BENCHMARKING FOR COMPETITIVE ADVANTAGE – STRIVING FOR WORLD CLASS PROJECT MANAGEMENT PRACTICES

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ABSTRACT

Benchmarking for competitive advantage is critical for all organisations striving towards the implementation of world class project management practices. In this paper, the following aspects will be discussed with a view of assisting organisations to continuously improve the performance of their project management practices by:

- Designing an effective benchmarking strategy
- Defining the objective of each benchmarking initiative right from the start to avoid the unnecessary use of resources and to ensure that organisational objectives are met
- Planning the benchmarking project
- Finding the right benchmarking partner to share best practices with
- Implementing the benchmarking project
- Structuring results in a user-friendly manner to ensure that maximum strategic benefit is achieved through benchmarking exercises

1 INTRODUCTION

No matter how good your organisation is, or how well regarded your products and/or services are, you cannot stop improving. You cannot stand still. When you do, you really are not standing still; you are slipping backward, because your competition is constantly improving.

One of the best ways to keep improving your organisation is to benchmark. Benchmarking is a systematic way to identify superior products, services, processes, and practices that can be adopted by or adapted to your organisation to reduce costs, decrease cycle times, increase reliability, cut inventories, and provide greater satisfaction to your customers. The purpose of the workshop is to provide you with specific information, suggestions, guidelines, and checklists to help you start, maintain, and wrap up a benchmarking project.

H. James Harrington started benchmarking the benchmarking process in the late 1960s, and this database has expanded rapidly. In recent times, process benchmarking has become the "in" thing to do. This workshop has been compiled using best practices in the benchmarking process, including award-winning benchmarking organisational approaches.

If this is your first benchmarking experience, prepare for some major surprises. In contrast to continuous improvement gains of 10 to 20 percent per year, benchmarking can result in improvements of up to 2000 percent in the same period! The average benchmarking process will reduce cost, cycle time, and error rates by 20 to 60 percent. If you do not believe this, ask Xerox, IBM and Ford Motor Company. They are all believers in, and users of, the benchmarking process.

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Research has shown a statistical correlation between organisations that benchmark and their performance (profit, productivity and quality). Benchmarking is one of the few management practices that can be statistically validated as being a key driver for improvement in the best organisations.

However, everyone agrees that benchmarking is hard work. But now you have a guide that should greatly simplify the total process. With this information as a tool, the benchmarking process will not run you; you will run it.

2 BACKGROUND TO BENCHMARKING

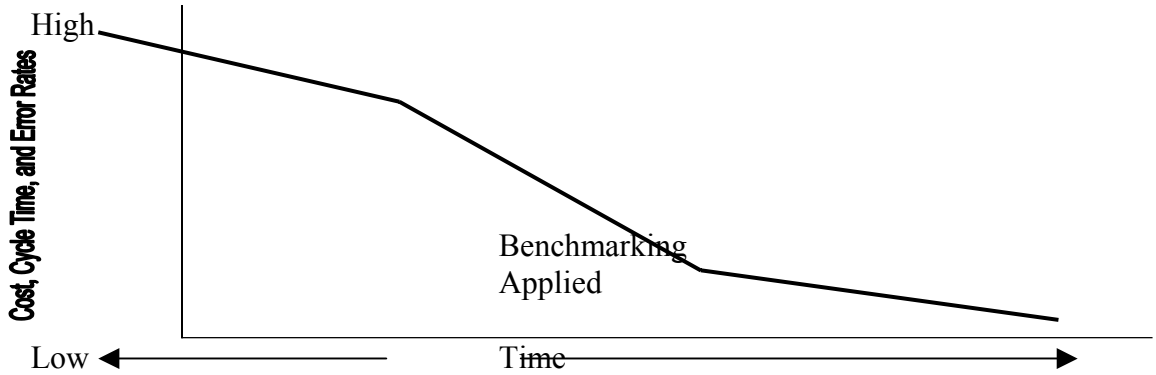
Simply meeting or beating the competition in today's competitive market will not result in the level of improvement necessary to remain competitive. Organisations must achieve quantum improvements in productivity, quality, reliability, and responsiveness to drive down costs and keep customers satisfied.

If one uses the analogy of a F1 Grand Prix you may argue that we are all in the race, but most organisations (teams) don't know, and many don't really care about, where they are positioned on the track. They look around and see a competitor in the car behind them and take comfort in believing they are in the lead, not realising the competitor is about to lap them! If the organisation's pit crew (employees) gets the word to the driver (management) that the organisation is behind, what action should the driver take? Should the organisation do one or more of the following?

- Standardise processes
- Re-engineer processes
- Retrench
- Redesign processes
- Develop new systems
- Set up service centres
- Buy new technology
- Downsize
- Centralise
- Train employees
- Decentralise
- Outsource
- Replace the CEO
- Change management
- Reorganise
- Automate
- Use more information technology
- Declare insolvency

The most common mistake organisations make is to do nothing. It is a mistake because it harms management's credibility and often impacts on future competitiveness. But most managers have been burned in the past by some of the improvement activities that they have accepted on a blind leap of faith. As a result, these managers are reluctant to implement any unknown, untried concept designed to improve the organisation's performance. This is where benchmarking steps in, with a proven concept that defines how the organisation can close the gap between its performance and the performance of its very best competitors.

There is always more "speed to be found in the engine". To find it, what you need to do is to look outside your own location at other, similar processes and/or products within your own organisation, and at outside organisations as well. Your purpose is to understand what they are doing, and to use this combined experience and knowledge to help improve your process even further. This act of systematically defining the best systems, processes, procedures, and practices is called benchmarking. The benchmarking process can improve an item's (product, process, procedure, practice or equipment) performance by as much as 60 percent in less than a year.



Being the very best in any area is a difficult and lonely road to travel. Once you reach your goal, you can only go down from there. When you are the best, you are envied, undermined, frequently criticised, and expected to outperform the competition no matter what the circumstances. Why then, do so many people, teams, and organisations want to be recognised as the very best? The reasons are simple. Excellence brings customer, satisfaction, recognition, higher rewards, respect, power, and money.

However, there are some steps you need to take to become the very best:

1. Know yourself, your strengths, and your weaknesses/limitations.
2. Recognise and understand what the leading organisations do in the area in which you hope to become the best.
3. Use the best processes available.
4. Build on these processes to create even better ones.
5. Never stop improving.

The benchmarking process helps you to know your organisation, understand its competition, define the best processes, and integrate them into your business activities. Most organisations are faced with the realisation that they need to improve indicators (measurements) such as return on assets, market share, customer satisfaction, and net profits. Although these are important measurements that should drive the business, they are resultant measurements and do not reflect the true cause of the problem. Most managers react to negative trends in these major indicators by implementing corrective action to re-stabilise the organisation's pattern, putting it back on track.

Seldom are the organisation's targets challenged to be sure they are correct. If the organisation was growing at a rate of 5% a year and stops, management directs its efforts at re-establishing a 5% growth rate, when perhaps the correct figure is a 15% growth rate. Budgets are based on last year's budgets, plus a little extra for inflation and/or a little less for improved productivity. Maybe the budget should be 50% of what it is right now. Managers try to improve their product development cycle and pat themselves on the back if it drops from 18 months to 14 months, when it really should go down to 6 months. The problem is usually threefold:

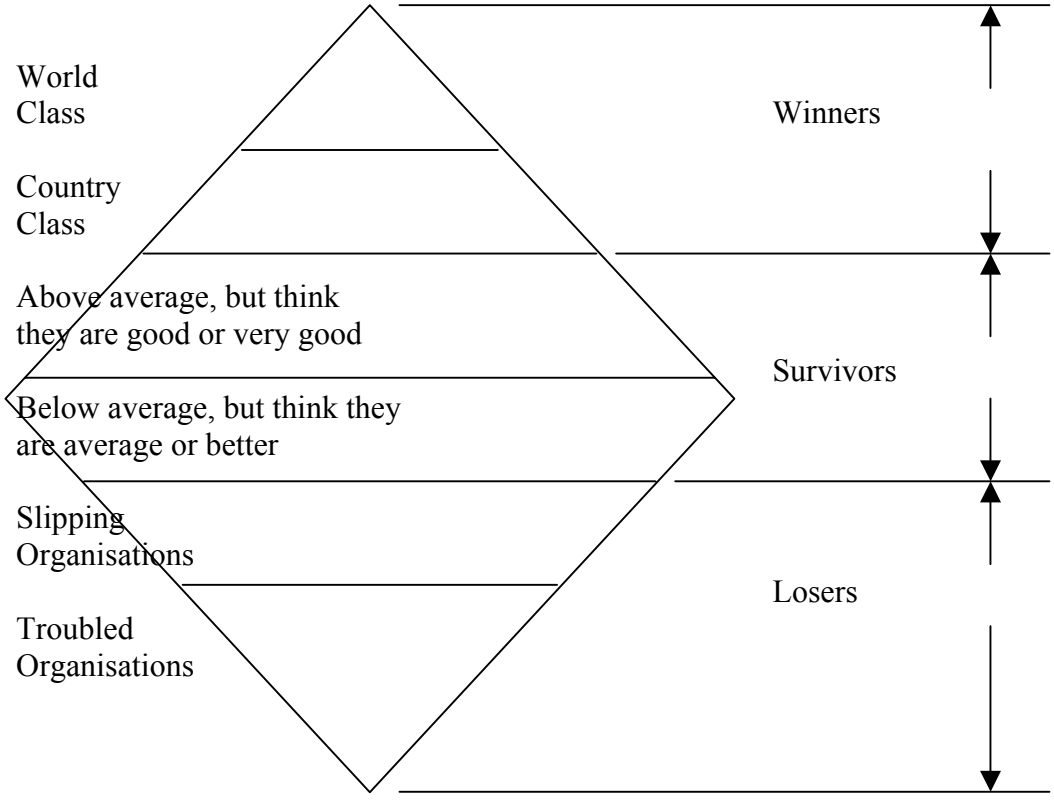
1. Management does not know how well the different parts of the organisation should be performing.
2. Management does not think a major improvement in the organisation can be accomplished.
3. Management does not know how to bring about a major improvement in the organisation.

The answer to this dilemma is benchmarking. Benchmarking is a powerful tool that provides the organisation with measurements of how well products, equipment, people, services, and processes can perform. It allows the organisation to realise that it needs to break out of the old mode, and that major improvements not only can be made but must be made if the organisation is to survive.

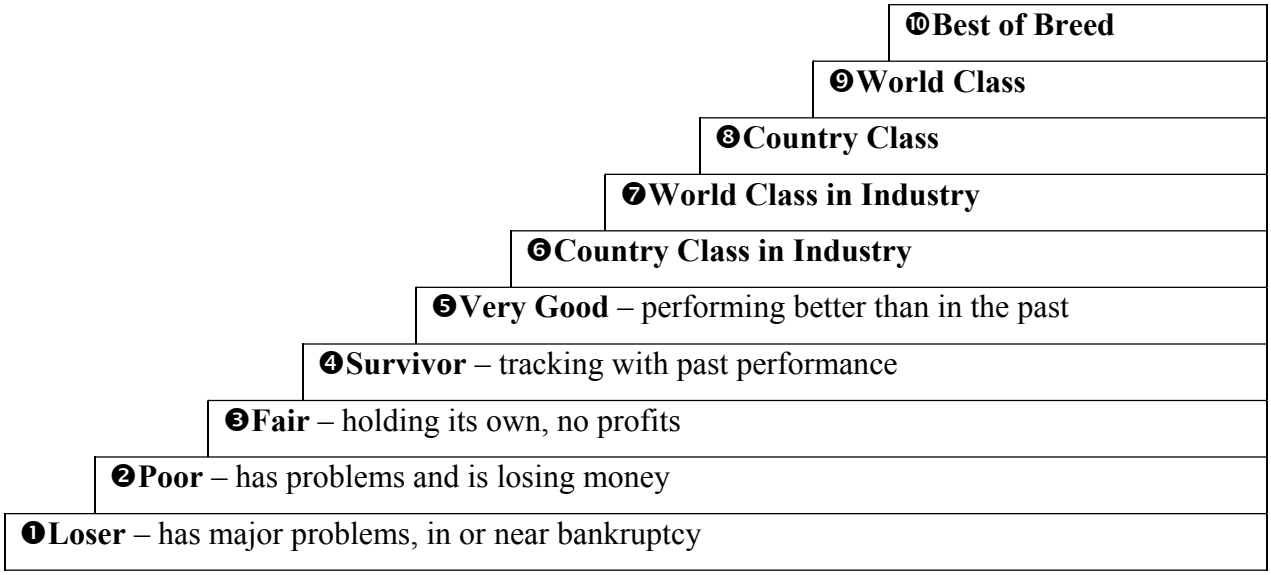
Benchmarking also gives the organisation a clear understanding of how other organisations are able to perform at superior levels. It provides managers not only with aggressive, realistic goals but also with the confidence that they can achieve these goals because they know that other organisations are doing so. Is it any wonder then that benchmarking has become one of the world's most powerful improvement tools?

3 FOR WHICH ORGANISATIONS DOES BENCHMARKING WORK?

Benchmarking work well for organisations classified as winners and survivors, but not for those classified as losers. The following diagram illustrates the distribution of organisations according to their performance. Organisations classified as losers should be very careful to use benchmarking. In fact, best practices benchmarking van be detrimental to loser organisations, because the need to pay attention to the basics and today's problems rather than focussing on being country class or world class.



The following figure shows the steps to becoming the "best of the best". There can only be one "best of the best" for every benchmark item. Most organisations can consider themselves a success if they reach step 6 or 7. A few of the very best organisations will reach step 8 or 9, and that one very special organisation will reach step 10. The benchmarking process is all about assisting organisations to move up this "stairway to success".



4 WHAT IS BENCHMARKING?

Benchmarking is the process of identifying, understanding and adapting outstanding practices from within the same organisation or from other businesses to help improve performance (Cook, 1995:13).

This involves a process of comparing practices and procedures to those of the best to identify ways in which an organisation can make improvements. Thus new standards and goals can be set which, in turn, will help better satisfy the customer's requirements for quality, cost, product and service. In this way, organisations can add value to their customers and distinguish themselves from their competitors.

Benchmarking is a continuous process of comparison, projection and implementation. It involves –

- Comparing the organisation and its parts with the best organisations, regardless of the industry or country.
- Comparing business processes with the best similar processes in any or all industries to define best value.
- Comparing production processes with the best similar processes in any of all industries to define best value.
- Comparing the organisation's products and services with those of the best competitors.
- Comparing different types of equipment to select the best-value equipment for the specific application.
- Implementing defined best practices.
- Projecting future trends in best practices and proactively reacting to these trends.
- Meeting and exceeding customer expectations.

Benchmarking will help you do the following in your organisation:

- It will help the organisation learn from the experiences of others. No organisation has the time or the resources to make all the mistakes itself.
- It will show the organisation how it is performing in comparison to the best.
- It will identify the organisation's weaknesses and strengths.
- It will help the organisation prioritise its improvement activities.
- It will provide the organisation with proven corrective action plans.

Benchmarking is the most powerful technique for gaining and maintaining competitive advantage. Why? Because it drives best practice oriented continuous improvement through the organisation. The perpetual goal is to achieve measurably better performance than the competitors and ensure best value to the organisation at the same time.

Whatever it is that you decide you want or need to improve, you -

- Analyse the position you are currently in
- Find someone who is performing measurably better, and
- Learn from them what they are doing to achieve that performance
- You then adapt your practices and processes as a result of that learning and so implement relevant changes which will effect superior performance in your organisation.

4.1 Types of Benchmarking

There are five types of benchmarking processes. They are:

- Internal benchmarking
- External competitive benchmarking
- Compatible benchmarking
- Trans-industry benchmarking
- Combined internal and external benchmarking

The following table shows the benchmarking partners' relative co-operation, the applicability of the data collected, and the degree of breakthrough the organisation will get using the different types of benchmarking. There is no "best" benchmarking type. Each of the different types has its own advantages and disadvantages that need to be considered.

Type of benchmarking	**Co-operation**	**Relevance of information**	**Degree of breakthrough**
Internal	High	High	Low
External competitive	Low	High	Medium
Compatible	Medium	Medium	High
Trans-industry	Medium	Low	High
Combined internal and external	Medium	Medium	Very high

4.1.1 Internal benchmarking

Internal benchmarking is the starting point and should always be considered before any organisation looks to the outside. If an organisation is just starting its benchmarking program, internal benchmarking is an excellent way to develop the benchmarking process and train people in how to use it. This approach is very effective in organisations that have many small business units and/or relatively autonomous sites that are engaged in similar activities.

Internal benchmarking involves looking within the organisation to determine if other locations are performing similar activities, and then defining the best practices observed. This type of benchmarking is the easiest to conduct because there are no security and/or confidentiality problems to overcome. In almost all cases, internal benchmarking should be undertaken first, since it is inexpensive to conduct and provides detailed data. Even better, the organisation can frequently borrow experienced personnel from other locations to help implement the future-state solutions.

4.1.2 External competitive benchmarking

External competitive benchmarking is an effective approach in industries that are very competitive, industries whose competitors have very different management philosophies and histories, and industries that are driven by emerging technologies and processes. The reverse engineering and competitive shopping approaches that are part of this type of benchmarking are very important to organisations whose output is hard or soft goods. Organisations using external competitive methods need to be experienced in benchmarking.

Competitive benchmarking, which includes reverse engineering and competitive shopping, requires that the organisation perform a detailed analysis of a competitor's products, services, and processes. The most common approach is to purchase competitive products and services, then analyse them to identify competitive advantages.

4.1.3 Compatible benchmarking

Compatible benchmarking compares the benchmark item with items produced by the world's best organisations in a general industry category (for example, banking, insurance, health care and electronics). In this case, the benchmarking partner's item does not compete directly for the same customers. This type of benchmarking is used when organisations feel they have something to gain by comparing their benchmark item with compatible items in other organisations that are engaged in the same industry but are not direct competitors. Organisations using compatible (external industrial) benchmarking should already be familiar with the benchmarking process.

4.1.4 Trans-industry benchmarking

Trans-industry (external generic) benchmarking extends the benchmarking process outside the specific organisation and its industry, to involve dissimilar industries. Many business processes are generic in application and extend across industry, for example warehousing, supplier relations, service part logistics, advertising, customer relations and hiring. Applying the benchmarking process to these generic items can provide meaningful insights, particularly when the information comes from unrelated industries. Benchmarking dissimilar industries enables you to discover innovative processes, not currently used in your particular product types, that will allow your process to become the best of the breed.

4.1.5 Combined internal and external benchmarking

The most frequently used approach is the combination of internal and external (competitive, compatible or trans-industry) benchmarking. This combination usually produces the best results. The following table shows a comparison of the different benchmarking types.

Type of benchmarking	**Cycle time for future-state solution (FSS)**	**Benchmarking partners**	**Results**
Internal	3-4 months	Within the organisation	Major improvements
External competitive	6-12 months	None	Better than the competition
Compatible	10-14 months	Same industry	Creative breakthrough
Trans-industry	12-24 months	All industries world wide	Changes the rules
Combined internal and external	12-24 months	All industries world wide	Best in class

5 WHY BENCHMARKING IS NECESSARY?

Benchmarking helps organisations focus on the external environment and improve process efficiency. The number, extent and pace of changes in the external environment mean that no person or business can afford to be complacent, the increasing sophistication of marketplaces and rise in competition means that an organisation's competitive advantage is constantly being eroded as barriers to entry decrease.

Benchmarking promotes a climate for change by allowing employees to gain an understanding of their performance – what they are achieving now and how they compare to others – in order that they become aware of what they could achieve.

The two primary reasons for using the benchmarking process are setting goals and identifying how the goals can be accomplished. There is nothing like seeing someone else achieve what was thought to be impossible to make believers out of the most sceptical of us.

Every person, process, and organisation needs to set goals that are challenging yet attainable. Without set goals, life becomes confusing and unrewarding. Whether it is in personal matters or business matters, we all want to improve. No one wants to be average. In today's fast-paced, quality-focused business world, being average is just as bad as being poor. Always remember that 50% of the people, organisations, and products are below average. Are you sure your organisation is not below average?

By setting low goals for ourselves, we enjoy a false sense of accomplishment. When we do not know how good we should be, improvement within our organisation is slow – because we so easily meet the low standards we set for ourselves. As a result, many individuals, processes, and organisations fail to mature to their full potential. Benchmarking is the antidote to this self-imposed mediocrity, because it provides a means for setting challenging goals and attaining these goals.

Even more crucial is the fact that the benchmarking process provides a way to discover and understand methods that can be applied to the organisation to bring about major improvements. The unique value of the benchmarking process is that it not only tells you how good you can be, it also tells you how to change the way you are doing business so that you can be that good.

You need to address both functions of the benchmarking process – comparative analysis (the what) and product/system knowledge (the how). What good is defining the gap between your organisation and your competitors or world-class organisations if you do not know how to improve your processes to narrow the gap? Knowing that you are inferior, but not being able to improve, just discourages everyone. A proper benchmarking process must be designed to provide both the "what" and the "how".

5.1 Providing the "What"

The importance of measurements cannot be over-stressed. Without the ability to measure, you cannot control your organisation. Obtaining quantitative data is absolutely essential in the pursuit of becoming, and then staying, world class.

There is no real debate over the importance of measurements. We know that in order to operate effectively, we must be able to measure. The question that needs to be decided is what should be measured in the benchmarking process. Benchmarking should measure things such as:

- How fast
- How good
- How much

- Where
- When
- How long
- Size, shape, form and fit

5.2 Providing the "How"

Another real advantage of the benchmarking process is that it provides insights into how other have become the best. This aspect focuses on discovering how world-class organisations developed their processes and products to ensure superior performance.

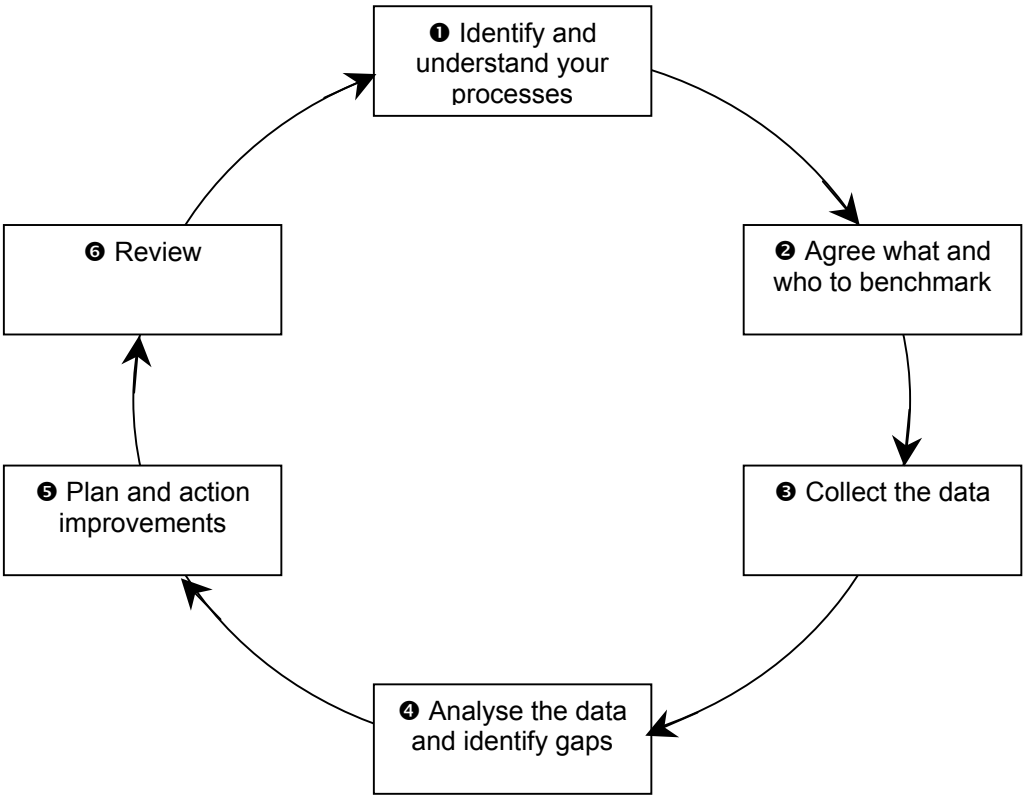
At this juncture, you must look at an organisation, a product, a process, or an activity, and seek out and analyse the reasons that make it the best of its kind. The specifics you might analyse are:

- The how-to's
- The knowledge
- The ways
- The processes
- The methods

You should then apply this knowledge to your benchmarking item, adapting and/or improving it to meet the unique requirements of the customers, employees, and products that make up your organisation's personality.

6 THE BENCHMARKING PROCESS

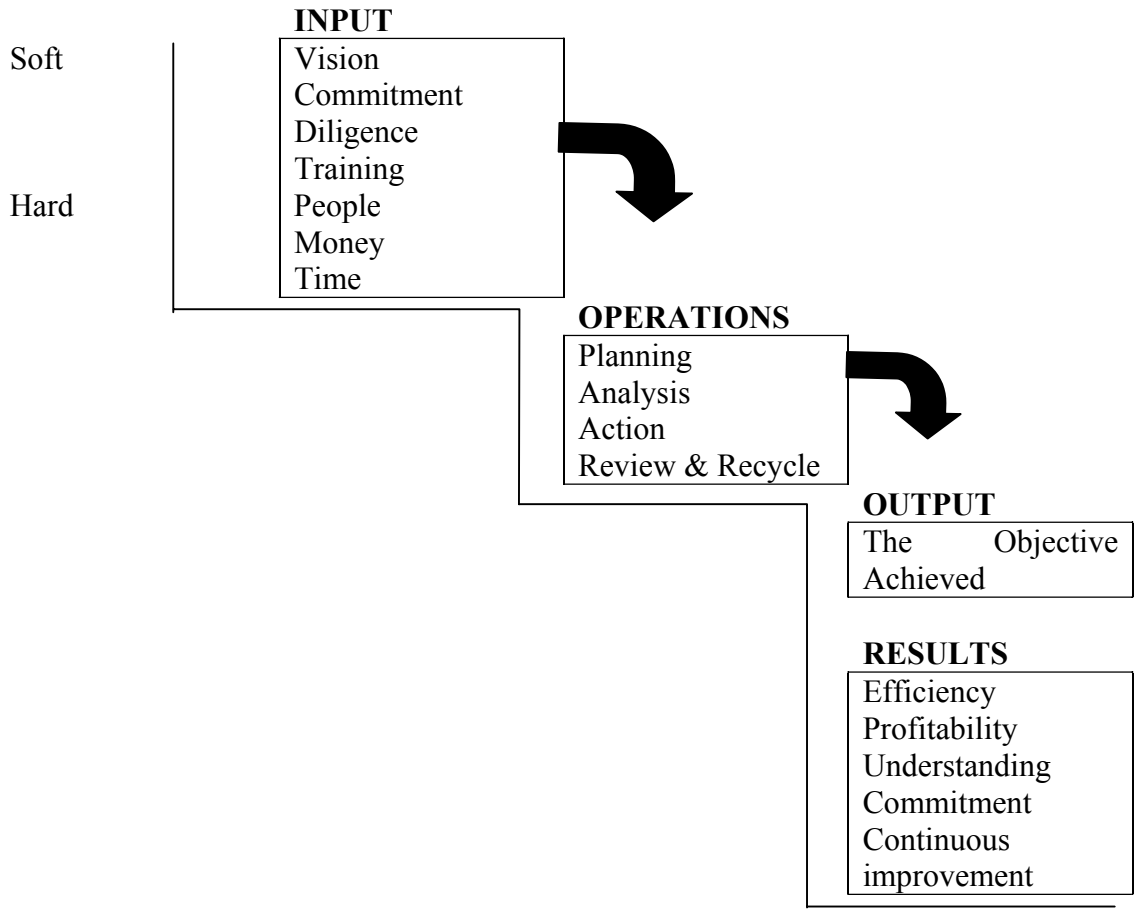
Benchmarking is an ongoing process which requires a systematic approach. There are six basic steps to effective benchmarking.



Benchmarking is a process. Its overriding characteristic is the discipline it requires and imposes. Rigorously following a logical sequence of steps enables managers to identify what is most important to the business, where improvement is most needed and in which areas; if there is more than one, it would have the most significant impact on performance.

The process encourages, but also demands, intimate understanding of the business before comparisons can be made, gaps identified, or actions implemented. The goal, which is always to achieve competitive superiority, can be realised only over the long term.

As with any process, there are inputs, several of which are 'soft' or intangible factors, and others that are 'hard' and quantifiable; as well as activities and outputs.



6.1 Preparing for benchmarking

There are five steps in the planning process in preparation for benchmarking:

- Establish a sponsor
- Agree objectives for the programme
- Establish a project team
- Allocate resources
- Train the team

6.2 Step 1: Identify and understand your processes

The preparing stage of benchmarking is the most critical. Until an organisation understands its business processes it is difficult to compare them with other parts of the organisation, or with external organisations.

- Identifying processes
- Plot your processes
- Chart the process

6.3 Step 2: What and who should be benchmarked?

There are three different benchmarking approaches:

- Strategic benchmarking: Under this approach, major portions of the organisation are benchmarked to identify weaknesses and strengths within a specific area or functional unit. For example, the financial function could benchmark its activities to define internal weaknesses. The strategic benchmarking process is usually followed by a series of very specific benchmarking activities, such as benchmarking the billing process.
- Organisational (or process) benchmarking: When the organisational approach is used, considerable research has already been done to be sure that the benchmarking projects will support the business plan and are directed at items that, if improved, will impact the organisation's competitive position. An example of this type of benchmarking is order-entry process benchmarking.
- Statistical benchmarking: Here benchmarking partners make direct comparisons between one measure of performance within a process and another. For example, the number of people employed to undertake a certain task, or the revenue per employee, or the number of days training per employee, etc. There is, however, a danger in employing this quantitative approach only.

6.3.1 Analytical Hierarchy Process

One way to select what to benchmark is to adopt the route which Xerox and other advocate – the Analytical Hierarchy Process (AHP). This method provides a structure for the team to select the process to benchmark. It requires the project team to rank decision alternatives against a common set of decision criteria. In this way emotive decisions can be avoided. The following are the five steps in this approach:

- Step 1: Develop a set of decision criteria to evaluate alternative processes.
- Step 2: Establish through consensus the weighted value of the decision criteria.
- Step 3: Rank the processes under consideration against each of the decision criteria.
- Step 4: Make a comparison of the scores for each process.
- Step 5: Select the most appropriate alternative.

6.3.2 Who to benchmark against?

To benchmark successfully, care must be taken in the choice of partners. These are other business units who are prepared to co-operate in the exchange of information and learning points and who may expect reciprocal sharing from your organisation too.

There are four routes which are generally taken to establishing benchmarking partners:

- Look inside the organisation
- Gather external data in other competitive businesses
- Gather external data in the same industry or similar areas
- Establish partnerships with organisations who are considered 'world best' or 'best in class', irrespective of their industry sector or location

The route to adopt to partnering depends on the process to be benchmarked and the type of organisation. There are advantages and disadvantages to each route. Results in terms of improvements in performance, however, are directly related to the degree of external perception that is given to a benchmarking project. Change can take two forms: incremental change over time, and step change which involves radical differences in work practices and procedures. Best practice benchmarking brings about the highest potential improvement leaps and as such acts as a catalyst in step change processes.

6.3.3 Selecting the best partner

Finding the best partner requires extensive research. The starting point is to ask your suppliers and customers who they consider to be the 'best in class'. Once you begin networking within an industry it is not surprising to find that all organisations have pockets of excellence. A key question therefore is to decide 'To whom is the process we wish to benchmark key for survival?'. A possible starting point for selecting partners is to hold a meeting with project team members and to brainstorm a list of potential partners. Where possible it is useful to hold a similar meeting with customers and suppliers. The Financial Times' Top 500 Companies list is also a useful source of information for selecting possible partners.

The project team also needs to consider possible selection criteria such as benchmarking partner location, language constraints and culture. The essence of the selection criteria is to identify partners – organisations which will co-operate in full agreement with the sponsor organisation in the exchange of information. In return the benchmarking sponsor must be willing to collaborate fully in the exchange of information with partners during a benchmarking exercise.

Once you have chosen your benchmarking partner, it is important to verify your choice through up to date background information so that you gain a better understanding of the culture and climate of the partner company.

6.4 Step 3: Collect the data

Data collection is a vital part of the benchmarking process. In particular, detailed planning is essential to ensure that attention is directed at the areas most likely to generate suitable information. The emphasis is on practicability, not academic research.

If objectives are correctly and accurately defined, there is less likelihood of diversions or wasted resource. The world is full of data. It is easy to become inundated with data; the skill lies in knowing what is needed and in collecting the right, i.e. useful, information.

Before assigning tasks, therefore, it is useful to consider the answers to the following, which will provide a working framework:

- What is the objective?
- What do we need to look for and why?
- How accurate must the data be?
- How much information do we need?
- How much time and resources can we allocate to data collection – people, budgets, and so on?

The task of identifying sources is a challenging one. Depending on the selection of potential partners, there will be numerous internal sources or trade associations, industry journals and analysts, surveys and company reports, and so on. The table below provides some of these typical internal and external sources. However, there may be fewer formal channels, including sources such as 'what people say'. Word of mouth recommendation can be invaluable, whether from friends or media broadcasts. No one person knows all the sources or all the answers. Gathering information is rather like piecing together a jigsaw puzzle; bits in isolation may seem meaningless, but the least significant piece may eventually prove to be the one that completes the picture.

6.4.1 Preparing a visit to a potential benchmark partner

The visit should be the conclusive port of call for information. Unlike competitive analyses, the essence is to comprehend *how* practices result in superior performance. To understand the combination of skills, attitudes, values, pride, and culture that motivate people to produce excellent results, it is necessary to experience them first hand. At least one visit must be made to 'get a feel' for how things are done there.

Benchmarking is still relatively new, and it should not be assumed that the partner company will understand the technique, the work involved, or potential benefits. Whether or not a relationship already exists, the initial contact should be carefully thought through. Some useful questions to consider include:

- Do we know this company?
- How do we know this company?
- With whom do we need to establish contact (title, level, etc.)?
- How can we clearly explain the purpose of the contact?
- Who is the best person in our organisation for this task?

Once this ground is been covered, and therefore an approach is made, some time should be given to planning a visit in outline. The more carefully this is thought through, the more convincingly it will communicate and strengthen any resulting association. Questions that need to be covered at this stage include:

- What is the objective?
- Why did we choose this partner?
- What is in it for them?
- What process do you wish to see?
- Where do you wish to visit?
- Who is/are the key person/s?
- When is it best to visit?
- How many people will need to be involved (your team and theirs)?
- How long is the envisaged visit (hours/days)?

When these questions has been addressed, contact can be made and the visit arranged. Depending on the degree of experience and awareness of benchmarking in the proposed partner company, it may be relevant to arrange an initial meeting to explain what is being undertaken and why. Although much of benchmarking is a combination of familiar tools from other performance improvement approaches, the philosophy that underpins it is counter-cultural to the behaviour of some traditional organisations. During the initial approach, therefore, the co-operative element should be stressed, including any mutual benefits that could result, a readiness to share information gathered, and the lessons to be learned.

There are no formal visiting rules, but a general code of conduct has been developed based on maintaining honest, courteous, and respectful manner in benchmarking dealings. If there is a guiding principle it is the golden rule:

6.5 Step 4: Analyse the data and identify the gaps

Data analysis is a critical step of the benchmarking process, because your must organise masses of numbers and statements into coherent, usable information to direct all your future activities. The success or failure of the benchmarking process depends on how well the reams of collected data are translated into usable information.

The measurement data provide you with indicators of where the best practices, procedures, and processes can be found. As you compare the data on benchmarking items against your item, you may find that you are the best, the same, or worse. If you are the best, congratulations! If your comparison is negative or the same, an opportunity exists to improve by studying another organisation's or location's item.

Once data has been collected the task of the project team is to interpret the information they have acquired and identify areas for improvement. This analysis takes two forms: review of the data, and preparation of gap analysis.

6.5.1 Review analysis of data

Two types of data collected and used in the benchmarking process include qualitative data (word descriptions) and quantitative data (numbers, ratios, and so on). There has been much debate over which to collect first, and how to use each type of data. In reality, your benchmarking strategy should be designed to collect both types of data as opportunities present themselves. A quantitative data matrix should be developed and filled out during the data collection cycle. This matrix should highlight the parts of the process requiring additional data and study. It is best to complete the matrix as thoroughly as possible before doing surveys or visiting organisations.

Do not be misled by the measurement data. Just because an organisation has better overall performance does not mean that all the activities within its process are world class. Every item has its strong and weak points. Use all the data you have collected to search out the very best of each part of the item being studied.

There are various tools you can use for analysing data. The tools and techniques mentioned earlier (flow charts, fishbone diagrams, etc.) can be used with internal and external benchmarking partners to understand better how they operate. There are also a number of other techniques, such as bar charts, histograms, pie charts and scattergrams.

6.5.2 Gap analysis

Successful data analysis should result in a comparison being able to be made between different performance criteria and best practice methods. Once the analysis has been completed, therefore, the next step is to identify your own company's performance measures and to make comparison with other benchmarking partners. In this way target levels of performance can be discussed and agreed and a further comparison can be made between target performance and actual performance.

Where the actual standard is higher than the target performance this is termed a 'positive' gap. Where the performance levels in place in an organisation are lower than the target performance or best practice this is called a 'negative' gap.

The task of the project team is to quantify the size of the gap in actual versus target or best practice performance. As well as quantifying this it is important to state the causes for differences in performance – what is best practice versus the current in-house practices. The skill is to build on what is good within the host organisation and to take on board improvements which can be identified in benchmarking partners.

6.6 Step 5: Plan and action improvements

Having identified both the size of gap in performance and potential causes, the next step is to identify and prioritise areas of change and to draw up a plan for improvements. Often benchmarking studies identify a number of improvements that can be made. It is important to attach priorities to these so that efforts are worthwhile. There are various methods of identifying which changes need to be addressed:

- Prioritisation
- Cost-benefit analysis
- Significant improvement matrix

6.6.1 The change options

There are a number of tools available to plan for improvement in the process which has been benchmarked:

- Brainstorming
- Scenario development
- Greenfield design
- Re-designed process flow

6.6.2 Preparing recommendations

In putting forward recommendations for improvement the team needs to document fully what the improvements involve, how the changes will be implemented, and when. The team also needs to outline who will take responsibility for implementation.

The project team should be firm in its recommendations of who should be responsible for each stage of the implementation plan, including a timetable for review. Where possible link improvements to individual personal objectives (CPAs) to ensure that there is more likelihood of changes taking place.

When preparing recommendations for improvements, the project team needs to consider how its findings will be communicated and understood by everyone throughout the organisation. Initially, the number of people who will have knowledge of the benchmarking process will be few. This number will probably be restricted to project team members and members of senior management. An awareness of benchmarking and its benefits needs to be spread throughout the business.

6.6.3 Adjust goals and develop improvement plan

Incremental improvement can be achieved using the old remedies. Quantum leaps forward require the strength of purpose to go for bold goals, which are rarely attained without discomfort or even an amount of pain. Sometimes this is coupled with an extraordinary leap of faith.

Once the strategy is formulated, a plan to achieve it must be developed. It is easy to understand our, and other people's, potential; drawing out the best is usually only possible through a combination of vision – to recognise potential and patience – to nurture its development. First teach people to climb, then ask them to scale K2!

The more ambitious the goal, the more flexible that initial target must be. The unique feature of benchmarking is the comparison with actual 'best practice' performance. This gives a realistic reflection of what is ultimately, if not immediately, available.

6.6.4 Implementing the plan

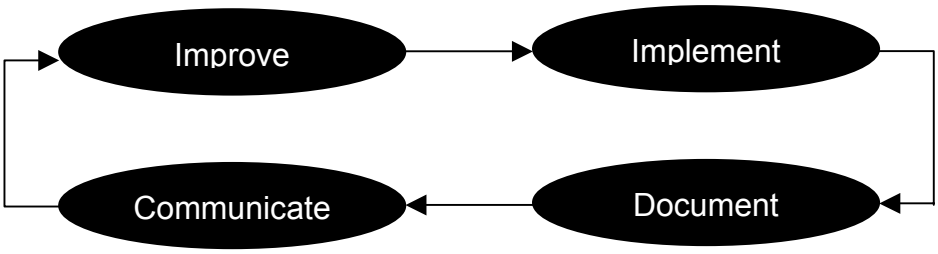
No amount of reading, writing, or exhortation will secure successful implementation. There are no quick fixes or easy answers, no magic wands or secret solutions. There is only the guarantee that the accolade of 'best' will not be achieved through one solitary action. Two factors, however, that can help determine success are: detailed attention and attention to detail.

When all the hype is stripped away from the debate about what made Japanese firms pre-eminent, their obsession with detail is the one common denominator that stands out. Assuming that communications strategies have established secure foundations, attention to detail will be the one factor that governs the outcome of any implementation plan. A question that frequently occupies the minds of would-be benchmarkers is how an already excellent company can stay ahead if everyone else is benchmarking against it, the implication being that their methods then become just average. The truth is that while many seek and find best practice, few companies are sufficiently adept in detailed, attentive follow-through to overtake the leaders. Furthermore, outstanding performers are

rarely complacent. They continue to hone their competitive edge and so increase their potential for staying in front.

During implementation, attention should focus on:
- The process being improved.
- Progress of the improvement plan.

The general procedure for successful implementation of improvements is as follows:



6.7 Step 6: Review

Review is to benchmarking as breathing is to life. It is so obviously necessary that it is often taken for granted. Many people only breath efficiently and effectively when they are made aware of bad habits; shallow breathing, for example, can compound the effects of tiredness or stress, whereas deep breathing helps combat them. Similarly with review. It is essential, but how many people have a disciplined procedure?

Benchmarking studies should be monitored on a regular basis. Project teams do not have to wait until a benchmarking study is complete. Progress checks are useful throughout the development of a benchmarking study. Two possible types of review can take place:
- Review of the results of the benchmarking project in terms of organisational performance,
- Review of the results of the benchmarking process in terms of the learning which has been gained and how this has been applied.

6.7.1 Keeping up to date

In order to keep benchmarking information up to date a number of benchmarking networks have been established. Here groups of individuals representing their companies meet on a regular basis to share information, successes and failures. If you do form a benchmarking network where possible keep the numbers of participants in such networking groups small. Remember, however, that attendance rates at meetings can be as low as 50%!

Strict confidentiality should be a prerequisite of membership so that participants are able to share their experiences openly – both good and bad. Benchmarking networks are only as beneficial as the input from their membership.

As best practices are ever changing, it is helpful to keep abreast of developments in the external market. To this end some organisation appoint someone in a strategic position who can take an overview of external developments and related these back to the organisation. This type of benchmarking on a strategic level can help the business address longer term issues of competitive advantage.

7 LESSONS FROM LEADING-EDGE BENCHMARKING COMPANIES

What makes the management of benchmarking studies so difficult? There are a number of key success criteria which have been identified by benchmarking practitioners:

- Link benchmarking to the organisation's vision.
- Set measurable objectives.
- Gain senior management commitment.
- Create a powerful team.
- Focus on the right issues.
- Focus on the right partners.
- Be willing to change.

8 BENCHMARKING RULES OF THE ROAD

As with any other process, benchmarking has specific rules that must be followed to get the best results. Designing the organisation's benchmarking process and implementation strategy to ensure that it will adhere to these rules will save you a great deal of time and trouble. The following is a list of benchmarking rules of the road:

- Get top management's commitment to the benchmarking process first.
- Design your benchmarking process before you start to benchmark.
- Start with a few critical items.
- Define a specific code of ethics and be sure that everyone engaged in the benchmarking process is trained on its content and intent.
- Train all the employees who will be actively engaged in the benchmarking process in the benchmarking methodology and the appropriate supporting tools.
- Characterise your benchmark item first.
- Never ask a benchmarking partner for information that you would not share with that partner. Be very careful not to obtain confidential information from your benchmarking partner, even if you would be willing to share that information with the partner.
- Tell your benchmarking partner up front how the data will be used.
- Combine inputs from all your benchmarking partners to define a number of potential future-state solutions. Then select the best-value solution for implementation. This is not necessarily the one that results in the item's best performance.
- Be satisfied not to be the best. Stop when additional cost does not improve your competitive position.
- Start managing the benchmark item's change process the first week that the benchmarking item team is formed.
- Do not try to collect all the data that is out there. If you do try, you will never get beyond the data collection stage.
- Don't copy; create. Analyse what the benchmarking item team has collected so that the data can be transformed into information. Then be creative with the use of this information to design the future-state solution.
- No organisation is the best at everything it does. Find the right benchmarking partner for each item that is benchmarked.
- Keep focused on implementation of the future-state solution. Remember, the very best plan is useless if it does not get implemented. Don't analyse the benchmarking process to death.
- Make line managers responsible for benchmarking, and measure their performance.
- Establish a reward-and-recognition system that supports the desired benchmarking behaviours.

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He completed his national service in the SA Air Force in December 1991. In January 1992 he was appointed as lecturer in Public Administration at Technikon Southern Africa and was promoted to senior lecturer in 1998. He enrolled for a Masters degree in Public and Development Management, titled "A Development Management model for Local Authorities in South Africa", at the University of Stellenbosch during 1995 and completed the degree successfully by the end of 1996.

He has published extensively and presented numerous papers on issues relating to public management, development management and project management. He has extensive experience in the application of Strategic Management and Project Management for institutions such as the Pretoria City Council, Departments of Welfare and Education and various other private and public institutions. André has facilitated courses for, amongst others, the Wits Business School, the Fort Hare Institute for Government, and the Universities of Stellenbosch and Pretoria.

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