

Benchmarking: Achieving the Best in Class

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ABSTRACT

Oftentimes, people find the process of organizational benchmarking an onerous task, or, because they do not fully understand the nature of the process, end up with results that are less than stellar. This paper presents the challenges of benchmarking and reasons why benchmarking can benefit an organization in today's economy.

INTRODUCTION

This paper will explore three areas with regard to benchmarking: (1) what is involved in the benchmarking tool, including a formal definition of the process; (2) definitions for the various types of benchmarking (internal, competitive, and best-in-class) and (3) a discussion of how "formal" the study must be to be considered benchmarking.

WHAT IS BENCHMARKING?

In 1989, Robert Camp introduced a new tool called benchmarking into the Total Quality Management world; it was quickly adopted by industrial organizations and also became a part of the Malcolm Baldrige National Quality Award (MBNQA). (In the 1996 criteria, Competitive Comparisons and Benchmarking is worth 15 of the 75 points in Section 2.) Many organizations have used the tool to improve performance and, in some instances, to help win the MBNQA; these organizations include Xerox, L.L. Bean, IBM, Boeing, and Johnson & Johnson. However, Xerox has emerged as the leader in the benchmarking process. Therefore, as defined by Xerox:

Benchmarking is the continuous search for the best practices that lead to superior performance. It is a systematic way to measure performance capabilities of competitors or recognized leaders and then develop plans to meet or exceed these levels (Steeple, 1993, 268).

In layman's terms, it is the process of continuously measuring an organization's processes and methodologies against those of other organizations, with the challenge of improving its own performance. This includes identification and possible adoption of "best practices"—both within and outside the organization's industry. This leads to benefits such as increased customer satisfaction, enhanced business performance, strengthened goal-setting, quality improvements,

streamlining the business, and a stronger organizational culture. It provides an organization with a measurement system that fosters improvement.

Those of us in the quality profession recognize that our quality initiatives should spur the organization to a higher level of performance. We must set our sights on goals that stretch beyond the typical achievement and always strive for continuous improvement. Benchmarking can lead to dramatic gains (by helping an organization move beyond the traditional incremental improvements) and stimulate innovative thinking. In our present era of re-engineering, the emphasis must shift away from just cost reductions and move toward evaluating organizational processes; this involves identifying and enhancing those processes that work and eliminating those that do not.

Peter Senge says that "learning organizations" (such as Xerox) are doing **more** than just copying practices used by others (Senge 1990, 11). Merely learning from the best practices does not necessarily institute learning as an event inside the organization. There must also be stimulation for those within the organization who are unable to see that there might be a different, better way of doing business. The first step in this process is accepting that change is needed and that benchmarking might possibly be a tool to assist an organization in achieving that goal. But, there is more to it than just the tool—it must go beyond information exchange to include effective change management. It goes deeply into the organization and the employees and helps create the motivation for change that then delivers the dramatic improvement the organization is seeking. It must drive the organization toward improvement because the current processes are not good enough!

Constant change is now regarded in the marketplace as a stimulation for the continuous improvement necessary for our organizations and, indeed, our economy, to endure and succeed in the coming century. Benchmarking can introduce a healthy uncertainty into the organization about the wisdom of sticking with the status quo, and can help the organization set the stretch goals that will lead it into the next century.

THREE TYPES OF BENCHMARKING

Internal Benchmarking—Many times this is used as the first step in the external benchmarking exercise. Internal benchmarking can provide a clear picture of the organization's problems, which then leads to proper identification of practices or processes to benchmark externally. It can be especially useful in organizations with two or more locations performing the same type of function.

McNair and Leibfried define internal benchmarking as "The comparison of similar operations or functions across a company, or with associated companies, in order to identify the level of service that is best practice within this common setting" (McNair and Leibfried 1992, 54).

Another way to view internal benchmarking is in terms of "baselines." In other words, establishing an internal benchmark means defining a process clearly and understanding the

performance parameters of the process. It is crucial that an organization do internal benchmarks prior to doing benchmarks with other organizations. Failure to do this results in wasted time during the benchmarking process. Also, there is no normalized, common measure when comparing processes with the benchmarking partner. Failure to benchmark internal processes is one of the most common problems associated with benchmarking activities.

Competitive or Industry Benchmarking—This method prioritizes aspects of the business that are underperforming the competition. It looks for trends or patterns in the way specific resources are deployed for that specific industry. Competitive benchmarking looks outward to see how competitors are doing and compares itself to what it finds. It can help rank the areas for improvement as customer expectations are analyzed and current performance is measured against them.

Best-in-Class Benchmarking—This is the type of benchmarking most commonly referred to in the many articles and books written about benchmarking. It is focused outside the organization's specific industry and usually is only concerned with one function or role. Best-in-class benchmarking is always looking for new, innovative practices to model.

HOW FORMAL MUST THE PROCESS BE?

While there are many models for benchmarking with a multitude of process steps, I will briefly review the four phases that Camp and McNair and Leibfried recommend (Camp 1989, McNair and Leibfried 1992). The experts in this field also state that the benchmarking study should meet a defined set of criteria and comparability (against the best-in-class). Validation by the benchmarking team is critical to the success of the study. Objectivity is important also, in that the instrument design, analysis, and implementation and measures chosen must be done with rigor. When this is not done, the benchmark will fail.

Phase 1—This consists of an internal assessment of existing practice/process and sets a baseline for the benchmarking study. The identification of the organization's critical success factors is the first step in this phase. The benchmarking team should focus on identifying and understanding the drivers of the various processes—or what causes work to occur in the organization—which leads to understanding of the current process or practice. Above all, the team must be given the authority to implement the changes that its benchmarking study determines to be necessary.

Some questions to ask in Phase 1 are:

- Where are our performance gaps and what contributes to them?
- How good do we want to be?
- What do we need to do to surpass our best years to date?

Phase 2—Once a definition of the project is verbalized, baseline measurements are identified, and resources are distinguished, the team moves on to the instrument it will actually use. This is not only the data-gathering step, but also where the team identifies the outside organizations it

will study. A logical starting point is with those organizations receiving industry or quality awards such as the MBNQA. Also, professional associations or The International Benchmarking Clearinghouse at The American Productivity & Quality Center in Houston can provide assistance.

Questions to ask in Phase 2 are:

- What will the organizational team study?
- What does the survey tool look like?
- How well are we doing compared to others?
- Who is the "best" at a particular practice or process?
- How do they do it?
- How can we adapt what they are doing to our organization?

Phase 3—A detailed analysis is done in this step. The benchmarking team must now scrutinize the information collected and determine where the performance gaps exist (i.e., What does our organization do right or wrong?). This is where the real learning begins (Senge 1990). The team now must determine the differences between the baseline and the factors contributing to the benchmarked organization's excellence. And, in perhaps the most difficult step of the entire benchmarking exercise, the team must accept the realization that real change is needed and must begin here.

Phase 4—By this step in the process, the team has identified its own organization's success factors, analyzed the differences between internal processes or practices and those of best-in-class, and, ideally, spread the word throughout the organization that things need to be done differently. At this point, it is vital to implement methods of change that are capable of being measured objectively and that will spur continuous improvement and stretching the organization to be its best. Of course, monitoring the progress, communicating, recalibrating, and starting the benchmarking process once again occur within this step.

POSSIBLE PITFALLS

Many times, an organization's representatives will try to begin the benchmarking process before they are ready. Their belief is that once they have targeted the organizations they wish to benchmark, they merely set an appointment and visit the organization, asking for guidance about how to proceed. They talk about whatever their host wishes to discuss, or they only do a comparative analysis. While this is certainly a component of benchmarking, comparison alone will not drive change or focus on processes.

Another pitfall is when the organization's representatives are poorly prepared and are not able to ask the proper questions that will allow them to transfer the knowledge back to their organization. They may identify a few ideas that they come back and implement, but no measurements of success or improvement mechanisms are put into place. This is not to mention that the hosting organization's staff is generally willing to commit time to the endeavor with the

goal of learning more about the visitor's processes—and with the possibility of adopting some ideas themselves! If the visitors are ill-prepared, the host staff will quickly recognize that, and the benchmarking effort will be a waste of both organizations' resources.

The organization's benchmarking team must be able to identify internal strengths and weaknesses, and recognize the processes that need special attention. If the parameters are too broad, the team will lose sight of the process that is critical to competition or the performance metrics that drive that particular process.

The team will need to communicate regularly with management and staff regarding its findings and progress. The importance of management's commitment to implementing the necessary changes cannot be overstated. Once benchmarking is underway and the organization's resources have been spent on the process, management support for the team's recommended changes is clearly the best practice.

CONCLUSION

The role of benchmarking in the quality process is to help organizations learn from a path that has worked for others and gain insight into ideas for combining existing resources. It has the potential to move an organization at a pace unmatched by any other quality tool. However, this is a process that, once started, is without end. It is a continuous journey to be the best.

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