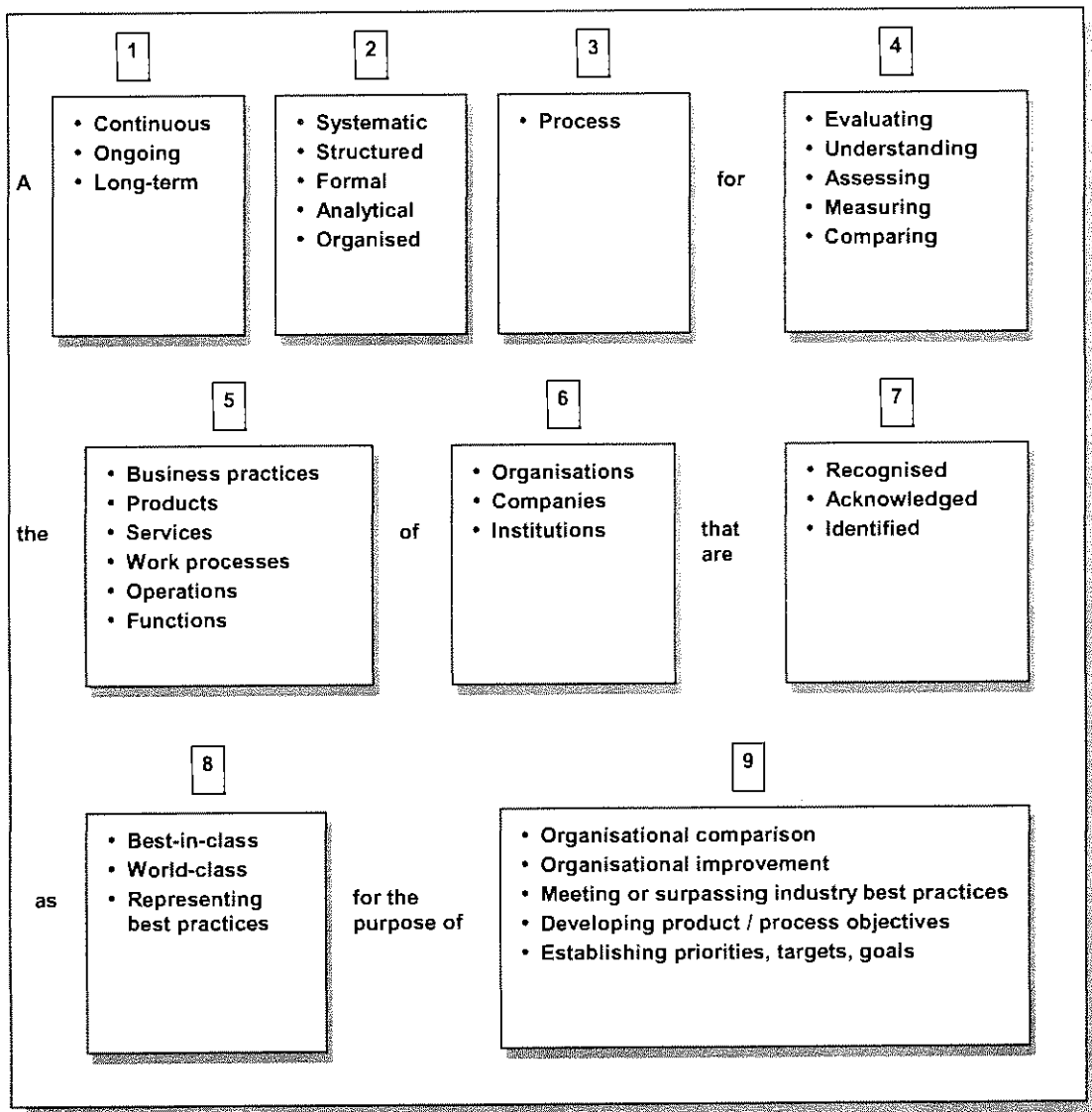


Figure 2-2: The benchmarking menu

An example of a definition constructed from the benchmarking menu is as follows – the box number of each word is added in parenthesis:

Benchmarking: A continuous(1), systematic(2) process(3) for evaluating(4) the products(5), services(5) and work processes(5) of organisations(6) that are recognised(7) as best in class(8) for the purpose of organisational improvement(9).

In order to have a clear understanding of the definition of benchmarking, the meaning of each box should be understood:

- Box 1 (continuous, ongoing, long-term): These words suggest that benchmarking is not a once-off activity, but rather something that takes place over an extended period of time. In order for benchmarking information to be a meaningful representation of reality, it is often necessary to consider the information in the specific context that acknowledges organisational activity over time. The fact is that organisations are forever changing and therefore their performances are also changing. To only benchmark the present state would deny this dynamic state of affairs and would thus provide an incomplete picture of business performance.
- Box 2 (systematic, structured, formal, analytical, organised): There is a method to benchmarking. In most companies there exists some sort of formal benchmarking process model that recommends a set of actions in a certain order. The systematic model represents a consistent and well-known sequence that can be repeated by any member of the organisation. The advantages of having such a systematic process become apparent when a large number or a wide variety of people employs benchmarking in the organisation. These employees do not have to re-invent the wheel each time they do a benchmarking exercise and there is no confusion with departmental language.
- Box 3 (process): The idea that any improvement initiative like benchmarking is a process, is a given. It involves a series of actions that define issues, problems or opportunities; measures performance (from all partners involved); draws conclusions based on analysis of the measurements; and stimulates the organisation to change and improve.

- Box 4 (evaluating, understanding, assessing, measuring, and comparing): Benchmarking is a process of investigation. All the words in this box are actions that need to be done in order for information to make sense in a specific context. The information needs to be interpreted in order for it to add value to decisions that are based on the information. Quite simply, benchmarking is a tool that helps people learn about themselves and others. It involves understanding of underlying facts and therefore an evaluation of information.
- Box 5 (business practices, products, services, work processes, operations, functions): This box depicts the area of WHAT it is that is under investigation. Benchmarking is not limited to any one facet of an organisation's activities. Most definitions of benchmarking imply that this process can be applied to anything. In the early years, benchmarking was thought of as only applicable to physical things, like specific products. The focus then shifted to the output of any process, be it a final product or a service. The idea of considering business practices, meaning comparing the process instead of only the output of the process, was a difficult transition for people to make but in modern benchmarking, this is indeed the case.
- Box 6 (organisations, companies, institutions): The focus of benchmarking is not limited to competitive products, services or practices. The definition includes all generic business processes and therefore it can be applied to any organisation that either produces similar outputs or engage in similar activities. The specific type of organisation is not a limiting factor in most benchmarking studies. It is sometimes difficult for people to understand that they can benchmark a process with a company that is in a completely different industry or engages in different activities. It must be remembered that the common factor is the specific object that is being benchmarked. Later it will become apparent that benchmarking partners need to be similar in sufficient ways as to put the context of the object that is being benchmarked on a similar level, but this should not limit the initial possibilities of where to find best practices!

- Box 7 (recognised, acknowledged, identified): The process of benchmarking involves an initial investigation or scanning phase where those companies whom are known to be excellent in a specific area are listed. This usually involves contact with people who are presumed to be the experts in the subject being benchmarked. It can also include scanning through printed material on the subject. The object is to define a list of reputable benchmarking partners. The key concept is to expand this list beyond the list that can be generated from personal experience.
- Box 8 (best-in-class, world-class, representing best practices): The object is to find a partner from whom it is certain that something valuable can be learned. It is of little use to benchmark against someone who is just as bad or even worse in a specific area. This will instil a false sense of being good enough at what we are doing. The key is to learn from someone who is publicly known to be the best or at least someone that is doing it much better than your own company.
- Box 9 (organisational comparison, organisational improvement, etc.): The purpose of benchmarking usually includes some reference to comparisons for improvement. Once the benchmarking study is completed, actions are needed to fully utilise the information in bringing about some sort of change in the organisation.

2.2 **Levels of focus in benchmarking**

In the previous paragraph the formal definition of benchmarking was discussed. For discussion purposes, a simple more informal interpretation of benchmarking can be as follows: “Benchmarking is the process of comparing something or someone with best practices”⁷. This is very generic way of interpreting what benchmarking is and, out of this, benchmarking can take place in several forms. The key in this interpretation is that benchmarking is all about comparing. The questions that arise now are *what to compare* and *whom to compare against*.

On the issue of *what to compare*, distinctive levels of benchmarking have evolved, namely performance benchmarking, process benchmarking and strategic benchmarking.

2.2.1 Performance benchmarking

Performance benchmarking is very much about comparing performance levels against “the best”. It enables managers to assess their competitive positions through product and service comparison. It focuses on the characteristics or attributes of the service or product and measures and compares these attributes. Given that one finds measures that are comparable, this can be an important contribution towards motivating and convincing people in the organisations that change is needed and possible. The problem is that these measures and their values – the metrics – themselves do not say anything about how a better level of performance can be achieved.

2.2.2 Process benchmarking

Process benchmarking goes one step further as it tries to identify the HOW behind the differences in metrics. It seeks to understand why one group of people is attaining a better level of performance than another group. It focuses on the methods and practices – the process – which enables a higher level of performance.

Process benchmarking can deliver fairly quick results that will show an improvement on the bottom line. The philosophy is that if an organisation improves a core process, it can quickly deliver better overall performance. These performance improvements can be calculated by measuring increased productivity, lower costs, improved sales or better quality, but in the end it frequently translates into improved financial results. Thus, managers that seek short-term performance improvements tend to use process benchmarking as the vehicle to achieve this.

2.2.3 Strategic benchmarking

Strategic benchmarking is more about comparing strategic corporate decisions on, for example the allocation of resources, investments, selection of business ventures, technological evolution or development of market segments. Therefore, strategic benchmarking is seldom industry-focused. It roves across industries seeking to identify winning strategies that have enabled high-performance companies to be highly successful in their marketplaces. Strategic benchmarking influences the long-term competitive patterns of a company. The resulting improvements are normally slower than the other types of benchmarking to show its value but have a big influence on the company's well being.

2.3 Types of benchmarking

Deciding *whom to compare against* depends on the subject chosen for benchmarking, the resources that can be made available and the challenge that the organisation is prepared to undertake. Generally, there are four different types of benchmarking⁸. Each approach has its own advantages and disadvantages. A summary is given in Table 2-1.

2.3.1 Internal benchmarking

Internal benchmarking is a comparison between units within one organisation. It can be with other departments, other sites or other companies within the same group. This method is often used by large or world-wide organisations and is easy to undertake as information is relatively easy to come by and there is often standardisation between units. On the other hand, if the operations are fairly similar across different sites, the potential improvements are small in scale.

2.3.2 Competitive benchmarking

This is much more difficult as it implies comparison with one's competitors. This could give very interesting and useful information. The problem is that the competitors are seldom willing to part with information and if they do, it is very limited and normally not very useful as the full picture and context of the

information is not clear. Looking at outputs and available figures can give some information, but it can also mislead if the processes that deliver the outputs cannot be determined.

Added to this, there are also difficult legal and ethical issues to be considered in this type of benchmarking. Therefore, competitive benchmarking will most often either take place as a superficial comparison of key performance indicators (metrics) based on publicly available information or as a comparison of metrics between a group of companies that have given their information anonymously. In other words, an independent party does the benchmarking study and the results are distributed to all participants, but with the company specifics omitted. Reference is made to “Company A” or “two of the seven participants have said that...” and nowhere are the names of the participants mentioned.

2.3.3 Functional benchmarking

One disadvantage of competitive benchmarking is that one will only become as good as one’s best competitor. In order to excel above one’s competitors, a different approach is required – functional benchmarking. This involves making comparisons with typically non-competitor (but can also be competitor) organisations that carry out the same functional activity in which you are interested. Examples are the human resources function, warehousing activities, procurement and other functional areas. This type of benchmarking holds several advantages: functional leaders are easy to identify in many areas; confidentiality is usually not an issue; approaches that may be novel for one industry may be discovered; two-way partnerships can be developed.

Weighing against these advantages there are likely to be problems adopting and adapting the best practices, as it may be completely foreign to your own organisation.

The most frequently cited example of functional benchmarking is the case of Xerox and LL Bean. Although these companies were in very different

industries, the similarities between the two warehousing and distribution systems were strong. Both companies had to handle products that were diverse in size, shape and weight; only LL Bean did it three times faster.^{6,9}

2.3.4 Generic benchmarking

This goes a step further and may compare business processes that cut across various functions and in quite different industries. The process of acquiring another company or merging with another company is an example of such a business process. Opportunities discovered by benchmarking such a process are likely to be the most innovative and to create breakthroughs for unprecedented improvement. However, the integration of novel concepts into a different industry is also likely to be the most challenging.

Type	Definition	Advantages	Disadvantages
Internal	Similar activities in different areas of the same organisation	<ul style="list-style-type: none"> • Data often easy to collect • Good results for diversified companies • Inexpensive 	<ul style="list-style-type: none"> • Limited focus • Internal bias • Small improvements
Competitive	Direct competitors selling to the same customer base	<ul style="list-style-type: none"> • Information relevant to business results • Comparable practices / technologies • History of information gathering 	<ul style="list-style-type: none"> • Data-collection difficulties • Ethical issues • Antagonistic attitudes • Confidentiality
Functional	Organisations recognised as being state-of-the-art in certain functional areas	<ul style="list-style-type: none"> • High potential of discovering new approaches • Development of professional networks • Stimulating results • No confidentiality issues 	<ul style="list-style-type: none"> • Some information not transferable as the environment may differ too much • Time-consuming
Generic	Organisations recognised as being state-of-the-art in cross-functional, generic processes	<ul style="list-style-type: none"> • High potential of discovering innovative approaches • Development of professional networks • Ease of understanding generic processes 	<ul style="list-style-type: none"> • Difficulty transferring practices into different environment • Effect of different company culture and leadership styles difficult to quantify • Time-consuming

Table 2-1: Types of benchmarking

(Adapted from Spendolini⁶)

2.4 Conclusion

Xerox Corporation, the pioneer of applying benchmarking in management practice, defines benchmarking as: “The search for industry best practices that lead to superior performance.” The key words are “best practice” and “superior performance”. There are no limitations on the search; the more creative the thinking, the greater the potential reward. Unlike traditional competitive analysis, which focus on outputs, benchmarking is applied to key operational processes within the business. Processes are compared and the best process is adapted into the organisation. It is a process of learning to be better.

It is important to gear oneself for the benchmarking process by deciding on what level of benchmarking is needed and with whom the company should be compared. The right approach demanded by the specific situation is critical to the success of the benchmarking exercise.

3 Why do benchmarking?

“We are living in a transformation that will rearrange the politics and economics of the coming century. There will be no national products or technologies, no national corporations, no national industries.”

**-- Robert B. Reich
The Work of Nations¹⁰**

“In times of change, learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists”

-- Eric Hoffer, Poet

“Fool you are... to say you learn by your experience... I prefer to profit by others' mistakes, and avoid the price of my own.”

-- Prince Otto von Bismarck

“If you know your enemy and know yourself, you need not fear the result of a thousand battles.”

**-- Sun Tsu
The Art of War¹¹**

The world economy has changed forever. After World War II, the world's manufacturing capacity was devastated, except in the United States.¹² Companies in the United States found themselves in a situation where demand for their products was significantly greater than the supply and they flourished. Today, however, the situation is completely reversed; many countries have the capability to compete globally. This means more and better competitors, shorter product life cycles and accelerating technology changes. This trend is continuing and the environment is forever changing and becoming more effective. If they are to be effective, business tools and

techniques must be suited to the changing climate and culture in which companies are operating. Business as usual in such a market climate could prove fatal even for market leaders. A vital question for top executives is, Can you convert today's corporation to the new world, or is its embedded culture too difficult to convert? Particularly important: Can you convert fast enough?¹³

3.1 *A fast-changing world*

Change is not new and the ability to handle change effectively has always been a feature of management. The difference lies in the rate of change. The rate of change is so rapid today that no single organisation can ever control or dominate all effective operating practices and good ideas. In the field of technology, for example, where progress feeds on itself to fuel further advances, rapid movement is perhaps to be expected. However technology has to be driven and directed to meet customer needs and demands.

A case in point is the National Cash Register Company (NCR) story¹⁴. NCR traditionally manufactured mechanical cash registers. In 1911 they had a 95% market share in the world. They were on top of the world and thought they were in a position to dictate to the market as to what the changes in the cash register industry should be.

This lasted till the early 1970s. An excerpt from their 1970 annual report reads as follows: "NCR has continued to stress the further evolution of its wide line of basic business machines", but then it happened:

- 1971: scrapped \$140 million worth of equipment – new electromechanical cash registers that couldn't be sold.
- 1972: loss of \$60 million.
- 20000 people laid off.
- Stock price fell from 45c to 14c.

- Chairman of the board ousted.
- 28 to 35 corporate officers were employed as “consultants”.

The reason for this was that the market changed to electronic cash registers while NCR were still stuck on electromechanical cash registers – they did not keep up with the rate of change in their industry. The market share of cash registers changed dramatically over a period of four years (illustrated in Figure 3-1), but NCR was so focussed on its traditional technology and market that it got blindsided by a new technological innovation – electronic cash registers.

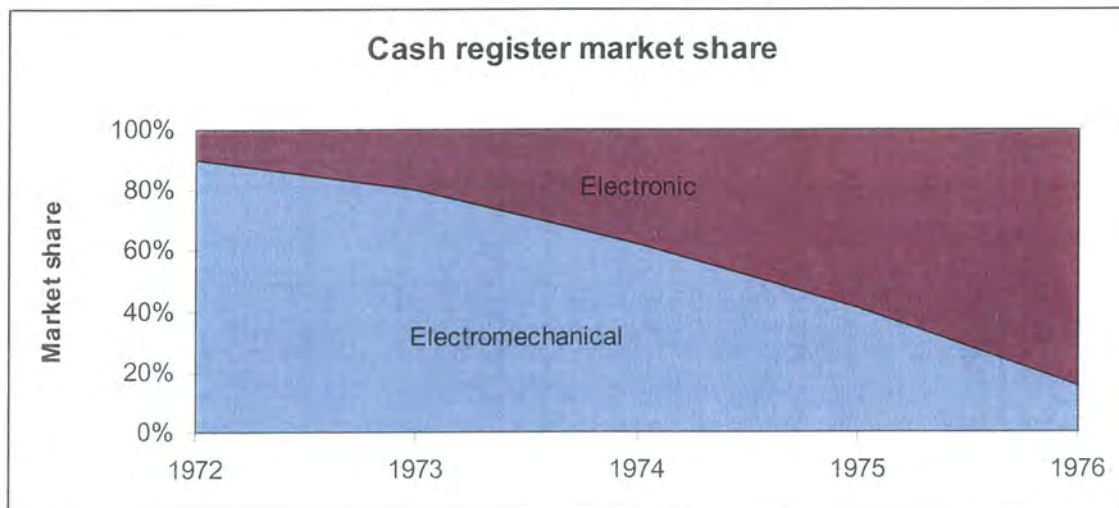


Figure 3-1: The escalating rate of change

From this it is clear that it is imperative for businesses to keep their fingers on the changing needs of customers and also the changes in competitors’ abilities. This change is not unique to present times, but what makes today’s world different is:

- The speed at which change in one part of the world affect another part, due largely to advances in communications technology (e.g. fax facilities and the Internet).

- Information technology has made a plethora of data available to organisations, pressure groups and government bodies. Factors that a few years ago were of little or no relevance today impinge on companies and have a major impact on how they operate.

Benchmarking teams with a mandate to look far and wide for better operating practices are arguably one of the best sentinels senior management can post along the watchtowers of the organisation. They can sound the alarm when the first signs appear on the horizon that the organisation has fallen behind the competition or has failed to take advantage of important operating improvements developed elsewhere. Best practice benchmarking provides employees and managers the tool, the rationale and the process to accept change as constant, inevitable and good. “Change has no constituency,” observes General Electric CEO Jack Welch, who has established benchmarking for best practices as an essential part of GE’s ongoing management and improvement efforts¹⁵.

A classic example of a market leader nearly meeting its end when it did not change fast enough, is the crisis that a giant car manufacturer in the United States had to face. In the early eighties, Ford Motor Co. found themselves in peril due to the onslaught of high oil prices and gas-sipping imported vehicles. The market did not want the gas-guzzlers that Ford was manufacturing. A change was desperately needed.

Desperate times breed desperate measures and Ford decided to take a dramatically different approach to designing their cars. The automaker broke the back of its longstanding not-invented-here-and-therefore-inferior syndrome by trucking in 50 midsize cars from around the world to be torn apart by Ford’s designers. Many features of these vehicles eventually made their way into the Taurus and the Sable automobiles, which Ford introduced in 1985 to critical acclaim and sales success¹⁶.

Ford may not have known the proper term at the time, but that was a benchmarking project. The concept was still very fresh in the early 1980s, when Ford applied it to the design of cars, but it saved the day.

3.2 ***Benchmarking facilitates change***

Beverly Geber¹⁶ defines benchmarking as *a process of finding the world-class examples of a product, service or operational system and then ADJUSTING YOUR PRODUCTS, SERVICES OR SYSTEMS TO MEET OR BEAT THAT STANDARD*. In today's competitive environment, beating the standard has become imperative for survival, as was shown in the previous example from Ford.

Business success is no longer guaranteed based solely on quality and cost of products. With the advent of the “Customer is King” philosophy and globalisation of businesses, organisations need to rethink the measures they employ for establishing performance levels. To stay competitive, organisations must continually reinvent the way they do things in every department and at every level. Organisations need to look at what the world-class organisations are doing to find innovative ideas and adopt best work practices. The usual methods of improving, like downsizing or cost cutting tend not to solve performance problems. Benchmarking, if used correctly, can form one of the cornerstones of business performance management, as it allows organisations to:

- understand their competitive position;
- influence organisational behaviour;
- establish reasons and direction for change; and
- motivate a culture of continuous improvement.

In the past, organisations set performance targets based on what they did in previous years. Improvement levels were linked to inflation rates, commodity

indexes and historical trends. Typical statements used in setting the targets might have been:

- “If we want to improve in real terms, we need to reduce cost by at least 7%.”
- “Our contract price for next year is 10% lower, thus we need to reduce cost by 10% to show the same profit.”

This type of target setting can lead to disaster, because it is not based on a thorough analysis of the total environment and tend not to link to specific strategic initiatives. In today’s competitive world, companies are realising that they cannot stay competitive by only achieving small incremental improvements each year. In some instances quantum improvements are the only means of staying competitive. While incremental change can provide 3% to 5% performance improvements per year, process improvement can boost performance by as much as 50%. However, if quantum gains are required, benchmarking can provide the change needed. This is illustrated in Figure 3-2.

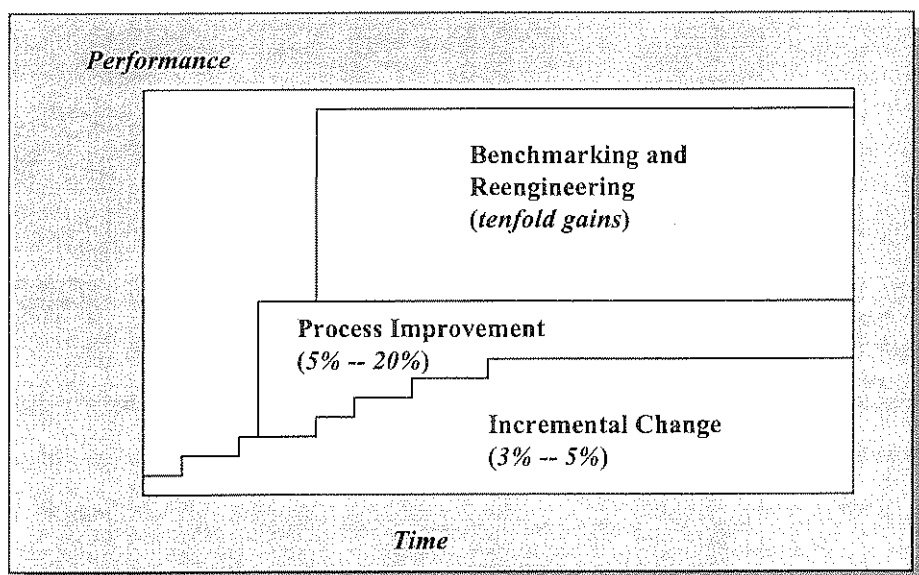


Figure 3-2: Efficiency of different improvement techniques¹⁷

As depicted in the Ford and many other examples, benchmarking has been used to regain lost market share in traditionally strong American industries.

Benchmarking has achieved impressive gains in product quality, worker productivity, market share and profitability in all areas of business.

Furthermore, benchmarking's potential has been recognised to such an extent that it now forms part of the criteria for winning the Malcolm Baldrige National Quality Award¹⁸. Says Darel R. Hull, manager of distribution planning for AT&T's Material management Services: "Some people call benchmarking a power tool for quality. I think that's a good description."

It is by now firmly established that a business needs to change to stay ahead or get ahead. As Deming succinctly pointed out, "You do not HAVE to do these things. Survival is not compulsory."³ The question remains – how do we manage the change that is necessary? The act of benchmarking must be carefully managed in order to ensure its success.

In Figure 3-3 it can be seen that that there are four levels of performance that can normally be attained:

- 1) The baseline or current level of performance. This is also the level from which all improvements will be measured.
- 2) The achievable level, which is the best performance that can be achieved using current resources and knowledge within the section or organisation being investigated.
- 3) The benchmark level, which is the potential level of performance that has been identified from the benchmarking study – by adapting best practices to fit into the organisation being investigated.
- 4) The long-term goal, which is the future performance level that will be achieved by incremental, continuous improvements.

The level of benchmarking and the degree of excellence of a process will depend on how far one has conducted the search for best practices. If the search is limited to one's own company, the results of the benchmark are

also likely to be limited. Similarly, if the search is restricted to one's industry alone, then one can become the leader of that industry only. This may well give a company a competitive advantage in the short term, but if a company wants to get ahead and stay ahead, then it is necessary to establish a level of performance that cannot easily be caught up with. This is where benchmarking out-performs the other change processes which rely on internal rethinking to deliver superior performance.

The problem that arises from this line of thinking is that the targets that are set are sometimes believed to be unattainable. There are many examples of change implementation where the solutions were unimaginable from within the host industry. One of the outcomes of a proper benchmarking study is that it is proved that someone else is already using the solution – this means it can be done and is not an unimaginable pie in the sky. The barriers to change are therefore broken down.

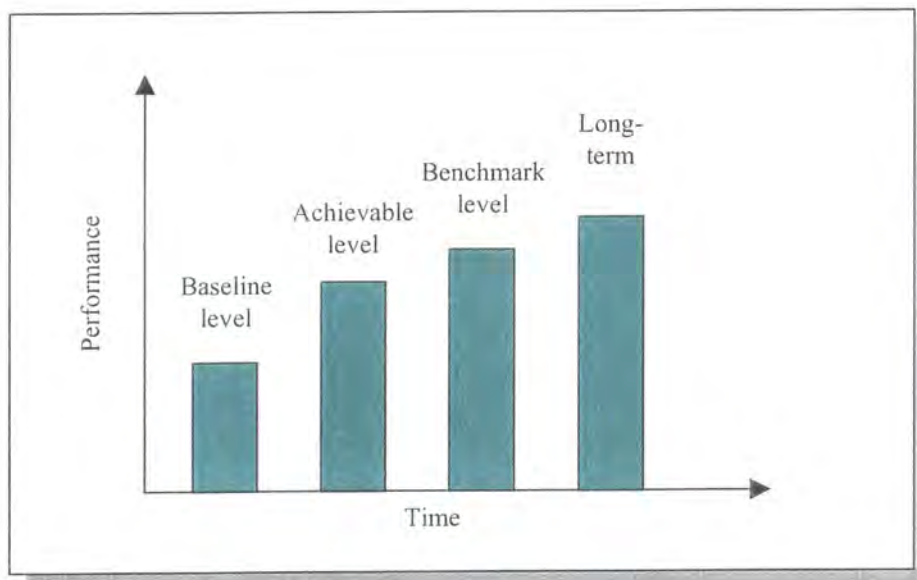


Figure 3-3: Levels of performance that can be attained³

Spendolini⁶ states that the power of benchmarking lies in the fact that it encourages thinking in a new paradigm (which is not deemed unattainable) and helps with the following:

- Break out of the box / paradigm

- Find achievable (and believable) alternatives to old ways of doing things
- Achieve dramatic improvements

Benchmarking studies start by focusing on the key improvement needs for the organisation. Once the need for change is understood, an examination of best practices and an identification of the key factors that deliver superior performance follows. This, in turn, will lead to actions that need to be taken. One will also have an idea of the potential for improvement within the organisation and this, in turn, will create the desire to change as the employees are now able to visualise the result of the future change that can be attained, as shown in Figure 3-3.

3.3 Applications of Benchmarking

Now that it has been established that benchmarking is an excellent tool for facilitating the much needed change in organisations, it makes sense to investigate a few of the areas where benchmarking can be applied very successfully.

3.3.1 Strategic planning

Strategic planning requires a thorough knowledge of the marketplace, the likely activities of the competition, the state of art regarding products and services, financial requirements for doing business in a specific market and the customer base. Benchmarking is a very useful tool for gathering information in these areas in order to support the strategic planning process in an organisation. This type of information can literally shape a business strategy in a more realistic direction and help identify risks in undertaking the strategy.

3.3.2 Comparison of products and processes

A common type of benchmarking activity involves the collection of information about the products or processes of competitors or excellent companies. This information is often collected and used as a standard of comparison for similar products or processes of the benchmarking

organisation. This type of benchmarking conforms the closest to the traditional competitive analysis activities. In these situations, a competitor's product or process is compared feature by feature with the company's own products or service.

This type of benchmarking can also take on a generic flavour. A product or service produced by a non-competitor may be analysed to gain insight into factors such as design, product quality, service support or production processes. The business products or processes of excellent companies are often analysed by non-competitors attempting to incorporate elements of the business practices of these companies in their work environments. By doing this successfully, companies can learn and benefit a lot from just analysing some other company's public information – a low cost, high benefit solution.

3.3.3 Forecasting

Benchmarking information is often used to gauge the state of the marketplace and to forecast market potential. Benchmarking also provides a source of information regarding the business direction of key players in the marketplace, trends in product or service development, patterns and cycles of key commodities and patterns of consumer behaviour. In many industries the business direction of a few major players can influence the direction of the entire industry and marketplace and even other industries (e.g. Microsoft Corporation.) Forecasting the activities of these major players often provides their competitors and supporting companies with important information regarding the future of their own businesses. Industry analyses often gauge the direction of entire markets based on the activities of just a few companies. This industry analysis is based on benchmarking information.

3.3.4 Innovative ideas

Benchmarking is an excellent source of business ideas. One of the primary benefits of large-scale benchmarking is that it exposes individuals to new ways of thinking about products, work processes and management of companies. By definition, external benchmarking requires participants to

make contact with people outside their own environment and outside their own company. In many instances the process of benchmarking involves visits to the world outside the individual's own company. In many companies this is a rare experience and employees gain invaluable knowledge of processes that they would never have thought about themselves. In other word it takes the individual outside the mould, which he has been used to.

Major companies who have done benchmarking for several years have recognised the benefit of the benchmarking exercise purely as a learning experience and its potential as a tool to stimulate the transfer of innovative ideas to their own organisation. Not all of the business practices uncovered during a benchmarking exercise will be of use to the organisation, but there is always something to learn and this learning experience can stimulate the mind to find creative solutions to real problems within the company. Thus, it creates an environment for out of the box thinking.

3.3.5 Target setting

Benchmarking is used as a means of identifying best practices. Although many organisations do not realistically aim to be best in class, they do use this information to establish specific product or process objectives or targets for improvement. The standards set by excellent companies in many cases define what is possible on a state-of-the-art performance scale. A company can then use these figures to establish realistic, intermediate objectives for their own environment. The benchmarks lend credibility to the intermediate objectives which may have otherwise been perceived to be unattainable. The ultimate goal is to surpass the benchmark, although it is perceived to be impossible at this stage, it stays in the backs of the employees' minds as "the ultimate goal." These types of goals can help the organisation to accelerate its performance curves as they strive for continuous improvement.

Organisations that are entering new markets may also find that benchmarking the best practices of established organisations helps them establish goals that accelerate their learning curves and improve their performance. Benchmarking has also been used by organisations in order to

convince their suppliers that certain requirements can be met, and thus helping the supplier to improve its performance for the benefit of both organisations.

3.4 Camp’s five important benefits of benchmarking

Robert Camp identifies five important benefits of benchmarking³. From these benefits he shows the effect on the business achieving these benefits with and without benchmarking. His findings are summarised in Table 3-1.

Benefit	Without benchmarking	With benchmarking
End user requirements are more than adequately met	<ul style="list-style-type: none"> • Based on history or gut feel • Perception • Low fit 	<ul style="list-style-type: none"> • Market reality • Objective evaluations • High conformance
Goals based on a concerted view of external conditions are established	<ul style="list-style-type: none"> • Lacking external focus • Reactive • Lagging industry 	<ul style="list-style-type: none"> • Credible, unarguable • Pro-active • Industry-leading
True measure of productivity is determined	<ul style="list-style-type: none"> • Pursuing pet projects • Strengths / weaknesses not understood • Route of least resistance 	<ul style="list-style-type: none"> • Solving real problems • Understanding outputs • Based on industry best practices
A competitive position is attained	<ul style="list-style-type: none"> • Internally focussed • Evolutionary change • Low commitment 	<ul style="list-style-type: none"> • Concrete understanding of competition • New ideas of proven practices / technology • High commitment
Industry best practices are brought into awareness	<ul style="list-style-type: none"> • Not invented here • Few solutions • Average of industry processes • Frantic catching up 	<ul style="list-style-type: none"> • Pro-active search for change • Many options • Business practice breakthrough • Superior performance

Table 3-1: Comparison: With or without benchmarking

While one can debate the adjectives and descriptions used to highlight the differences between using the traditional approaches and benchmarking in each of the five categories, the statements are more correct than not. The comparisons should give management no small amount of anxiety over what they truly have accomplished in attempting to become productive or competitive and attain a leadership position.

3.5 Conclusion

Benchmarking is a tool to facilitate continuous improvement in any environment. The underlying reason for benchmarking is to learn how to improve business process and increase competitiveness. With the rate of change in business today, it is no longer good enough to be an industry leader; the focus is on improving rapidly all the time. Benchmarking provides the platform for major improvements.

Companies need and can use this technique in any area of their business practices in order to define how well it is performing, compare that performance to the best in the world and define what needs to be done in order to decrease the gap. Once this gap is down to an acceptable level, new areas for improvement are defined and the process reiterates.

In the process of decreasing the performance gap, proper benchmarks can lend credibility to intermediate objectives, which would otherwise have been seen as unrealistic and unattainable. In this it is a powerful technique to break down the resistance to change and improvement.

4 The benchmarking process

“Though this be madness, yet there is method in’t”

-- William Shakespeare

“Success follows doing what you want to do. There is no other way to be successful.”

-- Malcolm Forbes

“The soul that has no established aim loses itself.”

-- Michel de Montaigne

Nothing is particularly hard if you can divide it into small jobs.”

-- Henry Ford

Newcomers to benchmarking often puzzle over the great variation among benchmarking processes used at different companies. It is not in the scope of this study to investigate in detail the different approaches to a benchmarking process. An overview of the process is needed in order to understand what needs to be achieved by different stages of the process and to understand why certain steps and supporting functions are needed.

4.1 A user process and a management process

Robert Camp maintains that the overall benchmarking task can be broken down into two major processes.¹⁹ There is the user process and the management process. The user process is an *n*-step process that is used to complete a benchmarking investigation. Several companies have customised this process to suit their particular environment and their corporate language. Examples are IBM’s five-phase process and AT&T’s 12-step process. Although it may seem very confusing, these processes are all basically the same and the differences lie in semantics. A summary of a few of these processes is given in Table 4-1.

The management process is everything else that has to be done in order to ensure that benchmarking is effectively pursued. There are before, during and after activities that enhance the user process and, in fact, ensure its success, whereas the user process may be seen to be necessary but not sufficient. There are specific activities for establishing a benchmarking program or capability in an organisation. Then there is another set of activities to embark on when actually conducting a study (supporting the *n*-step process), and yet another set of activities used in order to sustain the momentum and ensure that benchmarking does not stop with just the one study that is completed. The relationship between the user and the management process is shown in Figure 4-1.

	4-step	6-step	7-step	8-step	10-step
Planning the study	Prepare to benchmark	Plan	Determine functions or process to benchmark Identify key performance variables Identify best-in-class companies	Define business issue Define what to benchmark Define benchmark measures Determine who to benchmark	Identify process Identify partner
Collecting process data	Research process	Research Observe	Measure performance	Acquire data	Collect data
Analysing data for results	Document best practices	Analyse	Compare performance and estimate gaps	Compare performance Identify actions to close the gap	Determine gap Project future performance
Adapting for improvement	Report and implement	Adapt Improve	Specify improvement programs and actions Implement and monitor results	Implement improvements and monitor results	Gain support Set goals Develop plans Implement plans Recalibrate benchmarks
Number of companies	6	7	8	4	8
Percentage of companies	14%	17%	19%	10%	19%

Table 4-1: Benchmarking process models

(Adapted from *Comparing Process Models for Benchmarking*, American Productivity and Quality Centre.)

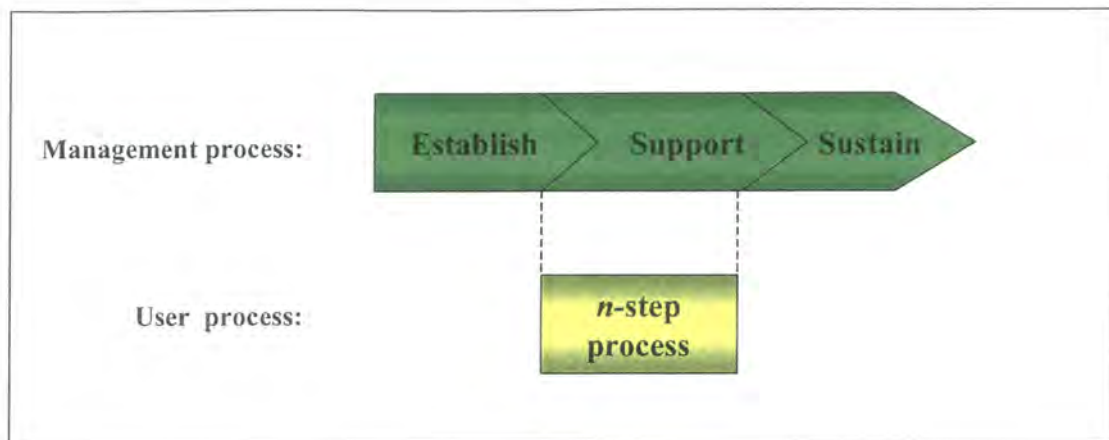


Figure 4-1: The relationship between the user and management processes

4.2 The user process

In order to get a clear understanding of exactly what benchmarking implies, it is essential to have a clear picture of what the benchmarking exercise entails. This will also provide an understanding of the critical success factors, pitfalls and reasons for benchmarking failure, which are discussed in later chapters. The benchmarking process is not rocket science and is fairly well documented in almost every article or book ever written on the subject. The objective here is not to repeat all the existing information by discussing each step in the process and possible variations on it in detail, but rather to give the reader a broad overview of the benchmarking process and how it is applied.

4.2.1 Why a process model?

The structure of a benchmarking exercise is provided by the step-by-step process model that is used. The images that come to mind when thinking about structured processes or the models they engender are sequences of arrows and boxes – usually too many to remember. However, a structured process should not add complexity to a simple idea. And the structure should not get in the way of the process, for example leaving step eleven out of a fourteen-step process does not automatically cause the process to fail. Furthermore a process model does not have to be unique, considering that

the formal benchmarking models have been in existence for almost twenty years

Besides giving structure to a benchmarking exercise, a process model also provides a common language for all involved. In this, the process model helps interpreting any terminology that is used in the process. It places the terminology in the context of the exercise and avoids confusion or misunderstanding which could cause the exercise not to deliver the required results. Process steps also helps in defining clusters of related activities or tasks. Delegation of groups of activities to the specialists in that area is facilitated hereby and integration of the related activities and the information flowing from it is ensured.

4.2.2 The steps in the benchmarking process

“Ask five different companies and you’ll probably get five different benchmarking methods.” – Robert Camp.²⁰ For discussion purposes we’ll use AT&T’s 12-step process, as this is probably the most complete description of the benchmarking process.

The benchmarking process used by AT&T’s Material Management Services Division has 12 steps, which are divided into two distinct categories. Steps 1 through 6 are referred to as the first-things-first steps because they help prevent barriers that could hinder or even destroy the benchmarking process. Steps 7 through 12 are called process steps because they outline the process by which benchmarking is carried out.²¹

- 1) **Determine who the clients are.** The clients – the people who will use the benchmarking information to improve their processes – vary depending on their companies’ organisation structures. It is necessary to know who they are in order to facilitate the process with the right people.
- 2) **Advance the clients from the literacy stage to the champion stage.** Clients are taken beyond just knowing what benchmarking is, to visualising how it will help them develop best practices. This helps

develop client support and patience with the necessary time-consuming steps in the process.

- 3) **Test the environment.** Time is spent with clients to determine the extent of their buy-in and commitment or resources, resulting in realistic expectations and exposing barriers to success.
- 4) **Determine urgency.** The sense of urgency within the client's environment is determined to see what degree of optimism it has for the project. Panic and a so-what attitude are formidable barriers to successful benchmarking. In these cases, benchmarking degenerates to the level of tours and little objective fact-finding or self-appraisal is done. The most conducive situations for benchmarking are when the client is reengineering processes or actively striving to achieve a mission of becoming best in class. The middle ground is made up of clients who want to evaluate themselves or continue improving in their areas.
- 5) **Determine scope and type of benchmarking needed.** The scope and type of benchmarking needed depends firstly on the process or subject that is to be benchmarked. Other factors influencing the scope and type of benchmarking is the clients' sense of urgency, their environment and their understanding of, and willingness to commit to, the benchmarking process. The scope – the required time, people, resources, etc. – is proportional to the potential payback. For example, benchmarking a simple task takes a lot less time and manpower than benchmarking an operational process, but the payback will also be less.
- 6) **Select and prepare the team.** Working with the client, a benchmarking team of six to eight members is usually selected. The team is responsible for putting the benchmarking proposal together and integrating the resultant recommended actions into the business plan so that it can be implemented. If site visits are required a core group of two to four team members will actually visits the targeted sites and will report the findings

to the rest of the team. All team members are fully trained in the benchmarking process in order to avoid costly misunderstandings.

- 7) **Overlay the benchmarking process onto the business planning process.** The team reaffirms that benchmarking is accepted by upper management as part of the business planning process.
- 8) **Develop the benchmarking plan.** The degree of organisation and teamwork developed before the actual contact with other organisations determines the team's effectiveness. When developing the benchmarking plan, the team does the following:
 - Prepare a mission statement that formalises expectations.
 - Prepare for data collection. Roles are assigned to team members, and the subject being benchmarked is thoroughly analysed. The team identifies work processes to be studied and develops critical open-ended questions.
 - Develop a profile for selecting the companies that will participate in the study. These companies are referred to as the benchmarking partners. The team determines which characteristics are most important to the clients' interest, to the specific problems and work processes identified for benchmarking, and to any performance aspects of special importance (e.g. similar volumes of activity, customer base, product types, international exposure).
 - Do thorough research. The team spends a considerable amount of time learning as much as they can about the companies being considered as benchmarking partners.
 - Develop questionnaires. The team develops written questionnaires in order to organise and manage the contact with the partners efficiently. Accompanying notes include both the in-depth analyses of the

functions, processes, tasks or whatever was chosen as the benchmarking topics, as well as some open-ended interview questions. Two types of questionnaires are normally developed. The first is a partner-selection questionnaire, which is used to determine which of the identified companies will be the most suitable partners. The second is a detail questionnaire, which will be sent to the chosen partners in order to analyse their view of the subject being benchmarked.

- Describe present operations. The team describes in proper detail how the client currently performs the process being benchmarked. Answering the questionnaire questions as if the clients were the ones being visited usually provides a solid description of current operations.
- Indicate metrics or benchmarks. A well-documented set of benchmarks (defined in paragraph 2.1.1) is included in the current operations description. Comparisons of metrics are typically used to select benchmark partners and to understand the organisation's performance.
- Set up contact sessions and protocol. With the planning done and prospective partners identified the team contacts these partners. A letter describing the subject and the process is followed by a phone call to discuss the intent in greater detail and to assess the prospects of actually benchmarking with this company. The partner-selection questionnaire is normally included in order to verify the data that was researched on the specific organisation. Once the company agrees to being a benchmarking partner, it is sent the detail questionnaire and, if necessary, a site visit is arranged to clarify possible areas of uncertainty.
- If the questionnaires do not deliver sufficient information or if more detailed information is needed, a site visit is arranged. The benchmarking team understands that it is participating in an

intelligence patrol and not a combat patrol. Therefore, the team does not defend how its client performs the function, nor attacks the partner's way of doing things. It just makes sure that all the necessary information is shared and that it is clearly understood and documented.

- 9) **Analyse the data.** The information gathered is compared to the client's current operation to determine where improvements can be made. Where possible, findings and opportunities are quantified and best practices stemming from the investigation are shared with all the partners – after all, it is a **sharing** exercise.
- 10) **Integrate the recommended actions.** The client takes the team's recommended actions and integrates them into the planning, budgeting, financial, service and other applicable processes. How this is done, depends on the client's vehicles for implementing and tracking change and expenses. In order to ensure the actions are completely implemented and the process followed through, the recommendations are accounted for in the client's budget.
- 11) **Take action.** The client implements the actions outlined in the various planning processes. The normal procedures for implementing change are followed. Ownership is assigned and progress is tracked for the improvement process.
- 12) **Continuous improvement.** Once the recommended improvements are implemented, the client makes sure that continuous improvement activities are in place by institutionalising benchmarking in its planning and continuous improvement processes. Benchmarks are periodically recalibrated, because they change as new market leaders emerge. If the benchmarks show a decline in performance relative to other companies, new benchmarking initiatives are launched and the process is repeated.

Every organisation adapts the process to suite its particular environment. The reader can now refer back to Table 4-1: Benchmarking process models, and adapt any of the processes for use in its own company.

4.3 The management process

The user process is the process followed by the benchmarking team to complete the benchmarking project. The management process includes those actions that management does to ensure that the team's operation is successful and that benchmarking has some permanence. It includes creating the environment for the pursuit of new ideas to improve business processes; providing training and support; prioritising the direction of benchmarking studies; and encouraging the implementation of the benchmarking findings.

The management process needed in order to have a successful benchmarking company is the crux of the rest of this study and will be discussed in detail in the following chapters.

4.4 Conclusion

The benchmarking process is divided into a user process and a management process. The user process is the step-by-step guide one follows when conducting a benchmarking study. There are numerous variants on the specific process steps and it does not matter which process is chosen, as long as it is properly understood, adapted to the specific company culture and then rigorously followed when conducting a study.

A process model is used because it gives a common structure to the exercise and places everybody on the same level with the terminology and the specific requirements for each phase of the process. The process model should not limit the creativity or innovation in conducting a study, but rather supply the framework for which to operate in.

The benchmarking management process is the process that is followed in order to ensure the right environment is created from which proper

benchmarking can be conducted. This is a complex issue with a lot of stakeholders and cultures that can be in competition with one another. If this process is not managed properly, the benefits of benchmarking may not be realised in the company.

5 Ensuring successful benchmarking exercises

“One of the great discoveries a man makes, one of his great surprises, is to find he can do what he was afraid he couldn’t do”

-- Henry Ford

“Always bear in mind that your own resolution to succeed is more important than any one other thing.”

-- Abraham Lincoln

“I can honestly say that I was never affected by the question of the success of an undertaking. If I felt it was the right thing to do, I was for it regardless of the possible outcome.”

-- Golda Meir

“You cannot create experience. You must undergo it.”

-- Albert Camus

Benchmarking is in essence a very straightforward concept: It is nothing more than a structured process of investigation. There are no radically new concepts or techniques being used and no organisation has to date patented or copyrighted the process. If this is true, then why do so many companies have problems with applying benchmarking? Why do so many benchmarking projects end in failure and disappointment? What needs to be done in order to ensure success?

5.1 ***Misconceptions about benchmarking***

Almost every article or book ever written on the subject of benchmarking has a section explaining what benchmarking is not. However, even companies who have established a reputation as being leaders in benchmarking, have problems with the process caused by misconceptions about the very nature

of benchmarking, what it takes to do it well, the nature of benchmarking partnerships and the application of benchmarking information.

Spendolini asked benchmarking specialists in over twenty companies to describe the misconceptions that still exist in their organisations, even though each organisation has had considerable experience with the process. They were asked not to focus on the academic or theoretical misconceptions, but rather on practical misconceptions about benchmarking existing in their organisations. An interesting outcome was the amount of convergence on a very limited number of misconceptions. The following is a summary of the five most common misconceptions identified by Spendolini in his research⁶.

5.1.1 Benchmarking is a one-time event

This happens when people are fully trained, but they take part in one study, write a report, and then forget about it. Benchmarking has not been successfully integrated into the way they think about their work or the way they solve problems. For these people benchmarking was an event.

Companies need to understand that business practices are dynamic and change over time. Once management accepts the notion of continuous improvement, it becomes easier to accept the premise that functional best practices are moving targets, and the process of investigating these best practices must be an ongoing event for companies to stay aware of the state of the art, and to incorporate state-of-the-art practices.

5.1.2 Benchmarking provides solutions

A typical scenario is that a benchmarking team analyses a company that is widely known as best in its class. Because of this, they immediately believe that anything that they can copy from this particular world-class company is going to be an improvement to their own company. The business practices of the world-class company are adopted without questioning the context in which these practices are deemed to be world-class.

Blindly substituting another company's business practices in place of one's own is not the intent of benchmarking. What is good for one company is not necessarily good for another. The context of the best practice must be understood and it must be adopted (not copied) into one's company in a manner that will lead to improving the current situation.

5.1.3 Benchmarking is copying or imitating

This is a common reaction to benchmarking by people who don't understand the process or intent of benchmarking. Blatantly copying another company's processes and believing that it will lead to improvement was already discussed in the previous paragraph and shown to be a major misconception. Suffice it to yet again state that benchmarking is a learning process where one company learns from another what it can, and then adapts this information to ensure improvement in its own context.

5.1.4 Benchmarking is quick and easy

The fact that well-documented benchmarking processes exist could lead people to believe that following a simple recipe will lead to the desired result being achieved. In exercises that were not properly planned and executed, the response from the team members was normally that benchmarking did not do much for their company.

This is not to say that benchmarking is difficult, but it does require a sufficient amount of project planning, process support, instruction and commitment of resources (e.g. time, money and people). Of all these requirements, time is probably the most important factor to consider – the individual's time and the team's time. The exact amount of time depends on the type and complexity of the subject being benchmarked and the role of each individual, but a benchmark for individual team members' time is between 10 and 25 percent of their time for the duration of the study.⁶

In a recent study done by The Benchmarking Exchange (TBE) 47% of the respondents said that typical benchmarking studies take more than two

months to complete. Of the remaining 53% of the respondents, 42% were not sure how long a benchmarking study take and 11% felt that a typical study takes under two months to complete.²² These results are illustrated in Figure 5-1.

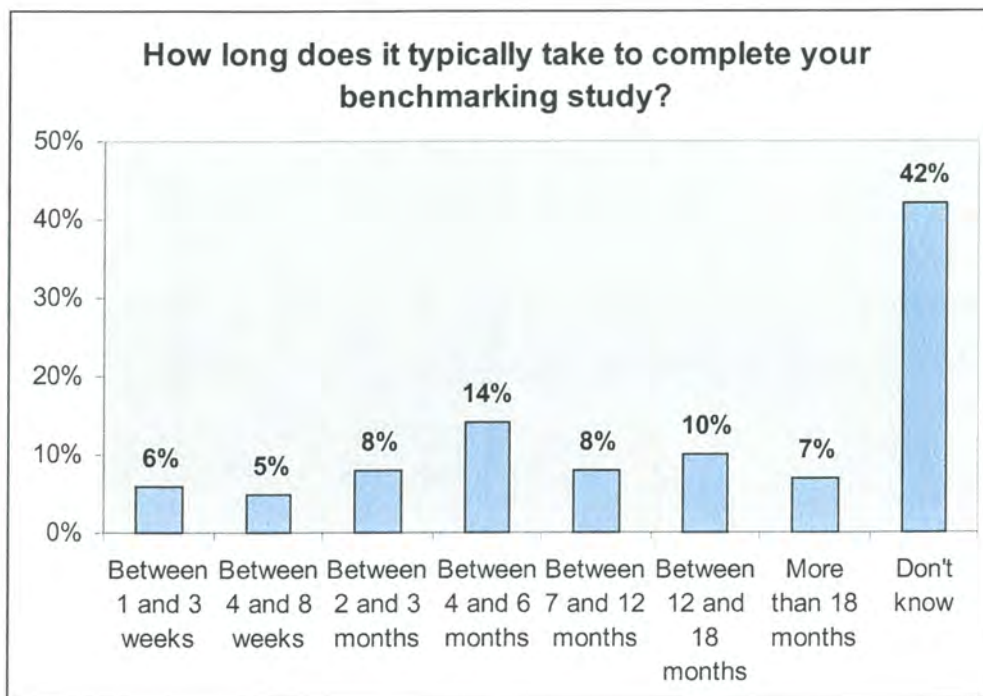


Figure 5-1: Duration of benchmarking studies

The key message is that benchmarking can be very labour-intensive and takes a lot of time. In order to have valuable information that can lead to real improvement in the company, enough time must be spent on making sure that the exercise works well and that the information is a true representation of reality.

5.1.5 Benchmarking is a fad

It is my own experience that, when not managed properly, benchmarking has a lot of fad potential and could easily fade away in companies without realising its inherent value. Insufficient attention, training, support and funding may result in lacklustre benchmarking results and cause benchmarking to eventually fade out of the company.

One only needs to talk to people from Xerox Corporation, Motorola, IBM, AT&T and other companies who are using benchmarking to great success, to understand that benchmarking is definitely not a fad.

A summary of the misconceptions of benchmarking is shown in Table 5-1.

Benchmarking is	Benchmarking is not
<ul style="list-style-type: none"> • A continuous process • A process of investigation that provides valuable information • A process of learning from others; a pragmatic search for ideas • A time-consuming, labour-intensive process requiring discipline • A viable tool that provides useful information for improving virtually any business activity 	<ul style="list-style-type: none"> • A one-time event • A process of investigation that provides simple answers • Copying or imitating • Quick and easy • A buzzword or a fad

Table 5-1: Benchmarking: what it is and what it isn't

5.2 Critical success factors in a benchmarking study

The question of why some leading companies have succeeded in institutionalising benchmarking and are smiling all the way to profitability, while other equally renowned companies have not capitalised on their benchmarking efforts, is a hot topic in benchmarking circles. Keki²³ claims that the answer lies in a series of critical success factors that characterise winners and a corresponding series of pitfalls to be avoided. These success factors can be divided into four groups:

- Management support
- Necessary support services
- Resources
- A learning culture

5.2.1 Management support

It is a truism that no new technique, no matter how desirable, effective and proven, can be successful without the support of top management. One of the principal reasons for benchmarking as a non-starter, or its fading after initiation, is the lack of top management commitment or even involvement⁸. In this, management support also has a few critical success factors:

5.2.1.1 Belief

Management must believe in the effectiveness and usefulness of benchmarking as a driver of improving the business. This belief must be communicated by management by visibly promoting benchmarking within the organisation. Because of their visibility and positional power, managers influence others and set the stage for employee attitudes. By consistently advocating the importance and potential of benchmarking and by supporting these messages with deeds, resources and personal involvement, managers communicate the company's need to accelerate performance improvement and also the belief that benchmarking is the vehicle to bring about this acceleration.

Continuous performance improvement means an end to “business as usual”⁵. Employees therefore need to understand how innovative adaptation strategies benefit them and the company by migrating more effective business practices into their performance systems. Moreover, once benchmarking efforts are seeded, companies must nurture them. Managers can accomplish this by recognising the efforts of teams that conduct benchmarking studies and by celebrating and rewarding those who successfully implemented best practices in their business units. By communicating these successes and the rewards thereof, the belief that benchmarking works is established throughout the organisation.

5.2.1.2 Commitment, not just involvement

Benchmarking should not only be endorsed and supported by top management; they should be committed to using the technique to its utmost.

A survey of 80 multinational companies in the United States, reveals that nearly all respondents personally supported benchmarking as a business practice to achieve quality excellence. Few of these managers, however, personally commissioned or participated in benchmarking studies⁵. The result of this is that formal benchmarking very seldom occurred in these organisations. Senior managers must have a thorough understanding of benchmarking in order to actively support and direct the teams who will conduct the study. One way of insuring this is to establish benchmarking requirements for managers and write it into the job descriptions of the individuals involved.

5.2.1.3 Empowering employees

Performance improvement occurs most rapidly and successfully if the driver of the improvement process is also the person responsible for the subject being improved²⁴. In other words, if ownership is established. Tight managerial control or even just a looking-over-your-shoulder attitude will lead to a loss of feeling of ownership and therefore less commitment to the benchmarking study. This can also lead to a reduction in creative thinking and experimentation in order to initiate positive, innovative changes and improvements.

Top management can best show their commitment by supporting the benchmarking team to the fullest and helping or advising where needed – not by taking control of the benchmarking process and taking away responsibility and ownership from the team members. When managers empower line employees to act as “general managers” of their own jobs and for the improvement of their areas of responsibility, they set the stage for employees to become motivated benchmarkers who actively identify, adopt and adapt best practices to advance their own performance systems.

5.2.2 Necessary support services

Benchmarking cannot be done in isolation. No matter how competent a benchmarking team may be, it needs support from all over the company and sometimes even outside their own company.

5.2.2.1 The benchmarking process

The process is an important support service as it gives structure to the exercise and ensures that every team member understands when his inputs will be required, and what these inputs will be. In following the process, however, there are a few general guidelines to keep in mind in order to ensure that the process fulfils its role as a support structure effectively.

- Sufficient time should be spent on planning the study in order to avoid time-consuming re-work.
- Every process has an internal customer whose expectations must be met. It is important to link the internal customer to the benchmarking project by having regular feedback session built into the process.
- The step of preparing the questionnaire is invaluable. Every extra minute spent on preparing the questionnaire properly could save hours in the analysis of the answers. The questionnaire is such an important instrument in the process that it is necessary to look at a few guidelines in setting up the questionnaire:
 - Firstly, decide what are the critical issues (preferably in the order of five, but not more than ten) that are being investigated and then design questions around these issues.
 - In designing the specific questions, always keep in mind what the possible answers will look like and how it will be analysed. This could lead to changes in the way a question is put, in order to facilitate proper analysis.
 - Open-ended questions normally lead to better information than multiple choice or scaled questions, but are more difficult to analyse. This is because the possible answers are unlimited and the situation may arise where comparing different partners' answers may not be comparing apples with apples. Therefore, it is all the more important to phrase the open-ended questions carefully so that the context of the partner's answer is clear to everyone.

- There should be a proper balance between quantitative (the what) and qualitative (the how) type of questions. Here again the quantitative parameters must be precisely defined in order to facilitate valid comparison between partner data. Using ratios instead of absolute numbers helps to ensure partner confidentiality.
 - Ask only for data your own company would be willing to share and limit the number of questions so that the time needed to complete the questionnaire does not exceed 30 minutes. This is important as it could completely change the partner's attitude towards the study. If completing the questionnaire is a burden on the partner, e.g. when the person is not sure whether he is in a position to disclose the asked-for information or if the questionnaire takes hours to complete, the partner may decide not to participate in the study.
 - Always pre-test the questionnaire within your own company to ensure that the questions are understandable and follow a logical order. Questions on similar issues should be grouped together, with a clear distinction where another issue is addressed.
- Communicating the results of the benchmarking study, including the site visits, may seem simple. Yet, there are a couple of factors to keep in mind:
 - The team report should show the process followed, the quantitative data and qualitative narratives, the gap analysis, the conclusion and, very importantly, the recommendations for implementing within the company. A one or two page summary of the key findings, conclusions and recommendations should be included in the beginning of the report, for quick management review. Additional details (e.g. the questionnaire, and the analysis of all the answers) can be attached as appendices.
 - A presentation of the results to management is necessary to ensure the success of the project. The presentation will ensure that all levels of the organisation are aware of the study, the results and the

next steps. A seal of approval from top management for the implementation of the findings is invaluable when implementation is started.

- A benchmarking study cannot be completed successfully without proper implementation of the best practices. The benchmarking team, or at least the team leader, should be involved in the implementation of the results. This is to ensure that the recommendations are clearly understood and possible negative effects are eliminated. Furthermore, the implementation and the benefit stemming from it should be tracked in order to answer the inevitable questions of what the benefit of the study was versus the costs incurred.

5.2.2.2 Supporting functions

Seeing that a benchmarking involves a lot of information sharing, it is needed to involve the necessary supporting functions of the company. As a minimum requirement the benchmarking team should involve the following functions:

- *Legal services:* This is necessary because the issue of proprietary information may arise. The legal teams need to be consulted to ensure that the sharing of data is conducted in an ethical manner. This will ensure that the partners feel free to share their information. Before embarking on a benchmarking exercise it is necessary to develop a code of conduct that will be acceptable to all partners. Helpful guidance in the way a study should be conducted can be found in both the USA and the more recent European benchmarking codes of conduct. It should be remembered that these codes are guidance documents and does not constitute legal documents. A copy of the European benchmarking code of conduct is presented at the end of this chapter.
- *Benchmarking specialist:* This is an individual (or individuals) that intimately understand the details of benchmarking. The team will turn to this person for assistance in conducting the study – a facilitator of the process. This person is normally not a specialist on the subject being

benchmarked and will therefore not be caught up in the specific details of the subject.

- *Information centres (e.g. library services, Management Information Systems):* Persons working in these functions are normally experts at gathering information on a specific subject and are invaluable to the exercise. While the benchmarking team is focusing on the issues and questions to be posed to the partners, the information services can simultaneously gather all existing information on the subject and also all information available on similar operations. The latter will make the task of selecting suitable partners that much easier.

5.2.3 Resources

For a successful benchmarking exercise, the resources needed are of three primary types: skilled people, time and funding.

5.2.3.1 Skilled people

In a study conducted by the American Productivity and Quality Centre, it was shown that 94% of the companies benchmarked used a team approach to benchmarking¹⁸. This team needs certain skills in order to conduct the study successfully. This implies that there is a need for focussed training in order to help the team ensure success.

The benchmarking team

Whenever a benchmarking study is initiated, the team or teams that will conduct the study need to be selected, which means that the size of the team and the specific skills need to be addressed. Further factors that need deliberation are the specific operation of the team, the scope of the project, and possible organisational roadblocks.

To determine the correct make-up of the team, the output of the study, the specific customer requirements and specifications to meet these

requirements need to be determined. From this, the individual team member and skills levels can then be deducted.

According to Camp¹⁹, teams rarely function effectively if they consist of more than 9 to 12 members. Three to six are preferred for benchmarking. More people may be involved, but will likely be broken down into smaller teams with specific objectives.

The object of most benchmarking studies is to implement process improvements that will produce better results than those currently being achieved. It is a prerequisite for the skills of the team that the members should all have direct operational experience of the process under study.

In addition to having detailed knowledge of the process, team members should possess analytical, research, process documentation and team facilitation skills. In the previously mentioned study by the American Productivity and Quality Centre it was also shown that process analysis is the most important skill for benchmarking study participants – see Table 5-2¹⁸.

Skill	Mean	Great / Very Great Importance	Little / Very Little Importance
Process analysis	4.6	98%	0%
Communications	4.5	94%	0%
Team building	4.2	88%	0%
Interpersonal relations	4.2	88%	0%
Conducting meetings	3.8	62%	2%

Rating scale: 1= very little importance, 2 = little importance, 3 = some importance, 4 = great importance, 5 = very great importance

(n=48)

Table 5-2: Importance of skills for benchmarking study participants

Benchmarking training

Benchmarking's greatest danger lies in its deceptive simplicity⁵. Just as managers must understand the benchmarking process, team members must have the skills training to conduct proper benchmarking investigations.

As discussed in chapter 4, the specific process being taught and followed may differ according to the preference of the facilitator or process owner, but all these processes have a generic outline, starting with what to benchmark and whom to benchmark against. These are the steps that should be concentrated on in the initial training. The objective is to get the team jump-started on the benchmarking process, by concentrating on the first couple of steps. The next steps where the performance gap is determined and initiatives are identified in order to close the gap can be self-taught or covered in a working session with a facilitator.

If all the detail of the process is being taught before the study commences, there is a risk of the team members not understanding the context of what is being taught or losing interest because of the lack of action. Once the study is on the go, the team will naturally look ahead to what the next steps are and prepare for these steps with training and facilitation.

A typical training curriculum and the suggested sequence of training in a generic benchmarking process is shown in Table 5-3.

Benchmarking step	Subjects covered in training
Before the study commences	<ul style="list-style-type: none"> • An overview of the benchmarking process • Intended uses and applications of benchmarking in the organisation • Review of basic terms and tools in benchmarking • Review of roles and responsibilities of benchmarking team members
1. Identify what to benchmark (process)	<ul style="list-style-type: none"> • Process analysis techniques (e.g. value chain analysis, KPI trees, Business Process Modelling) • Cost analysis
2. Identify whom to benchmark against (partner)	<ul style="list-style-type: none"> • Data-collection methods (e.g. interviewing techniques, information searches, survey construction)
3. Collect data from the partners	<ul style="list-style-type: none"> • Recommended benchmarking protocols (e.g. making effective and professional contact with benchmark partners) • Review of ethical issues concerning benchmarking
4. Analyse the performance gap and quantify possible initiatives	<ul style="list-style-type: none"> • Process analysis and modelling techniques (e.g. waterfall charts, cost-benefit analysis, financial modelling)
5. Project future performance	
6. Gain support and communicate findings	<ul style="list-style-type: none"> • Change management
7. Set new performance goals	<ul style="list-style-type: none"> • Target setting methodology
8. Develop action plans to close the gap	<ul style="list-style-type: none"> • Project management tools and techniques
9. Implement the plans	
10. Recalibrate benchmarks for continuous improvement	

Table 5-3: Curriculum for benchmarking training

5.2.3.2 Time

A question frequently asked by people who are wanting to initiate a benchmarking study is how much time does it take – in terms of the time until an answer is available and in terms of time each of the people involved has to spend on the project. The answer may well depend on several factors like the company culture, the number of people and skills of the people involved, the subject being benchmarked, etc. When Spendolini⁶ research this, he found that a minimum of 10 percent of the individual team members’ time is needed. This could rise to as high as 25 percent for high-priority projects or

during certain phases of the benchmarking program. In terms of the project length, four to six months was a common range. Further research on this matter was already discussed in paragraph 5.1.4.

A benchmarking study undertaken by Ingwe Coal Corporation in 1996 had a project team comprising of six members who met on a once-a-week-part-time basis. The first lesson learnt in this study was that part-time benchmarking teams are likely to be subjected to the demands of their full-time job, resulting in an extension of the time of the study²⁵.

Benchmarking specialists claim that there is significantly less stress on the whole process when the time needed of individuals and the time needed for the completion of the project is overestimated rather than underestimated. Insufficient time available often leads to shortcuts being taken and certain critical steps in the process being neglected. It is my own experience that the results achieved from typical short-circuited studies are of such a poor quality that the study needn't have been undertaken in the first place.

5.2.3.3 Funding

A study conducted in America in 1993 found that the average cost per study is approximately \$68,000¹⁸ or roughly R500,000 in Rand terms. This includes the cost of people's time, travelling and subsistence, telephone expenses and administrative expenses.

Most managers are reluctant to spend this amount of money on an exercise of which the benefits cannot be quantified before the money is spent. The benefits of and reasons for benchmarking were already discussed in chapter 3. The cost, however, must be placed in perspective. When posed with the question of how much do benchmarking exercises cost relative to their benefit, Bob George – Benchmarking Programs Manager at E.I. duPont de Nemours & Company (DuPont) – answered that he did not know, because they never measure it! He then qualified it by saying that the benefits are so obviously much more than the cost that there never was a need for such a measurement in DuPont.

This does not mean that money can be thrown at all benchmarking exercises and the benefit will always be more than the cost. However, it is the opinion of most benchmarking gurus that a well executed benchmarking study where the topic of the study was intelligently derived (what to benchmark), will always provide the benefit to at least cover the cost.

5.2.4 Culture of learning

Robert Hiebeler, partner-in-charge, Global Best Practice at Arthur Andersen did research on the subject of knowledge management. He placed a great deal of emphasis on creating a knowledge-sharing culture in an organisation. He summarised it by saying, “If people get ahead in their organisations by keeping knowledge to themselves, the organisation is going to have a hard time convincing them of a new imperative to share”.²⁶

As benchmarking is all about the sharing of information, the culture of learning and the culture of spreading knowledge is very important to the success of a benchmarking study. At the most fundamental level benchmarking is learning from others. In order to get all the benefits associated with benchmarking and learning from others it is necessary to understand how organisations learn and where benchmarking can fit into this.

5.2.4.1 Understanding how organisations learn

A group of Harvard Business School researchers performed a study on how organisations learn²⁷. They identified four primary ways in which organisations learn:

- *Vicarious learning*. This learning strategy embraces learning through the study and analysis of others’ experience. These “others” may include people inside or outside one’s own company or industry. This implies benchmarking per definition.

- *Simulation*. This implies the construction of artificial models that help organisations discover, understand and predict what will happen when it implements a new process, technology or program.
- *Prototyping*. This third strategy builds and operates new products, or services on a small scale in a controlled environment. The behaviour of the system is then studied and scaled to predict full-scale behaviour.
- *On-line learning*. This is similar to prototyping, but for the fact that the full scale system is studied before releasing it into full production mode.

A clear hierarchy exists among the four learning strategies. Costs and losses get higher as one moves down the list, but so does fidelity. This means that the cost of learning escalates rapidly as organisations move to another learning strategy. This relationship is illustrated in Figure 5-2.

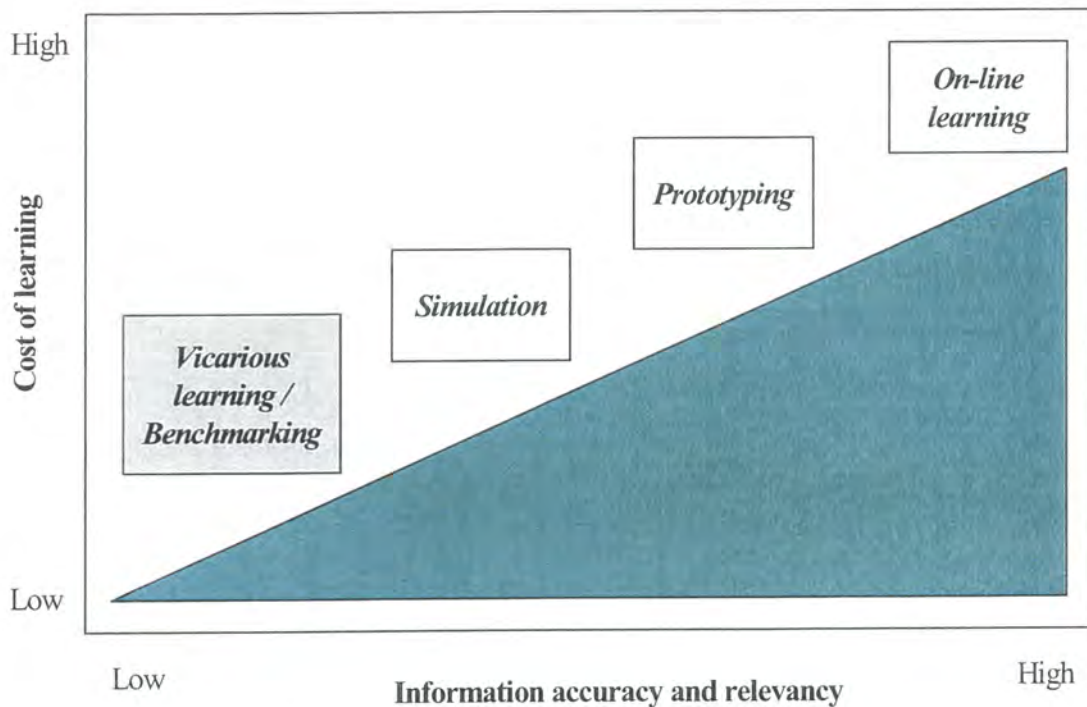


Figure 5-2: Relationship between cost and benefit of learning strategies

Benchmarking or vicarious learning is thus deemed to be a very cost-effective way of organisations to learn.

5.2.4.2 How benchmarking fits into organisational learning

If organisations tend to learn easily through vicarious learning, why is it first necessary to install a culture of learning before benchmarking? Not all organisations have embarked on a learning strategy and a tool like benchmarking can thus not be used to full benefit as the ideas are not shared or taken up (learnt from) in the organisation.

A culture of learning and a need for information is a prerequisite for successful benchmarking. If the need to know is not there, a benchmarking study can quite easily become an industrial tour with very little benefit to the company.

In the late 1980's the administrators of the Malcolm Baldrige Award began dissecting the attributes of top companies. Nearly 40 performance traits that distinguished the top companies were identified.²⁸ No single company embodied all of the attributes, but these indicators helped to identify what constitutes world-class performance in each of the seven Baldrige quality assessment categories.

Three particular attributes are intrinsic to vicarious learning. They are 1) a “we-can-learn-from-everyone” attitude towards continuous improvement, 2) the active use of “benchmarks and comparative measures”, and 3) a “non-discrimination approach” to developing performance systems – everybody should learn and improve. These indicators describe discriminate a practical approach to organisational learning and the culture of learning and improvement.

5.3 **Conclusion**

The misconceptions around benchmarking are mostly due to miscommunication or a misunderstanding of the process. Communication of all the necessary facts is essential in order to have the way paved for successful studies. A deep knowledge and understanding of the specific company culture and carefully prepared answers to possible questions from the uninformed helps enormously in clearing up the misconceptions. A high-

level champion for the benchmarking cause can influence other people positively and dispel the misconceptions with a few careful pointers in the right direction.

Care must be taken to have the necessary critical success factors in place before embarking on a benchmarking study or program.

Support from top management and the support services inside the company is essential. The sponsors need to understand the process to ensure their full support for the cause. These are the people who will ensure that the necessary resources and support structures are provided for the successful completion of studies. Without their commitment it is near to impossible to have success.

Once all the misconceptions are corrected and all the support is secured, the physical execution of the study becomes quite easy. When the execution is done properly, the benefits will speak for itself and the necessary support for the next study will be gained much easier.

Appendix 5-A: The European benchmarking code of conduct

(Source: *The Benchmark*, November 1996²⁹)

Benchmarking – the process of identifying and learning from best practices in other organisations – is a powerful tool in the quest for continuous improvement and performance breakthroughs. The authors and sponsors have produced this European code of conduct to guide benchmarking encounters and to advance the professionalism and effectiveness of benchmarking in Europe. It is closely based on the widely used APQC/SPI Code of Conduct promoted by the International Benchmarking Clearinghouse, and the authors gratefully acknowledge this source. The wording has been modified to take into account the rules of European Union competition law. The layout and presentation have been modified to provide a more positive chronological approach. Adherence to this Code will contribute to efficient, effective and ethical benchmarking.

1.0 Principle of Preparation

- 1.1 Demonstrate commitment to the efficiency and effectiveness of benchmarking by being prepared prior to making an initial benchmarking contact.
- 1.2 Make the most of your benchmarking partner's time by being fully prepared for each exchange.
- 1.3 Help your benchmarking partners prepare by providing them with a questionnaire and agenda prior to benchmarking visits.
- 1.4 Before any benchmarking contact, especially the sending of questionnaires, take legal advice.

2.0 Principle of Contact

- 2.1 Respect the corporate culture of partner organisations and work within mutually agreed procedures.

- 2.2 Use benchmarking contacts designated by the partner organisation if that is its preferred procedure.
- 2.3 Agree with the designated benchmarking contact how communication or responsibility is to be delegated in the course of the benchmarking exercise. Check mutual understanding.
- 2.4 Obtain an individual's permission before providing their name in response to a contact request.
- 2.5 Avoid communicating a contact's name in open forum without the contact's prior permission.

3.0 Principle of Exchange

- 3.1 Be willing to provide the same type and level of information that you request from your benchmarking partner, provided that the principle of legality is observed.
- 3.2 Communicate fully and early in the relationship to clarify expectations, avoid misunderstanding, and establish mutual interest in the benchmarking exchange.
- 3.3 Be honest and complete.

4.0 Principle of Confidentiality

- 4.1 Treat benchmarking findings as confidential to the individuals and organisations involved. Such information must not be communicated to third parties without the prior consent of the benchmarking partner who shared the information. When seeking prior consent, make sure that you specify clearly what information is to be shared, and with whom.
- 4.2 An organisation's participation in a study is confidential and should not be communicated externally without their prior permission.

5.0 Principle of Use

- 5.1 Use information obtained through benchmarking only for purposes stated to and agreed with the benchmarking partner.

- 5.2 The use or communication of a benchmarking partner's name with the data obtained or the practices observed requires the prior permission of that partner.
- 5.3 Contact lists or other contact information provided by benchmarking networks in any form may not be used for purposes other than benchmarking.

6.0 Principle of Legality

- 6.1 If there is any potential question on the legality of an activity, you should take legal advice.
- 6.2 Avoid discussions or actions that could lead to or imply an interest in restraint of trade, market and/or customer allocation schemes, price fixing, bid rigging, bribery, or any other anti-competitive practices. Don't discuss your pricing policy with competitors.
- 6.3 Refrain from the acquisition of information by any means that could be interpreted as improper including the breach, or inducement of a breach, of any duty to maintain confidentiality.
- 6.4 Do not disclose or use any confidential information that may have been obtained through improper means, or that was disclosed by another in violation of a duty of confidentiality.
- 6.5 Do not, as a consultant, client or otherwise pass on benchmarking findings to another organisation without first getting the permission of your benchmarking partner and without first ensuring that the data is appropriately 'blinded' and anonymous so that the participants' identities are protected.

7.0 Principle of Completion

- 7.1 Follow through each commitment made to your benchmarking partner in a timely manner.
- 7.2 Endeavour to complete each benchmarking study to the satisfaction of all benchmarking partners as mutually agreed.

8.0 Principle of Understanding and Agreement

- 8.1 Understand how your benchmarking partner would like to be treated, and treat your partner in that way.
- 8.2 Agree how your partner expects you to use the information provided, and do not use it in any way that would break that agreement.

Important Notice:

This code of conduct is not a legal document. Though all due care has been taken in its preparation, the authors and sponsors will not be held responsible for any legal or other action resulting directly or indirectly from adherence to this code of conduct. It is for guidance only and does not imply protection or immunity from the law.

6 Managing benchmarking

*“Supreme excellence consists in breaking the enemy’s
resistance without fighting.”*

**-- Sun Tsu
The Art of War³⁰**

“Take time for all things; great haste makes great waste.”

-- Benjamin Franklin

*“We could all use a little coaching. When you’re playing the
game, it’s hard to think of everything.”*

-- Jim Rohn

*“Restlessness and discontent are the necessities of
progress.”*

-- Thomas Edison

Benchmarking activities can be classified into two distinct processes – the user and the management process¹⁹. The user process is the process used when carrying out a benchmarking study – a road map to be followed by the team doing a study. This process was discussed in paragraph 4.2. The management process consists of all those activities needed to ensure that effective benchmarking studies can be and are conducted and that the results are implemented.

Different authors suggest different ways of examining the management process. One way is to categorise the management activities into those that are needed to set up a benchmarking program and those that are needed to manage the benchmarking process over time (Watson⁹). This is normally used where the benefit and cost of each new study needs to be calculated as justification for the study to proceed.

Another way to describe the management process is to categorise in terms of the owners and suppliers; the inputs and outputs; the source and destination and the requirements of each step. This is typically used when the detail of each small step needs to be described and placed in context of its interfaces with other steps of the process and areas of the business – who is involved, when?

Robert Camp suggests the best way to analyse the benchmarking management process is by using the process perspective. Thus, the benchmarking management process should categorise activities into establishing, supporting and sustaining a benchmarking program. In other words, this approach describes the life cycle of benchmarking in a company.

As this entails all the phases of the benchmarking process, this is the approach that will be used in this document to describe the process of managing benchmarking.

In addition to understanding the process of managing benchmarking in an organisation, there needs to be an understanding of the business environment in which this process will be used. The environment can be one in different stages of maturity towards benchmarking.

6.1 *Establishing a benchmarking program*

Before the establishment of any program or drive in an organisation, a clear strategy is needed. Thereafter expectations should be defined, management as well as everyone else in the organisation should be sensitised, a group of experts should be empowered, policies and guidelines should be developed and a medium for optimal operation should be established. Each of these facets is discussed in the following sections.

6.1.1 Strategy

In today's business environment each organisation has many drives and initiatives underway simultaneously. These are all competing for the employee's time and attention. With each new drive it is necessary to

understand where it fits into the bigger picture and what the ultimate goal is in order to prioritise.

Benchmarking is just another initiative that can be pursued in order to change and improve an organisation's operations with particular focus on improving the business processes. Besides wanting to understand where this initiative called benchmarking fits in, the employees also need to have an idea of the rationale behind its implementation. This is all entailed in the strategy statement. Those responsible for benchmarking should be able to state what its strategy is and should gain acceptance from senior management.

If an organisation has an overall goal of improving customer satisfaction to a certain point, one strategy the organisation could pursue with its benchmarking drive is to improve customer satisfaction by continuously improving its business processes to the extent that they are deemed world-class. A formal strategy statement could be as follows:

Benchmarking goal: To improve customer satisfaction and business performance by continuously searching for and implementing world best practices.

Benchmarking strategy: To continuously improve business processes to enhance business performance by

1. Establishing which business processes are critical in the achievement of the required level of business performance;
2. Focusing benchmarking efforts on finding and implementing best practices in these key areas; and
3. Maintaining and monitoring a few critical success factors as indicators of progress and success.

This strategy statement and the rationale for the benchmarking drive is thus a direct derivative of the organisations main strategy of improving customer

satisfaction. This statement then effectively puts the whole organisation on notice that the benchmarking drive is a key activity in the attainment of its final goal. It also states the way in which benchmarking will contribute to the higher goal.

6.1.2 Define expectations

The purpose of management personnel in an organisation is to lead the organisation on a road to success. To enable this, it is necessary for management and employees to know exactly what is expected and on what resources should be focussed³¹.

After setting the direction in the strategy statement, it is necessary to have some stated expectations for the benchmarking drive. An example of a direction-setting statement or statement of expectations is shown in Figure 6-1.

Product benchmarking is conducted to establish product planning and development guidelines.

Process benchmarking is conducted to achieve world-class work processes that will satisfy customers.

Performance benchmarking is conducted to establish rational goals and performance measures.

Benchmarking is **incorporated into the planning process** to ensure its continuity and its institutionalisation in the organisation.

Benchmarking is **part of business process management** to ensure that processes are based on incorporation of these best practices.

Benchmarking is **used to provide** objective, external comparisons and fact-based decisions.

Figure 6-1: Direction-setting statement¹⁹

As the name implies, a direction-setting statement should give a clear understanding of what the benchmarking drive wants to achieve. This should be stated in precise terms so as not to leave any room for confusion. There are at least two considerations in setting these expectations:

1. Management wants the benchmarking drive to be continuous and not a one-time event.
2. There are specific deliverables expected that are requirements for tracking the progress and contribution of the benchmarking activities.

6.1.2.1 Benchmarking as a continuous activity

Careful consideration should be given to the question of how benchmarking activities will become continuous. The key to this need is in identifying existing, continuous management activities and incorporating the benchmarking activities into these. Examples of continuous management activities are the strategic planning cycle, the annual planning and budgeting process and performance reviewing. It is preferable to have benchmarking as a stated step in each of these processes. The first goal is, of course, to enhance these processes with the benefits that proper benchmarking brings, but also, from the benchmarking team's perspective, to have benchmarking established as a permanent and continuous activity in the organisation.

In the strategic planning cycle, benchmarking supports the focus on long term priorities for the organisation as a whole. Typical questions that can be supported by a benchmarking drive are the following:

- How does the company compare to others in the industry?
- What opportunities exist that can lead to an advantage?
- What strategies and best practices have been considered?
- What are the performance goals needed in the next three to five years?

- What are the key processes that drive these goals?

In the annual planning and budgeting process, the focus is on specific objectives (derived from the strategy) and on validating the process capability to implement best practices. Questions answered by benchmarking include the following:

- On which processes should there be focused this year – which gaps should be closed in terms of priorities?
- How will the gaps be closed?
- What is the time frame involved in closing the gaps?
- What is the probability of successfully closing the gaps – by how much will the gaps be closed?
- What best practices should be incorporated in the closing of the gaps?

The focus of the performance review is on action plans to mend the deviations that have taken place in the past period. It is therefore necessary to understand where deviations exist and the appropriate measures that can be taken. Questions supported by benchmarking are the following:

- What progress has been made towards the benchmarks?
- Which are the vital few best practices on which to concentrate?
- Are adequate resources devoted to the implementation of the required best practices?
- What are the foreseen results of implementing the stated best practices?

Benchmarking demonstrates the ability to add significant value to the strategic planning cycle, the annual planning and budgeting process, and performance reviewing by providing answers to all the above-mentioned questions. Embedding benchmarking firmly in all three these continuous management activities, will not only add significant value to these processes,

but will ensure that benchmarking is seen as a continuous activity and not a one-time event.

6.1.2.2 Specific management deliverables

The second goal of incorporating the benchmarking activities in existing, continuous management activities is to have specific management deliverables (specifically pertaining to the expectations) for the total benchmarking drive. The deliverables are:

1. A strategy statement;
2. Identification of key products, services and processes to be benchmarked;
3. A business tracking system – reporting of a few vital benchmarks to show if the business is actually improving;
4. Prioritisation of benchmarking activities; and
5. A benchmarking tracking system showing the contribution benchmarking is making to the business results.

The strategy statement has already been covered in paragraph 6.1.1 and should be documented in such a manner that it can easily be reviewed. Such a review could be triggered by a change in business strategy, mergers and acquisitions or a change in the business environment. If the benchmarking strategy document is not dynamic and easily revisable, it could become an outdated document that is of no relevance to the organisation.

The second deliverable is to identify and prioritise processes to be benchmarked. This sets the scene for managers throughout the organisation to be able to intelligently focus benchmarking efforts on the key processes that will lead to the improvement of the company.

A select few performance measures should be maintained for the purpose of tracking the success of the benchmarking drive. If the business is not actively improving, the drive is not showing its results and a change is needed. With the right measures in place, the success is easily tracked and changes are quickly pre-empted.

The benchmarking activities should be prioritised in order to lead to the best possible return with every new initiative. Criteria should be stated with a weighing mechanism showing the relative importance of the criteria. A scoring system can then easily be applied to each new benchmarking activity with the weighted score then determining the priority.

The last management deliverable is to a system linking the actual business improvements (captured in the third deliverable) to the initiators of the improvement, i.e. the specific benchmarking initiatives leading to the improvement. This should give a clear picture of the returns achieved from the benchmarking program and thus give momentum to the drive.

6.1.3 Sensitise the organisation

In order for any new drive in an organisation to be successful, there needs to be an awareness of and focus on the drive. People throughout the organisation need to know what benchmarking is. When this understanding is achieved, it sets up a common basis on which to take decisions about starting benchmarking activities.

After a drive to sensitise the organisation, it is needed to check the understanding of the subject throughout the organisation to deem if the organisation as a whole is ready and susceptible to the new drive. Questions that need to be answered are the following:

- Does everyone have a good understanding of what benchmarking is?
- Is there sufficient support and involvement from senior management?

- Are the necessary skills, competencies and resources available to support the benchmarking drive?
- Is there an air of expectation regarding this new drive?

If there is a positive response to each of these questions, the next phase of the process to establish benchmarking can be entered into.

6.1.4 Empower experts

Organisations and benchmarking teams need assistance¹⁹. This assistance can be in the form of facilitators, trainers, consultants, or a benchmarking co-ordinator. The common characteristic of these players is that they all need to be experts on the subject of benchmarking.

Most organisations do not have a dedicated benchmarking expert or team of experts when first embarking on benchmarking. This means that there is no pool of qualified individuals who can play the above-mentioned roles. There are a variety of solutions to this problem, with the most obvious being to either grow the experts from inside the company via preferred routes or to outsource this capability. In most cases a hybrid of these two options are followed. A person who, through his current job or skills, will fall easily into the role of a benchmarking advisor is identified and then trained extensively. A benchmarking expert from outside the company is then used to guide this individual through the first couple of benchmarking exercises and related processes. Once this person and his team are able to operate effectively, the outside expert's services are no longer required.

The benefit of "grooming" the benchmarking expert(s) via this route is that the knowledge and skills is transferred to a person or team who is already part of the company. The person knows the modus operandi of the company and is aware of all the unique factors that need to be taken into consideration when launching a new drive in the company. The benchmarking knowledge that is transferred, on the other hand, is from outside the company and therefore not "clouded" with company-specific politics or processes.

In order for the benchmarking expert to be successful, he should have a background in some, if not all, of the following skills: analysis, library research, quality process, problem solving, process mapping and documentation, facilitation, training, and project management. Operational knowledge is also very important as this expert is expected to relate to the problems for which benchmarking is applied as a solution. The ability to relate to operational problems and to anticipate where benchmarking will be highly successful as a solution, and the capability to convince managers to devote resources to pursue benchmarking, are critical.

The key responsibilities of the benchmarking expert or team of experts include the following:

- Maintain wide outside contacts for benchmarking (network);
- Pursue a defined benchmarking strategy;
- Lead benchmarking teams in doing benchmarking studies;
- Provide benchmarking training and guidance to the rest of the organisation;
- Act as a primary resource for the benchmarking process;
- Ensure that benchmarking activities are prioritised in terms of returning the greatest benefits and in terms of fitting with the organisation's strategic objectives;
- Report benchmarking progress to all relevant parties.

But the real value of such a group of benchmarking experts, or a competency centre, lies in being the focal group and forum for sharing experiences and knowledge across the whole organisation.

6.1.5 Develop guidelines

There can be a lot of confusion when commencing on a new initiative. In order to alleviate some of this confusion a clear set of guidelines is needed. These guidelines, apart from stating the benchmarking process clearly (as discussed in chapter 4), usually involve the side issues and pre-requisites of benchmarking studies.

It is not the object of this study to provide a full reference guide, as this will be different for each company, depending on their maturity in benchmarking. A list of topics that should be covered by this guide is summarised in Figure 6-2. The reference guide should be concise with a very clear index for easy reference and have three basic objectives:

- 1) It should be used to prevent mistakes in the benchmarking process by firstly providing the necessary guidance and by being continuously updated with first-hand experiences;
- 2) It must drive consistency in the benchmarking approach, which, by continuous updating, should by definition be a best-in-class approach to benchmarking; and
- 3) It should provide anyone new to benchmarking with the necessary information on where to find out more about the process and what it all entails – this is important as this guide serves only as a reference and not as a complete guide to benchmarking.

The target audience of this reference guide is the process owners and their benchmarking teams and those conducting or contemplating benchmarking activities. In the final analysis, however, the beneficiaries of the reference guide are all managers in the organisation.

- Reason for the guide – to place it into context with all the information on benchmarking and also guides on other topics within the company.
- The unit or organisation's benchmarking strategy.
- Roles and responsibilities of all participants.
- Essentials of getting started on a benchmarking study.
- The benchmarking process.
- Guidelines for setting up a site visit and the referral process.
- Conduct of a site visit.
- Information-sharing guidelines and legal considerations – including the benchmarking code of conduct.
- Identification and documentation of key processes and measures.
- Use of technical libraries.
- How to archive benchmarking documents – building the database.
- Training and resource materials.
- Contact information and operation of benchmarking networks.
- Benchmarking terms and definitions.
- Frequently asked questions.
- Appendix with sample forms, letters and methodologies.

Figure 6-2: Topics to be covered in a benchmarking reference guide (adapted from Camp¹⁹)

6.1.6 Establish a network

Known points of contact is one of the most useful benchmarking support structures a company can have. As benchmarking is all about comparing between two or more entities, a contact person for the partner entity is one of the first needs that should be fulfilled in a benchmarking study. These contact persons or point of contact constitutes the benchmarking network. There are two benchmarking networks that need to be built if an organisation embarks on a benchmarking effort – an internal network and an external network.

6.1.6.1 Internal network

The internal benchmarking network is a group of people who understands the concept of benchmarking and who are representative of a certain functional area in the organisation. In practice the benchmarking manager (or similar position) will receive a request to benchmark a certain area or process. He will then contact the contact person for that specific area and together they will manage the effort.

This internal network not only source and take part in benchmarking efforts, but they also help to disseminate benchmarking info and requirements throughout the organisation. It is invaluable to have a person on the benchmarking team who speaks the right functional language and can understand all the terms and concepts of the area under study.

6.1.6.2 External network

The external network serves more or less the same purpose as the internal network, with the added advantage that the points of contact are outside one's own organisation and can serve as an entry point into a much bigger database of best practices. It is also deemed the right protocol to first contact the benchmarking co-ordinator of a partner organisation and then let him introduce the specialist of the functional area under study to the benchmarking team.

Both these networks are built up over a long period of time, but the necessary information should be available at the start of any benchmarking drive. This information includes a short summary of the organisation and its areas of business, the name and contact details of the benchmarking manager and a short introductory letter by the CEO of the organisation.

This information can then be given to any person that can or wants to form part of the benchmarking network and, if similar information is received from the other party, can serve as a first cut database for the network. The information can then be accumulated as more contact is being made with the particular individual or company. When a benchmarking study is kicked off, this is the first place the team can start looking for possible partners and sources of information.

6.2 Sustaining a benchmarking program

After establishing the benchmarking program, all the expectations are set, the necessary awareness is created and guidelines and networks are in place. One of the tasks of the organisation is now to ensure the necessary support exists for this new drive in order for it to reach the desired results in a sustainable fashion. Another key element in sustaining the program is to eliminate potential dangers that might cause the drive to lose momentum. A last key element is to recognise and communicate the successes achieved.

6.2.1 Benchmarking champion

Organisations need champions for major programs that bring about change – and benchmarking is no exception. The role of the champion is to actively advocate the use of benchmarking in all the appropriate situations. This entails challenging the organisations as to why benchmarking was not considered in major decisions and showcasing success stories as a basis for motivating the organisation to aggressively pursue benchmarking.

An important angle the champion should use to advocate the use of benchmarking is by focusing on the business processes of the organisation.

The business processes should be clearly identified, classified in some hierarchical structure and prioritised for purposes of concentrating on those with the greatest return or leverage on organisational priorities. By concentrating on the basic business processes, the rationale for using benchmarking becomes quite clear – if our basic business processes are based on world best practices, the results of the organisation should also be world class!

6.2.2 Re-utilising a skilled benchmarking team

Given that benchmarking activities have been prioritised to the vital few business processes that will give the highest return, the teams that will conduct the actual benchmarking need to be commissioned. The process of commissioning, the team size, skills mix and the training of the team have already been discussed in paragraph 5.2.3.1.

In order to support and sustain a benchmarking program successfully, the skills developed by the benchmarking team in one study should be utilised in and transferred to all the future studies. This is done effectively by assigning one or more members of the first study's team to each of the following studies. By utilising the experience gained in prior studies in all the future studies, a learning network is formed and skills and experience are multiplied with each new study.

6.2.3 Utilising third party experts effectively

If partners are not willing to share their information there is no use in conducting a benchmarking study and the benchmarking drive could lose its momentum. When benchmarking started in the USA, the principal benefit of using outside consultants was to provide the needed confidentiality for benchmarking partners to share their data while keeping the sensitive data anonymous or masked. This is still the case in countries where benchmarking are only starting to become known and used.

Outside experts are used more frequently these days for facilitating consortiums of partners who regularly benchmark with one another over an extended period of time. In these activities it is needed to have an impartial third party who arranges all the exchanges, facilitates the agenda and discussions and bring the partners to closure on best practices.

While there are definite benefits in the use of external experts in benchmarking, there are also special cases where the presence of a third party conducting the benchmarking exercise is not desirable. Most of these cases centre on the concept of establishing a knowledge base and investing in the intellectual capital of the organisation. It is important to remember that benchmarking is not only the finding of data and information on best practices, but it is also, more importantly, a learning process.

With a third party conducting the actual benchmarking, the partners involved miss an important learning opportunity. The third party is building its knowledge base and accumulating all the information and then just passing on the summarised detail to the respective partners. Therefore, participation on the team by the representatives of the process is highly desirable or not imperative. If outside resources are used they should be used in a process facilitation role, and they should support the core team of internal personnel. In this way it is ensured that the maximum transfer of knowledge to the internal team takes place while the time needed to conduct the exercise is reduced because of the presence of extra people on the team with easier access to all the resources and databases.

6.2.4 Communication of successes

Communicating successes and case histories is an important activity in intensifying the attention that benchmarking receives throughout the company. It is a powerful means to give recognition and serves to stimulate the benchmarking activities of others.

The communication effort includes cataloguing benchmarking documents for others' reference; actively promoting the results achieved to the total

company; reporting the results at internal seminars and external presentations as appropriate; and reporting benchmarking results in business plans, operating plans and at operational reviews. These methods of communicating the successes are all through the formal, already established communication channels of the company.

A second, more informal way of effectively showcasing the successes achieved with a benchmarking study is through the internal network of benchmarking representatives and their activities to become the champions of benchmarking within their respective areas. Once the successes have been communicated, it is important to keep an open channel of communication for anyone who may be interested in finding out more about the specific exercise or benchmarking in general. The benchmarking representatives can again play an important role in this by either answering the questions themselves, or referring it to the most appropriate person. A log of the typical questions that were asked and the answers to those can be a very powerful means of communicating – in the form of a Frequently Asked Questions (FAQ) log. This FAQ log can then be distributed via all the communication channels of the organisation to serve as another means of stimulating the interest in benchmarking.

A third, also informal, way of communicating the successes and focussing the attention on the benchmarking drive is through all managers in the organisation. Managers should take every opportunity to cite best practices derived from benchmarking. This emphasises that benchmarking is an important and effective way of improving practices and processes. It also sensitises the organisation to the pool of ready knowledge available from sources external to their own area and the use of these pools of knowledge in order to stay competitive.

A fourth, very important way to ensure communication regarding the benchmarking drive, is to enquire about or inspect the use of the process frequently. This can be done at two levels: Inspection of the number and type of benchmarking studies; and inspection of the effective use of the

company's benchmarking process in these studies. For the first level of inspection, it is important to understand how many studies were undertaken and categorising it on the basis of what the studies focussed on and the progress / successes achieved. In the second level of inspection (process) a checklist can be used as a form of self-assessment by the team or as an evaluation by the project's customer.

6.2.5 Recognition

Achieving excellence in benchmarking requires that managers use the array of recognition options and rewards that most organisations have. Recognising and rewarding the performance of benchmarking teams will once again confirm the importance of the benchmarking drive and will instil an enthusiasm in the benchmarking teams for improving their own performance.

Glasscock and Gram³² are of the opinion that positive reinforcement works and that it does not require a major investment. They conclude that managers have to be service experts in order to survive in the marketplace. And so, managers take great pains to show customers how much they are appreciated by wining and dining them, working holidays and weekends if necessary and do everything possible to keep the customer happy. But, one more customer service practice is essential – to never miss the opportunity to tell employees and fellow work associates how much they and their efforts are appreciated.

Recognition should not be confused with rewards. When giving recognition, the focus should be on the thought behind the recognition and not the actual gift. Recognition should never be subjective; it should recognise all effort that contributed to the successes achieved³³ – in this case the success of the benchmarking study.

Another way to recognise the organisation and specifically the benchmarking teams for the benchmarking effort is to consider competing for an external reward. Included here are awards to individuals through contributions to

- 2) The predominant activity will generally “straddle” the transition from one “age” to the next.
- 3) As benchmarking reaches late maturity, many, if not all, of these activities are likely to be taking place at the same time.

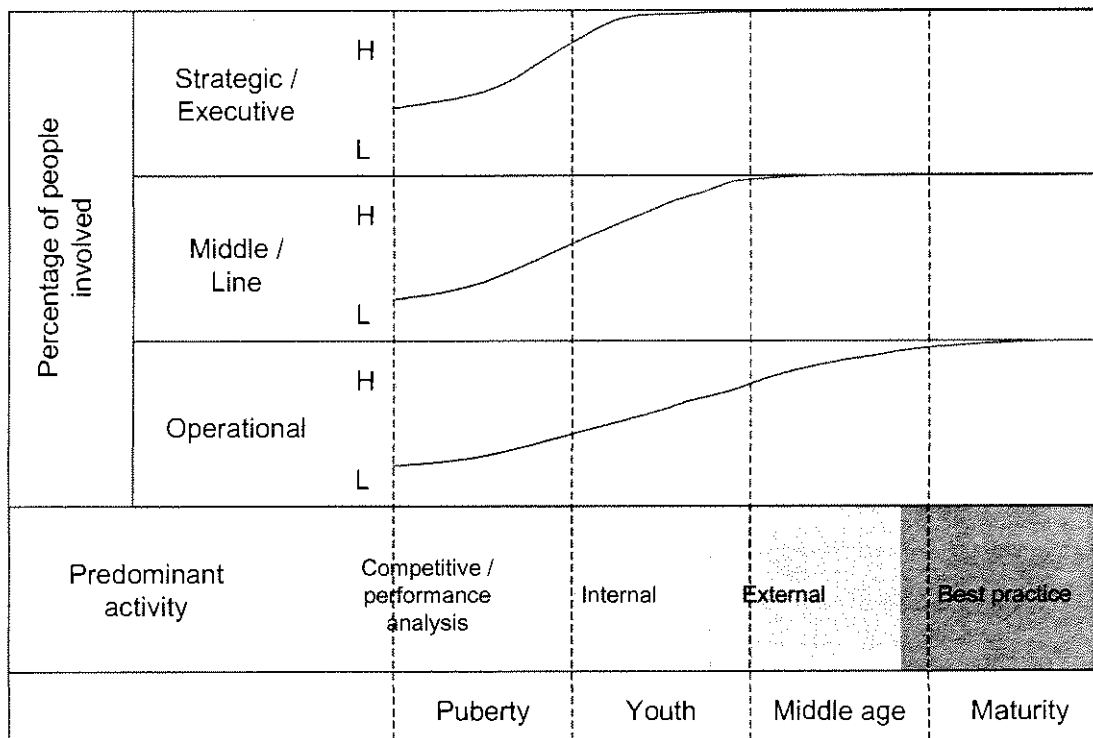


Figure 6-3: Predominant activity and management involvement during the four phases of benchmarking development

6.3.1 Phase 1: Puberty

At the start of any new drive there is generally confusion as to what it is the company wants to achieve from it, who is responsible for what, and how this will affect each individual. This phase of benchmarking maturity is appropriately called the Puberty phase.

According to Codling, this phase is characterised by:

- Confusion about the difference between competitive analysis and benchmarking, and when the former becomes the latter.
- A lack of commitment to the need for change and uncertainty about the efficacy of benchmarking to instigate it.
- A belief that, despite all evidence to the contrary, a quick fix will still be possible.
- A feeling of just wanting to “check out how good / bad we are.”
- A lack of conviction that the company will have the stamina to sustain a long-term initiative.
- A lack of appreciation of the everyday consequences of adopting a benchmarking culture, e.g. openness and sharing.
- Fear that it may involve considerable effort and resources but not provide the right solution in the end.
- Concern about the strategic consequences of a benchmarking exercise.

Firm, positive leadership at the appropriate level and good, clear communication can overcome all of these. The general rule is to keep all signals clear, concise, and comprehensible.

Whether benchmarking starts at the initiative and the domain of the quality manager (usually the case in the USA where TQM was introduced) or at strategic corporate level, solutions for optimum management of this drive will be the same. In this phase, benchmarking will require the following:

High level of commitment: The commitment from management was already discussed in paragraph 5.2.1. Suffice it to say that there definitely needs to be a champion of champions actively driving this process and continuously showing support.

Enthusiastic vision and realistic interpretation: Change is always a difficult concept to manage and can lead to fears in the hearts of employees. From the outset, the change that this new drive brings about will be more welcome if conveyed enthusiastically as something that is clearly for the better. The most realistic vision is one everyone believes in and can have a part in. Benchmarking, with its focus on best practice that already exists, must always be conveyed as a realistic interpretation of the future and the heights the company can reach.

Conviction and clarity of purpose: The mission and objectives, as discussed in paragraphs 6.1.1 and 6.1.2 must be clearly understood by all employees before a critical mass of support for change can be expected.

Everyday language: One of the problems that any expert on a subject soon forgets is that some of the terms and definitions are not common and is not clear to everyone in the audience. As a rule of thumb, it is best to avoid acronyms, typical buzzwords and phrases that require explanation (e.g. TQM, BPR, Strategic control, Straw man models, etc.). If a common everyday language is not installed from the outset, people throughout the organisation will make assumptions and interpretations based on their perceptions and misunderstandings will occur sooner or later. Everyday language is also needed when describing the definition or purpose of benchmarking, so that there is a common understanding of what it is the company wants to achieve.

Co-ordination: As awareness of benchmarking grows, there is a tendency for many small pockets of activity and experiments to spring up throughout the organisation. It is important to co-ordinate the benchmarking drive right from the start and to give intensive guidance to the teams who are doing the benchmarking studies. This

will prevent the re-invention of the wheel and generally help to avoid duplication.

Training: The importance of training has already been discussed in paragraph 5.2.3.1, but it is necessary to note that the earlier people can receive education in the benchmarking technique, the better. The emphasis should be on a holistic approach with proper training being undergone before any attempt at conducting a benchmarking study or even promoting benchmarking to other individuals is started.

With the necessary guidance and the proper approach to benchmarking, all the fears and lack of commitment could be overcome and the organisation could start the journey toward becoming mature in benchmarking.

6.3.2 Phase 2: Youth

In the initial stages of a benchmarking drive there are quite a lot of exploratory visits and internal benchmarking. This should be enhanced to have more activities in order to grow critical mass for the benchmarking technique. However, with all these activities and the changes they bring about in the organisation, the drive could easily fall into chaos if not managed and directed properly.

The most important management activity in this phase is to draw together all the threads and pointing all the islands of benchmarking activities in one direction. This includes setting up all the support structures that will secure the long-term continuity of the benchmarking drive.

The more decentralised the organisation, the greater the need for clear management and co-ordination. As this Youth phase progresses, the following are typical characteristics of the benchmarking drive at this stage:

- Lack of priority.
- Confusing demands on resources.

- Growing conflict between the desire for instant success and longer-term improvements.
- Differing levels of awareness of and commitment to benchmarking.
- Differing degrees of reaction to the technique, ranging from resistance and rejection to acceptance and commitment.
- Number of different groups and interests involved.
- Conflict between the team's personal and benchmarking objectives.
- Varying levels of training needs.
- Confusion over findings and their implication for operations or strategy.
- Uncertainty about the degree of internal support, recognition, and reward for activities.
- Uncertainty about the level of external acceptance.

It is quite obvious from these typical characteristics that there is a need for co-ordination and support. A proven way of providing continuous backup and support for any new drive is to establish a centre of excellence (COE). This centre will include the internal facilitator and/or mentor and could be a team of people or even one individual. The COE should keep up to date with all the internal activities, any formal events (such as conferences and seminars), and gather and distribute all information available on the subject of benchmarking. Moreover it should also be linked to external networks of other centres of excellence (i.e. Bensa) with the purpose of providing the internal benchmarking teams with the most up to date advice and information. It should also communicate to the external environment as a means of information sharing.

Another important task of the COE is to record all relevant information on the benchmarking studies the organisation embarks upon. The feedback from

these studies should be utilised to update the reference guide and training material.

In the Youth phase the emphasis is on co-ordinating the efforts and establishing the necessary support structures to standardise and further enhance the benchmarking activities that are taking place. It is necessary to communicate wider into the organisation and therefore a standard way of purveying the information is needed. The on-hand availability of experts or an open channel to these experts can help to focus the efforts of people in the organisation embarking on a first benchmarking study.

6.3.3 Phase 3: Middle age

Benchmarking, especially internal benchmarking, is now part of the organisation's activities. In this phase the focus moves increasingly toward concentration on external benchmarking and the following characteristics tend to predominate:

- Growing concern for the impact of findings on strategic planning.
- Corporate “self-consciousness” arising from opening up to the outside world and letting others look in.
- Greater need for clarity of mission and purpose.
- Unwavering senior level commitment and support.
- Increasing emphasis on establishing a common purpose and corporate cohesiveness.

In this phase the focus should be on making proper use of the information and findings that become available, which could have a significant impact on the organisation. Emphasis on the following can help in this regard:

Integration with strategic change: At this stage it is vital that benchmarking is fully absorbed into the strategic planning process of the company. While it may be feasible to sustain numerous internal

benchmarking activities, constraints on resources and the need to keep operations running make it unreasonable to focus on many external studies. By now, there is sufficient knowledge and expertise in the organisation to be able to concentrate on a few key critical success factors and aim for significant improvement over the long term.

Maintain currency of information: Unfortunately, it is often the case that information in journals or at conferences or seminars, is delivered with the benefit of hindsight. Thus, the views given are retrospective. As time elapses, the problems, barriers, enthusiasms, and lessons learned all diminish in people's minds. It is important to be aware of this and to find companies to network with who are in the same stage of development. If the information is gathered only from the experts, it can be difficult to assimilate and can even have a demoralising effect on the company. Thus when benchmarking about a specific subject, it is important to understand the phase of development the partners are in with regard to the subject and to learn most from the partners in the same stage or just finishing the same stage. This will ensure that the information is relevant and current and not based on things that have happened a couple of years ago.

Greater integration with personal objectives: As depicted in Figure 6-3, the operational level of the organisation is not yet fully on board with the benchmarking drive. The process of incorporating benchmarking goals into personal goals should now be cascaded through the organisation to the lower levels.

With the benchmarking drive incorporated into the company's strategic planning process and with everybody on board and aligned, the organisation will inevitably reach some level of excellence with regard to benchmarking. Internal benchmarking will flourish and focussed external benchmarking will

have the ability to fundamentally change the direction and bottom-line of the organisation.

6.3.4 Phase 4: Maturity

According to Codling³⁴, not many companies have been benchmarking long enough to reach this phase. However, it is necessary to understand the dynamics and characteristics of this phase in order to manage benchmarking properly when the company's benchmarking drive reaches this phase. The predominant characteristics are:

- The need to sustain motivation and energy for the approach, while maintaining the humility to recognise that improvement is still possible and desirable.
- Developing the flexibility to provide positive assistance to other organisations with the least possible interruption or disruption to the business.

In order to manage these characteristics, the following should be features of the management of benchmarking in this phase:

Rejuvenate roles: In all probability strategic studies will continue over an extended period. Rotating the roles of team members and facilitators can help reduce the risk of people becoming desensitised to the approach or even bored by it. With certain key positions, such as team leaders, it may be preferable to rotate with another team, rather than members of the same team.

Keep it straight and simple and have fun: Just because an initiative could have serious implications for the organisation, it does not mean that all activities must be conducted with strict and straight-faced dedication. Benchmarking will have far greater effect if the team members actually enjoy what they are doing.

Grow inside-out: Good companies recognise that they can improve continuously. Once a company is known as having world best practices, this becomes increasingly difficult as employees deem their processes to be the best and therefore need not be improved upon. Regular meetings or events with suppliers, customers or even the competition and other recognised proponents of best practices can present useful sharing and learning opportunities from which a new focussed improvement drive can be developed.

Best practice should not become a burden: In the maturity stage, it is easier for a company to be recognised as “best” in a process, because of the fact that this process has probably been tested against a plethora of other companies over the years. A lot of benchmarking requests can thus be expected as everyone wants to be measured against the best. The company should be careful that this does not become a burden and that the benchmarking partners are carefully selected to ensure optimal use of time.

Although very few companies are at the maturity level, it is important to note that in this phase, the focus should be on maintaining the momentum without placing a burden on resources. There is always room for improvement and benchmarking should be utilised to its fullest extent to search for those best practices that will improve the company even more.

6.4 **Conclusion**

In starting a company on the road to benchmarking, the first phase is to establish benchmarking as a capability within the organisation. This entails the definition of what it is the benchmarking drive is supposed to achieve, a set of expectations from management, making everyone in the organisation aware of these expectations and goals, and providing the necessary expertise and guidelines for the development of such a program.

With this established, the necessary support structure should be set up. A champion who drives the initiative is needed. Experienced gained by teams

doing benchmarking studies should be re-utilised in future studies. The results of successful studies need to be communicated and the teams recognised and rewarded for their efforts.

With all of this, the organisation goes through four stages of maturity in benchmarking and for each stage there are specific factors that need to be managed carefully in order to ensure the sustainability of the benchmarking drive.

7 Applying benchmarking in a South African corporation

"Obstacles are those frightful things you see when you take your eyes off your goal."

-- Henry Ford

"There is no security on this earth; there is only opportunity."

-- Douglas MacArthur

"Those who dare to fail miserably can achieve greatly."

-- Robert F. Kennedy

In the previous chapters the background and theory of benchmarking have been discussed. This theory needs to be put into practice before all the intricacies and complications can be understood. This chapter describes what happened at Iscor Ltd., a South African company, and suggests a process to re-launch the benchmarking effort in the company.

7.1 **Background on the company**

(Adapted from the official Iscor website³⁵)

Iscor Limited is a major resources company on the African continent with a portfolio of valuable global assets, stretching from South Africa to the Democratic Republic of the Congo, Australia and India. The company has a depth of managerial and technical competencies carefully nurtured since its inception in 1928, a reputation for unshakeable reliability and a sharply defined business focus which has forged the organisation into a modern, highly competitive supplier of commodities to the international markets.

This has been achieved through ongoing alignment with international best practices and the strategic development of the businesses it manages: Flat Steel Products, Long Steel Products, Iron Ore, Coal, Base Metals and Heavy

Minerals, ensuring the company's continued international competitiveness and participation in global markets.

The company's strategy is predicated on an intensive seven year re-engineering and restructuring program – now in its final phase – with an end result that will release unprecedented shareholder value. The re-engineering process encompassed a full review of company structures, operations, processes and management, and the alignment of the organisation with industry standards. The initial phase of the restructuring, completed during 1996, included the elimination of non-productive operating processes and operations, the renewal and modernisation of all remaining production facilities and the rightsizing of personnel structures, which eventually reduced staffing from 56 000 to the current 25 700. This was followed by extensive re-engineering, including benchmarking operations against world best practice, the rationalisation of saleable products and the re-design of production processes. As a result, operations were clearly defined into strategic business units and corporate management was restructured.

The final phase is now being concluded addresses implementing continuous improvement as a corporate philosophy, motivating and developing the current workforce to achieve performance objectives, and unlocking the commercial value of the individual business units.

The company's employees are buoyed by the near completion of its extensive re-engineering and rightsizing programme – the benefits of which are already flowing through to the bottom line. As a result the employees are committed to driving and implementing continuous cost efficiency and productivity improvements to keep the company amongst the world's lowest cost producers of its commodities. With ongoing identification of new business opportunities relating to its core businesses both in Africa and globally, possibly strategic alliances, mergers, acquisitions or separate listings all form part of the company's future strategies for growth.

7.2 *Benchmarking in Iscor*

Most big American companies, like Xerox Corporation, have been involved in formal benchmarking since the early 1980's and benchmarking has become a way of life for most of these companies. A study by the American Quality Foundation and Ernst & Young found that 93% of US companies have practised benchmarking, including 31% that regularly practised benchmarking.³⁶

In South Africa, the formal drive towards benchmarking started in 1995 when the National Productivity Institute (NPI) promoted and initiated the founding of a benchmarking clearinghouse for South African companies. Iscor is a founder member of this clearinghouse – currently known as Benchmarking South Africa (Bensa) – and the company has been actively involved in formal benchmarking for the past five years. Although a couple of very fruitful studies have been completed, the effort has been reduced to either outside consultants doing the study when it is deemed strategically very important or the Iscor centres doing their own, mostly by gut-feel, benchmarking exercises. An effort is needed to restructure the benchmarking drive to enable the company to enjoy the full, cost-effective benefits of doing benchmarking.

7.2.1 **The effort thus far**

In 1995 a team of Iscor employees investigated the nature and scope of information that was previously and continuously bought by Iscor as needs arose. This coincided with the initiation by the National Productivity Institute (NPI) of a benchmarking clearinghouse for South African companies. It was found that the clearinghouse will enhance the information already available and that this initiative should be supported by Iscor³⁷. The question was therefore posed to the investigation team to investigate how the membership of and the information being made available by such a benchmarking clearinghouse should be used best. In late 1995, Iscor Mining Consulting Services, an internal consulting department in the Mining Division of Iscor

Limited, was asked to develop a strategy for benchmarking in Iscor and to launch benchmarking as an improvement tool throughout the company.

As benchmarking was deemed to be a tool that is typically used in an Industrial Engineering environment, the task fell upon the Industrial Engineering department at Iscor Mining Consulting Services. A commendable job was done in researching all about benchmarking and the management thereof and translating it into terms and processes known to Iscor Mining. A plan was set up in order to properly establish and syndicate benchmarking throughout the organisation and this plan was syndicated with all the necessary stakeholders³⁸. The plan included the following:

- To introduce the concept of benchmarking to all levels of management;
- Establish a Benchmarking Centre with the following tasks:
 - Introduce and promote benchmarking throughout the organisation;
 - Develop and promote benchmarking procedures;
 - Train and lead benchmarking teams;
 - Track all benchmarking exercises and results;
 - Ensure proper implementation of benchmarking results;
 - Establish and maintain an information database;
 - Supply information to the relevant benchmarking teams;
 - Liaise with the benchmarking clearinghouse;
 - Publish a benchmarking newsletter.
- Compile a benchmarking manual
- Train champions

- Decentralise benchmarking and appoint champions on all the Iscor centres
- Conduct a pilot benchmarking project and document the learnings.

The plan was perceived to be sound and the execution thereof excellent. Road shows were held, training seminars attended and the first couple of studies were done.

In 1998 the two employees responsible for the benchmarking effort were transferred to other departments and their involvement with benchmarking tapered off to an advisory role as and when needed. The excitement around benchmarking projects and their results also faded. Iscor Mining Consulting Services was by this time functioning as a full internal consulting department that charged an hourly rate for services (including benchmarking) rendered. As any benchmarking exercise is a time-consuming process, it became too expensive in the eyes of the clients and almost all benchmarking exercises were stopped. Where a major process or function needed to be compared to that of the industry, outside consultants were used. The role of the benchmarking custodian also faded into a role of just keeping abreast of the newest developments in benchmarking (mostly by attending Bensa meetings) and distributing this information to the appropriate persons (this role was played by the author).

In mid-1999, the role of benchmarking custodian was passed on to the newly founded Corporate Strategy and Continuous Improvement department, specifically to the Performance Management section. This was deemed appropriate, as it was this section's responsibility to set intelligent (benchmarked) targets for the strategic business units (SBU) in Iscor.

Although benchmarking is used with success in this new role, the vision of all business units in Iscor applying benchmarking to establish a competitive edge, is not realised.

7.2.2 The current benchmarking environment

In paragraph 6.3 the concept of different phases of development in benchmarking as described by Sylvia Codling was discussed. It is important to understand in which phase the company finds itself in order to place the emphasis on the right topics when re-launching the drive.

In discussions with all the people involved with the benchmarking drive in Iscor an opinion was formed on where Iscor finds itself today. Different centres and the different levels of the organisation are most definitely in different phases of maturity. A summary of the typical characteristics of the current Iscor benchmarking effort, shown under each of the phases is shown in Table 7-1.

From the table, it can be derived that Iscor finds itself somewhere between Puberty and Youth with some characteristic leaning towards Middle age. As a general guideline Iscor will be deemed to be in the Youth phase and a re-launching effort will focus on managing the typical characteristics of this phase.

Phase	Characteristics
Puberty	<ul style="list-style-type: none"> ➤ A belief that, despite all evidence to the contrary, a quick fix will still be possible. ➤ Fear that it may involve considerable effort and resources but not provide the right solution in the end. ➤ Concern about the strategic consequences of a benchmarking exercise.
Youth	<ul style="list-style-type: none"> ➤ Lack of priority. ➤ Confusing demands on resources. ➤ Growing conflict between the desire for instant success and longer-term improvements. ➤ Differing levels of awareness of and commitment to benchmarking. ➤ Differing degrees of reaction to the technique, ranging from resistance and rejection to acceptance and commitment. ➤ Varying levels of training needs.
Middle age	<ul style="list-style-type: none"> ➤ Growing concern for the impact of findings on strategic planning. ➤ Greater need for clarity of mission and purpose.
Maturity	<ul style="list-style-type: none"> ➤ None

Table 7-1: Characteristics of the current Iscor benchmarking environment

As stated in paragraph 6.3.2, it is quite obvious from these typical characteristics that there is a need for co-ordination and support. A summary of the areas of emphasis that should resolve many of the uncertainties and lead to a more co-ordinated and effective benchmarking drive is the following:

- **Leadership:** Preferably by a senior member of management with the necessary insight into the “bigger picture” to ensure that the initiatives fit into the organisation's overall strategy and program.
- **Line management commitment:** It is now time for middle and line management to show their support for the drive. This is not necessarily by being actively involved in the benchmarking studies, but rather a commitment to the reason for and the outcomes of the studies.

- **Training:** Benchmarking training should be re-launched, with emphasis on the steps that are required to analyse data and convert it into useful findings.
- **Centre of excellence (COE):** The COE should serve as the custodian, facilitator and coordinator of the benchmarking drive. As custodian, it should keep up to date with new trends and methodologies used in benchmarking and gather and distribute all information available on the subject of benchmarking. The COE should also keep up to date with all the internal benchmarking activities in order to coordinate the studies and to ensure that the learnings from each study are distributed throughout the company. When individual business units need guidance on conducting a study, the COE should facilitate the study.
- **Guidelines and protocol:** Background on benchmarking and the process to be followed when conducting a benchmarking study should be recorded in a simple, consistent, and easy to update user-friendly guide. This should be complemented by guidelines and reference guides for each activity in the general benchmarking process.

7.3 *Re-launching benchmarking*

In order for Iscor to realise all the intended value from its re-engineering exercise (as stated in paragraph 7.1) and to fulfil its vision of becoming a world-leader, the benchmarking efforts needs to be re-launched. In re-launching benchmarking, the focus will be on ensuring that the benchmarking strategy supports that of the company and that all the necessary support structures are in place to ensure the continuous use of benchmarking as a tool for improvement.

True to the nature of benchmarking, it is not the intent to re-invent the wheel, but rather improve on the design or use of what has already been established. Therefore, the new drive towards benchmarking will make full use of the excellent work already done in Iscor³⁹ and adapt this to the changing needs of the company. In the following sections, the new benchmarking drive will be described.

7.3.1 Benchmarking strategy

In order for benchmarking to be a useful tool that is continuously used throughout Iscor, a defined strategy that sets the direction for the benchmarking drive is needed.

Benchmarking goal: To improve the bottom line results of the company by continuously searching for and implementing world best practices in a cost-effective manner.

Benchmarking strategy: To continuously improve work processes by

- Focusing benchmarking projects on critical performance areas to find and implement the best practices; and
- Identifying, compiling and revising benchmarks to be used as standards from which improvement targets are derived.

Direction setting statement:

- Strategic benchmarking is used in the development of the company's vision and strategy, including the evaluation of new business opportunities;
- Process benchmarking is continuously used to improve processes;
- Performance benchmarking is used to establish specific goals and performance measurements throughout the company;
- Performance benchmarking is used in the appraisal of the performance of the operating units and its employees;
- Performance benchmarking is used in the motivation of capital projects by indicating in a substantiated manner what improvements can be achieved;
- Benchmarking is incorporated into the planning process to ensure its continuity and its institutionalisation in the organisation.

- Benchmarking is part of business process management to ensure that processes are based on best practices.
- Benchmarking is used to provide objective, external comparisons and fact-based decisions.

7.3.2 Implementing benchmarking in Iscor

To ensure successful implementation of benchmarking in Iscor, it will be done according to a plan adapted from the 1996 plan in order to answer to new challenges. This plan provides for the communication and support of benchmarking while a decentralised set of experts will manage benchmarking on a centre level.

7.3.2.1 Introducing benchmarking to management

Although the concept of benchmarking is not new in Iscor, it is necessary to ensure that everybody in Iscor has a common and full understanding of the concept of benchmarking. This can be achieved by the following:

- Make use of the already-established introductory seminars held by Bensa to introduce top management to the concept, its uses and the way in which other companies use the concept and what value is achieved from that;
- Internal presentations on benchmarking and the strategy to management teams, on Strategic Business Unit (SBU) and Business Unit (BU) level;
- Compiling a written manual on benchmarking and a practice guideline that is available to interested persons – an electronic version on the Iscor Intranet should also be made available and be promoted;

7.3.2.2 Re-establishing a benchmarking centre

A centre for benchmarking will be re-established to implement, co-ordinate and maintain benchmarking in Iscor. The functions of the Benchmarking Centre will be the following:

- Introduce and promote benchmarking throughout the company;
- Be the custodian of benchmarking in Iscor – keeping abreast of all the new developments in benchmarking and constantly transferring new knowledge to the rest of the company;
- Set up policies regarding the use of benchmarking;
- Establish a benchmarking network within the company and nurture this by scheduling regular communication session between the members of the network;
- Represent Iscor on the South African and international benchmarking networks and develop a close relationship with all possible benchmarking partners;
- Train and lead benchmarking teams;
- Track all benchmarking exercises and results and communicate this to the rest of the company;
- Ensure proper implementation of benchmarking results and ensure that new procedures are syndicated throughout the company – extract full value from all benchmarking exercises;
- Establish and maintain an information database with ready access by any Iscor employee;
- Publish a benchmarking newsletter containing all current studies, results achieved, new developments and invitations for joining in current or new benchmarking exercises.

As the above is quite a daunting, time-consuming task, it will be necessary to establish the Benchmarking Centre with full time employees focusing solely on the benchmarking effort. The Manager, Performance Management and his team will form the core of the Benchmarking Centre and they will be responsible for the functional leadership and support for benchmarking. The

Iscor Information Services department (Library) will supply full time support by gathering information and maintaining a database of all benchmarking studies. This concept is illustrated in Figure 7-1. The total benchmarking drive will call for one person from the Performance Management team being the champion and actively driving benchmarking on a full time basis.



Figure 7-1: Iscor Benchmarking Centre

7.3.2.3 Benchmarking manual

This manual will be used as reference before and during a benchmark study as well as training material. The manual will be drawn up and maintained by the Benchmarking Centre and includes:

- Introduction to benchmarking;
- Benchmarking management procedure;
- Code of conduct; and
- Benchmarking process

An outline of the relevant topics and sub-topics in the manual is given in Appendix 7-A.

7.3.2.4 Decentralising benchmarking

There are typically two types of studies that will be done in the Iscor environment: studies that have an impact on the whole of Iscor and studies that are specific to a centre.

Studies that impact on the whole of Iscor will be done by a multidisciplinary team convened by the Benchmarking Centre. The team will comprise of specialist in either the functional field under investigation or the specific SBU on which the study has the most impact. The project leader for the study will also depend on the specific field under investigation and the sensitivity of the study. The sponsor of such a study would typically be a member of the Executive Committee (Exco). Typical studies of this nature include the following:

- Strategic studies:
 - Environmental analysis
 - Core competencies and processes
 - Strategic alliances
 - Governance issues
- Portfolio management:
 - Trends in the industry
 - Performance in a specific industry
- General studies:
 - The role and size of Corporate Staff Departments (CSD)
 - Studies on applied technology in the mining or steel industry

When a study has a bearing on a specific process at a centre the team will differ in its constitution. Studies of this kind will be lead by a member of the

specific centre under the guidance of the Benchmarking Centre. This is necessary for three reasons: The personnel on the specific centre know their processes and specific conditions best; it is necessary to gain the insight and buy-in from all personnel at the centre; and the knowledge of conducting a benchmarking study needs to be transferred to the centre. Typical studies of this nature include:

- Processes for washing coking coal to specified levels
- Diesel consumption of iron ore trucks in an open-cast mine
- Moisture content of zinc concentrates as feed into zinc roasters

All studies will need a benchmarking champion in order to ensure that the process is followed correctly and that proper implementation takes place. Preferably each centre will have its own benchmarking champion. In the case of a new or small centre, the benchmarking champion can be seconded from the Benchmarking Centre (or from another centre that has a strong champion) for the duration of the study. The functions of the benchmarking champion of each centre would be to:

- Promote the use of benchmarking;
- Implement benchmarking on the mine;
- Provide information on benchmarking; and
- Organise training

In summary, benchmarking projects will be conducted by a variety of personnel, depending on the type and impact of the study. A matrix stating the typical level of impact of different types of studies (refer to paragraph 2.3) is given in Table 7-2.

	Generic	Functional	Competitive	Internal
Exco / Company	X	X	X	
SBU / CSD	X	X	X	X
Business Unit		X	X	X
Specific process / operation		X		X

Table 7-2: Level of impact of different types of benchmarking studies

7.3.2.5 Ensuring continuity in benchmarking

In paragraph 6.1.2.1 the need to have benchmarking incorporated into existing continuous management activities was discussed. There are three continuous management activities in Iscor in which benchmarking can be incorporated and where it can play an important role:

- Strategic planning;
- Annual planning and budgeting; and
- Quarterly performance review.

These three processes forms a continuous cycle with the quarterly review serving as an input to the next strategic planning cycle. The intent with this cycle is to have a continuous strategic outlook that gives direction to the company.

Benchmarking plays a crucial role in all three of these processes and it will be explained using the strategic planning process as an example.

Iscor’s strategy framework

Iscor’s strategy framework consists of four elements:

- Corporate Strategy, compiled by the office of the Chief Executive (OCE);
- Business Strategy, compile by the strategic business units (SBU);
- Operating Strategy, compiled by the business units (BU); and
- Functional Strategy, compiled by the corporate staff departments (CSD).

These elements are shown in Figure 7-2.



Figure 7-2: Elements of Iscor’s strategy

Linking benchmarking into the strategic planning process

Each of the elements of the Iscor strategy is managed by a process that consists of five steps, namely Analysis, Design, Plan, Approve and Implement. Although benchmarking can play a role in any of these steps, it is in the analysis phase where it is most valuable. Table 7-3 summarises the activities in the analysis phase of each of the strategy elements. The activities where benchmarking is used extensively are *highlighted*.

Element	Key activities		
	Internal	External	Industry
Corporate	<ul style="list-style-type: none"> - Performance analysis - Portfolio analysis - Synergy analysis - Potential analysis 	<ul style="list-style-type: none"> - Macro environmental trends 	<ul style="list-style-type: none"> - Commodity industry fundamentals - Industry comparisons - Stakeholder analysis
Business	<ul style="list-style-type: none"> - Performance analysis - Value driver analysis - Financial analysis 	<ul style="list-style-type: none"> - Reality testing 	<ul style="list-style-type: none"> - Competitive analysis - World best practice
Operational	<ul style="list-style-type: none"> - Performance analysis - Value driver analysis - Financial modelling - Operational modelling 	<ul style="list-style-type: none"> - Reality testing 	<ul style="list-style-type: none"> - Performance benchmarking - Synergy analysis - Competitive analysis
Functional	<ul style="list-style-type: none"> - Cost analysis - Analysis of value added 	<ul style="list-style-type: none"> - Structure analysis - Full time equivalent (FTE) benchmarking 	<ul style="list-style-type: none"> - Outsourcing potential - FTE benchmarking

Table 7-3: Activities in the analysis phase of each strategy element

From the analysis in Table 7-3 it is clear that benchmarking has a pivotal role to play in devising the strategy for the company. Linking benchmarking with the continuous strategic planning cycle in this way, will ensure that benchmarking is established as a permanent activity in Iscor.

Deriving strategic benchmarking studies from the company strategy

Integrating benchmarking with the strategic planning cycle not only ensures that benchmarking will be a continuous, important activity in the company, but also gives the opportunity to establish direction for strategic

benchmarking studies. Watson⁹ argues that most companies have limited resources to devote to benchmarking studies. Prudent management should ensure that benchmarking teams are focussed on the few key business processes.

In designing each element of the Iscor strategy, the following question can be raised: “What are the most critical processes that we need to improve upon in order to achieve our targets and aspirations?” All the SBU's and the Exco then have a forum on which to give their input on this question. Agreement can be reached and a directive given to the benchmarking champion to start a study or studies on specific business processes. These will normally be very high-level studies that will most probably be performed by the Benchmarking Centre.

In the same manner, the management team on a specific business unit can decide, as part of their planning and review cycle, which processes on the centre are key to the business and on which they should improve. The benchmarking champion at the centre then has clear direction on where to focus the energy of the benchmarking drive.

7.4 *Supporting and sustaining the benchmarking drive*

7.4.1 Results and recognition

In order to ensure that benchmarking remains a continuous activity and is fully supported by everyone in the company, it is necessary to constantly communicate the value that this effort is adding to the company. The measures that can be taken in order to achieve this, are the following:

- Clearly communicating progress and findings of strategic studies at the quarterly performance review sessions;
- Publishing the results of successful studies in in-house publications and on the intranet; and

- Publishing and promoting information about benchmarking and projects by other companies.

Going hand in hand with the publication of results, is the reward and/or recognition that are due to the team working on the specific benchmarking studies. This will ensure that the enthusiasm is sustained and that new studies are initiated. The top benchmarking project could also typically be rewarded at the annual Chairman Awards dinner. This will show that these projects have a high profile and priority in the company.

7.4.2 Self-assessment

The concept of assessing an organisation according to a business excellence model, like the Malcolm Baldrige National Quality Award in the United States, is not new. In South Africa, the South African Excellence Foundation (SAEF) has developed a Model for Business Excellence for the South African environment – shown in Figure 7-3. The model gives organisations the opportunity to assess itself on a regular basis, benchmark the results with other similar organisations and identify specific areas for improvement.

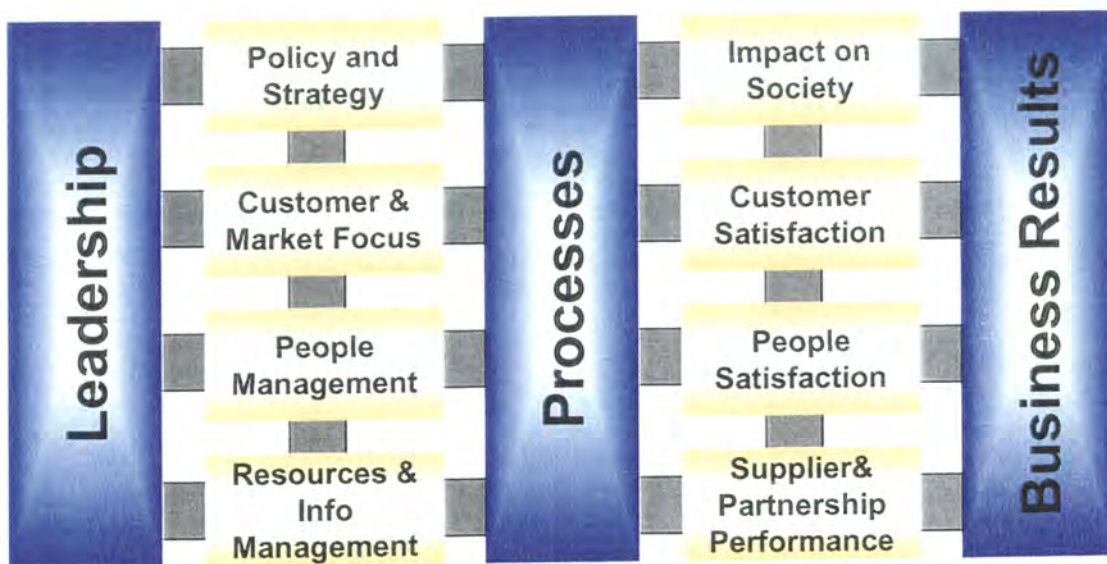


Figure 7-3: SAEF Model for Business Excellence ©⁴⁰

According to Weldon Bond⁴¹, self-assessment is a comprehensive, systematic and regular review of an organisation's activities and results referenced against a model of business excellence. The self-assessment

process thus allows an organisation to clearly identify its strengths and areas in which improvements can be made. Following this process of evaluation, planned improvement actions are introduced and then monitored for progress. In this manner the organisation benchmarks itself against its historic performance in a systematic manner. By repeating this process regularly and tracking the improvement, the organisation strives for best practices in every area of the Business Excellence model.

A further evolution on this assessment process is that organisation in South Africa that have been practising self-assessment may apply for the annual SAEF Excellence Award. By applying for the award, the company can reap the following benefits:

- The application process provides an unbiased external assessment of an organisation's position against the SAEF model;
- It sharpens the focus of its self-assessment procedure and places a priority on the assessment; and
- Applicants receive a comprehensive feedback report from the assessment team, covering the following areas:
 - General assessment of the organisation;
 - Scoring profile for the different criteria; and
 - Comparisons with the other applicants' average scores.

This means that the self-assessment effort is expanded from benchmarking performance against one's own results to actually doing external benchmarking by comparing to other companies in South Africa.

To summarise, the self-assessment process offers an organisation an opportunity to learn about:

- The organisation's strengths and areas for improvement;

- What “business excellence” means to the organisation;
- The progress on the long journey to business excellence;
- How far it still has to go; and
- How it compares with other businesses.

7.5 **Conclusion**

Iscor Limited is on a drive towards becoming world-class, with the focus, amongst other, on continuously improving business processes. The benchmarking effort, started in 1995, has lost its momentum and needs to be re-launched in order to support the strategic drive.

The benchmarking environment is currently in the Youth phase and emphasis is needed on co-ordination and support. The benchmarking strategy is linked to the company strategy and supports the company goals and aspirations. This benchmarking strategy and the concept of benchmarking for improvement need to be communicated to all stakeholders and progress and results need to be shared regularly with these stakeholders.

A Benchmarking Centre will be re-established with the object of implementing, co-ordinating and maintain benchmarking in Iscor. This centre will be situated in the Performance Management section of the Corporate Strategy and Continuous Improvement department, with the information support being supplied by Iscor Information Services. The Benchmarking Centre will also be responsible for developing and maintaining all policies and guidelines, including a benchmarking manual, and to serve as a mentor function to the individual Iscor centres. The centres, in turn, will have their own benchmarking champion to co-ordinate the studies at the centre and to liaise with the Iscor benchmarking champion at the Benchmarking Centre.

In order for the benchmarking drive to be a continuous activity, benchmarking will form an integral part of the strategic planning process, including the

quarterly performance review and the annual budgeting cycle. Strategic benchmarking studies will also be derived from this strategy framework.

Two activities will support the effort of sustaining the benchmarking drive – giving the proper recognition to the teams on the completion of successful studies and having the company perform a self-assessment exercise on a regular basis.

Appendix 7-A: Benchmarking manual outline

This manual is to be used by all benchmarking teams in Iscor. The manual consists of the information outlined below.

1 INTRODUCTION TO BENCHMARKING

- What is Benchmarking?
- What is a Benchmark?
- The start of Benchmarking
- What Benchmarking can accomplish.
- What is the right process level to benchmark?
- When to Benchmark?
- Which work process to Benchmark?
- What can trigger Benchmarking to be used?
- Types of Benchmarking.
- When not to use Benchmarking?
- Some guiding principles in Benchmarking.
- Where to find superior work practices?
- Some misconceptions about Benchmarking.

2 BENCHMARKING MANAGEMENT PROCEDURE

The benchmarking management procedure is divided into the following sections:

- Different role players and stakeholders
- The role and responsibility of each stakeholder
- The role of a Benchmarking centre

3 CODE OF CONDUCT

The Benchmarking Code of Conduct as used and honoured by all benchmarking participants – an example of which is given in Appendix 5-A.

4 THE BENCHMARKING PROCESS

- The generic benchmarking process as outlined below.
- Specific issues in each type of benchmarking:
 - Internal benchmarking in your own centre.
 - Benchmarking between different Iscor centres.
 - External benchmarking.

4.1 Decide what to benchmark

- Review organisation chart.
- Create a high-level process map.
- Select ONE process to benchmark.
- Determine project charter.
- Flow-chart the sub-process.
- Analyse workflow.
- Identify the process elements.
- Identify critical measures.
- Adjust the focus.
- Prepare and present a project description.

4.2 Identify whom to benchmark

- Create a preliminary list of names of potential partners.
- Expand or narrow the list of names.
- Develop additional names.
- Conduct mail and telephone surveys.
- Select final list of potential partners.

4.3 Collect data

- Develop site visit questions.
- Plan your benchmark visits.
- Prepare for the site visit.
- Conduct benchmark site visit.
- Debrief the site visit and prepare summary report.

4.4 Analyse performance gaps

- Determine the current performance gap.
- Analyse the current performance gap.

4.5 Project future performance gaps

- Project future performance levels.
- Project industry trends.
- Determine how to achieve performance edge.

4.6 Communicate findings

- Assemble all information into a report.
- Present findings.
- Gain agreement.
- Gain commitment.

4.7 Revise performance goals

- Convert findings into operational statements.
- Describe what you are committed to improving.

4.8 Develop action plans

- Create specific action steps.
- Create measurements.
- Plan assignments and timetables.

4.9 Implement and monitor

- Implement the plan.
- Monitor progress.
- Report on goals achieved and failures.

4.10 Recycle the process

- Stay current with ongoing industry changes by continuously benchmarking and updating work practices.

5 DOCUMENT TEMPLATES

- Analysis of workflow.
- Project description and proposal.
- Study database form.
- Initial contact checklist.
- Partner agreement contract including code of conduct and confidentiality agreements.
- Benchmarking questionnaire.
- Site visit checklist.
- Site visit program.
- Site visit report.
- Benchmarking study report and implementation plan.
- Action plan with specific targets.
- Tracking sheets.
- Reporting sheets.

6 LIST OF REFERENCE MATERIAL

- Network contact details.
- Books, articles and electronic media.
- International benchmarking organisations
- Symposiums

8 Conclusion

"Live as if you were to die tomorrow. Learn as if you were to live forever."

-- Mahatma Gandhi

"My job is to disturb the system. I give people new ways to think. It's more a matter of offering people different perspectives and influencing their thinking than trying to drive them."

-- Chris Turner

"We stand today on the edge of a new frontier."

-- John F. Kennedy

Benchmarking is a tool to facilitate continuous improvement in any environment. The reason for doing benchmarking studies is to learn how to improve business process and increase competitiveness. With the rate of change in business today, it is no longer good enough to be an industry leader; the focus is on improving rapidly all the time. Benchmarking provides the platform for major improvements and it is such a powerful renewal concept that it should be part of each and every manager's suite of competencies. The worrying fact is that it is not.

In investigating the reasons for benchmarking not being as successful as would have been expected, it is important to note that there is a distinct difference between the process of doing a benchmarking study or exercise and managing benchmarking.

In doing a benchmarking study, one uses a process referred to as the user process. This is a multi-step process or recipe that companies have customised to suit their particular environment and their corporate language. This process is normally followed correctly and delivers the expected results.

Managing benchmarking, on the other hand, entails everything else that has to be done in order to ensure that benchmarking is effectively pursued. South African corporations normally struggle to have sustainable benchmarking efforts that continuously deliver the expected results.

Benchmarking is often regarded as just another buzzword that is sufficiently recognised if a person or team is designated to investigate the concept and make a presentation to management. In other instances, managers tend to be interested in the figures and not in the processes by which these figures were achieved. It seems as if benchmarking is not managed properly.

There are before, during and after activities that enhance the user process and, in fact, ensure its success. It is vitally important to implement all these activities in order to sustain the momentum and ensure that benchmarking does not stop with just the one study that is completed.

A list of these activities include:

- Develop a strategy
- Define expectations
- Sensitise the organisation
- Empower experts
- Develop guidelines
- Establish a network
- Elect a benchmarking champion
- Re-utilise a skilled benchmarking team
- Utilise third party experts effectively
- Communicate successes

- Recognise everybody's effort

When embarking on a new benchmarking drive or when revitalising a previously started benchmarking effort in the organisation, it is very important to understand in which of the four phases of maturity towards benchmarking the organisation finds itself. For each stage there are specific factors that need to be managed in order to ensure the sustainability of the benchmarking drive.

Big South African Corporations, like Iscor Ltd., currently find themselves in the Youth phase where emphasis is needed on co-ordination and support. The benchmarking strategy should be linked to the company strategy and this benchmarking strategy and the concept of benchmarking for improvement needs to be communicated to all stakeholders. Likewise, progress and results need to be shared regularly with these stakeholders.

A Benchmarking Centre should be established with the object of implementing, co-ordinating and maintain benchmarking throughout the organisation. The Benchmarking Centre will also be responsible for developing and maintaining all policies and guidelines, including a benchmarking manual, and to serve as a mentor function to the rest of the organisation.

In order for the benchmarking drive to be a continuous activity, benchmarking should form an integral part of the strategic planning process, and strategic benchmarking studies should be derived from the company strategy. Two activities should support the effort of sustaining the benchmarking drive – giving the proper recognition to the teams upon completion of successful studies and having the company perform a self-assessment exercise on a regular basis.

South African companies who follow these guidelines will not only have a sustainable benchmarking drive throughout the company, but will gain substantial bottom line benefits from conducting a well-managed benchmarking program.

REFERENCES

- ¹ "Benchmarking – Past, Present and Future", The Benchmarking Exchange, www.benchmark.com, 1998.
- ² Van Schalkwyk, P – The value of a benchmarking clearinghouse for South African industry, 1995.
- ³ Camp, Robert C. – Benchmarking – The Search for Industry Best Practices that Lead to Superior Performance. Quality Press / American Society for Quality Control, 1989.
- ⁴ Pryor, Lawrence, S. and Katz, Steven, J., – "How benchmarking goes wrong (and how to do it right)", Planning Review, Volume 21, Part 4, 1993.
- ⁵ Bogan, Christopher, E. and English, Michael, J. – Benchmarking for best practices: winning through innovative adaptation, McGraw-Hill Inc., 1994.
- ⁶ Spendolini, Michael J. – The Benchmarking Book, AMACOM, 1992.
- ⁷ Pettersen, P.G. – Benchmarking for implementing a new product strategy, Paper delivered at the workshop "Benchmarking – Theory and Practice", Trondheim, Norway, June 1994.
- ⁸ Bendell, T., Boulter, L. & Goodstadt, P. – Benchmarking for competitive advantage, Second edition, Pitman Publishing, 1998.
- ⁹ Watson, G. – Strategic benchmarking, John Wiley & Sons Inc., 1993.
- ¹⁰ Reich, Robert B., – The Work of Nations, Knopf: New York, 1991.
- ¹¹ Tsu, Sun, – The Art of War, Delacorte Press, 1983.
- ¹² Huges, Ernest C. – Total Quality: an executive's guide for the 1990s, Richard D. Irwin, Inc., 1990.
- ¹³ Martin, James, – The Great Transition: using the seven disciplines of enterprise engineering to align people, technology and strategy, AMACOM, 1995.
- ¹⁴ "Technological innovation: Managing the dynamics of technological change". Short course presented by the Institute for Technological Innovation, University of Pretoria, 1998.
- ¹⁵ "Jack Welch's Lessons for Success", Fortune, January 25, 1993, pp. 86 – 93.
- ¹⁶ Geber, Beverly – "Benchmarking: Measuring yourself against the best", Training, November 1990.
- ¹⁷ Johansson et al – Business Process Re-engineering, John Wiley & Sons, 1993.
- ¹⁸ American Quality and Productivity Centre – The Benchmarking Managing Guide, Productivity Press, 1993.

- 19 Camp, Robert C. – Business Process Benchmarking: finding and implementing best practices, ASQC Quality Press, 1995.
- 20 Camp, Robert C. – “A Bible for Benchmarking, by Xerox”, Financial Executive, July/August 1993.
- 21 Bemowski, Karen – “The Benchmarking Bandwagon”, Quality Progress, January 1991.
- 22 “Benchmarking Management Survey”, The Benchmarking Exchange, www.benchnet.com, August 1999.
- 23 Bhote, Keki – “Critical Success Factors in Benchmarking”, Organisational Excellence, February 1999.
- 24 Kobayashi, Iwao – “20 keys to workplace improvement”, Pporf Development Institute©, Tokyo, Japan, March 1996.
- 25 Forbes, A.D.D. – “The use of internal benchmarking to improve the performance of continuous miners on underground mines in Ingwe Coal Corporation”, A paper presented at the IPS VIII International Productivity Symposium, Pretoria, October 1998.
- 26 Hiebeler, Robert J., “Knowledge management”, The Benchmark, November 1996, pp. 15 – 19.
- 27 Chew, W. Bruce, Leonard-Barton, D., Bohn, Roger E., “Beating Murphy’s Law”, Sloan Management Review, Volume 32, Number 3, 1991.
- 28 Bogan, Christopher E. and Hart, Christopher W.L. – The Baldrige: What it is, how it’s won, how to use it to improve quality in your company, McGraw-Hill Inc., 1992.
- 29 “European Benchmarking Code of Conduct”, The Benchmark, November 1996, pp. 35 – 36.
- 30 Tsu, Sun, – The Art of War, Delacorte Press, 1983.
- 31 Kroon, J. (ed.) – General Management, 2nd edition, HAUM, 1994.
- 32 Glasscock, S. & Gram, K., “Winning ways: establishing an effective workplace recognition system”, National Productivity Review, Summer 1995. Pp. 91 – 102.
- 33 Möller, D., “Use PET for PEP”, A paper presented at the IPS VIII International Productivity Symposium, Pretoria, October 1998.
- 34 Codling, S. – Best Practice Benchmarking, Gulf Publishing Company, 1996.
- 35 www.iscor.com, 2001.
- 36 De Villiers, C., “Benchmarking: a tool for effective change management”, Accounting SA, January 1996.
- 37 Van Vuuren, W.J. et al – “Stigterslidmaatskap: Suid-Afrikaanse Normeringsklaringshuis”, An internal Iscor memorandum, Ref. No. NKH 3, 28 August 1995.

- ³⁸ Venter, P.E. – “Iscor Mining: Benchmarking Strategy”, An internal Iscor memorandum, Ref. No. 96-PEV.12, 12 February 1996.
- ³⁹ Kritzinger, M. and Scallan, M. – Benchmarking at Iscor Mining (Unpublished), Benchmarking Centre, Iscor Mining Consulting Services, 1996.
- ⁴⁰ www.saef.co.za, SAQI, Copyright © 1997
- ⁴¹ Bond, W., “Self-assessment as a method for continuous performance improvement using the South African Model for Business Excellence”, A paper presented at the IPS VIII International Productivity Symposium, Pretoria, October 1998.