

**FUTURE TRENDS IN BENCHMARKING FOR COMPETITIVE ADVANTAGE:
A Global Survey**

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Abstract

As the pace of change accelerates in the 21st Century as a result of technological opportunities, liberalisation of world markets, demands for innovation, quality and speed, organisations have to re-adjust and re-align their operations to counter all these challenges. The pace of change has increasingly forced organisations to be more outward looking, market oriented and knowledge driven. A useful tool that can help businesses build strong capabilities, ensure an inward flow of ideas and establish true competitive gaps, is benchmarking.

This paper presents the findings of a global survey, undertaken by the European Centre for Total Quality Management (UK), which was aimed at assessing the trends and future directions of Benchmarking and the Transfer of Best Practices. Overall, 227 organisations took part in the study. Participant organisations came from 32 different countries, all involved in benchmarking. The participants had a wide cross section of organisational sectors ranging from non-profit and government agencies to environmental management services and auto parts manufacturers. The survey shed light on current trends in benchmarking (its spread and the benefits achieved), and highlighted some issue that will affect its future, mainly the effects of Information Technology and Globalisation. These factors were seen as an opportunity rather than threat by most study participants. The paper provides an analysis of these results and provides recommend best practices for the achieving competitive advantage through benchmarking in the future.

1 The Challenge ahead

The pace of change, corporate, product, political, and consumer, is accelerating at an accelerating rate. Change has become persistent and consequently the foremost business issue of our day. It has entered the corporate lexicons as a word describing a mixed blessing. On the one hand, change represents growth, opportunity, and innovation; on the other hand, it represents threat, disorientation, and upheaval.

Today, as we enter the 21st Century, organisations deal with vertical integration, mergers, new technologies, diagnosis related groups, stockless or just-in-time distribution, captivated contracts, preferred provider organisations, TQM, continuous improvement, business reengineering, and so forth. Moreover, and as revealed by many recent corporate headlines like Marks and Spencers in the UK), past success is no guarantee for future performance. "With intense competition in industry today, simply meeting or beating past

performance will not result in the level of improvement necessary to remain competitive.” (Harrington and Harrington, 1996).

To survive into the next decade, organisations need to re-think their structures, products, processes, and markets. They must re-establish themselves to be quicker to market, customer focused, innovative, nimble, flexible, and be able to handle rapid change. This can only be maintained by continuously benchmarking one’s performance with the world’s best, adapting the new best practice, and innovating to become world class. This type of copying, adapting, and learning from other’s best practices is not only becoming legal and ethical, but virtually mandatory for future success.

2 What is Benchmarking

Benchmarking has truly revolutionised the culture of businesses in the West and the way with which it is organised, managed and run. This is very evident when one looks at the number of conferences being organised, the formation of clubs, associations, and the launch of journals and magazines specifically devoted to the subject of benchmarking, and the proliferation of benchmarking and its spread to encompass sectors such as healthcare and local government (Zairi, 1996).

“Benchmarking is the process of improving performance by continuously identifying, understanding (studying and analysing), and adapting outstanding practices and process found inside and outside the organisation and implementing the results”. (American Productivity and Quality Centre, 1994). It starts with the premise that “whatever the process (supply, production, sales, or services) some organisations are already achieving world-class performance” (American Productivity and Quality centre, 1996). When ICL wanted to improve its distribution system, it benchmarked with Marks and Spencer. When Motorola was trying to speed the delivery process of its cellular phones, it paid visits to Domino’s Pizza and Federal Express (Hollings, 1992).

These best-in-class performers set a benchmark. A benchmark is the standard of excellence against which to measure and compare. Benchmarks are performance measures: how many? how quickly? how high? How low?. Establishing benchmarks is a necessary part of benchmarking but of itself does not provide an understanding of best practices nor does knowledge of the benchmarks lead necessarily to improvement (Codling, 1991). “Benchmarks are facts; benchmarking enables real improvement” (American Productivity and Quality Centre, 1999). Benchmarking is actually the process of learning lessons about how best performance is accomplished. Rather than merely measuring best performance, benchmarking focuses on how to improve any given business process by exploiting ‘best practices’ by discovering the specific practices responsible for high performance, understanding how these practices work, and adapting and applying them to the organisation.

3 Study Objectives and Methodology

Developing best practice through benchmarking features as a critical activity in the business world. Companies across the globe have embraced these concepts but have done so with a varied level of success. Some have managed to create huge market place advantages whilst others have fared less favourably. The European Centre for Total Quality Management (ECTQM) in partnership with The Benchmarking Exchange (TBE) and the Benchmarking Centre (UK), embarked on a project in order to understand the current nature, trends, and status of Benchmarking for Best Practice by conducting a global survey.

A questionnaire was designed for self-completion by managers in a postal / internet-based survey. The survey targeted organisations already involved in various stages of benchmarking activities. The organisations that were invited to participate came from The Benchmarking Exchange (TBE) members, The Benchmarking Centre members (UK), and the subscribers to the International Journal of Benchmarking.

Overall, 235 organisations took part but only 227 questionnaires were fully completed, upon which the analysis was based. Participant organisations came from 32 different countries, making this study truly global. As for the size of the participant organisations in terms of the annual sales volume, Figure 1 below shows the distribution of participants. The results reveal a wide participation ranging from organisations with less than \$25 million annual sales volume, to large corporations with over \$1 billion in annual sales. This stresses the wide cross sectional nature of this study.

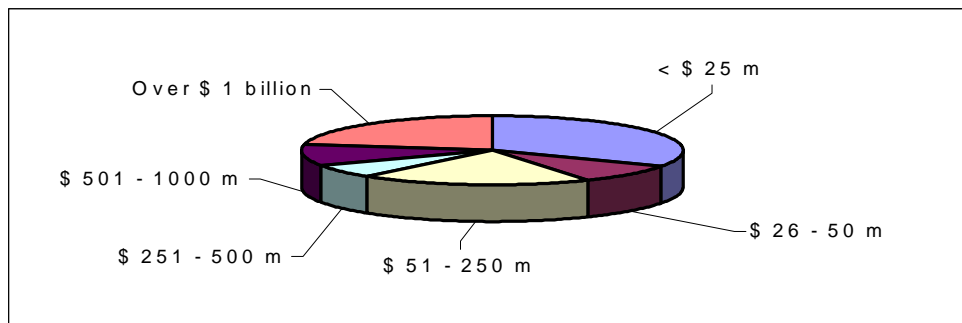


Figure (1) Study Participants by Annual Sales Volume (\$US)

A similar cross section of participants was also apparent in the organisational sectors they came from. The participating organisations' sectors came from a very wide range as demonstrated in Figure 2 below.

Overall, the results have revealed a clear spread of benchmarking world wide and across various industry sectors and organisational sizes. This is further proof on the importance of benchmarking as a management tool for the future and the momentum it has gained over the years. The results also highlight the fact that benchmarking is applicable across organisations irrespective of their location, size, or industry.

The findings so far put a strong case against several benchmarking myths like:

1. Benchmarking is too expensive and only large organisations can do it.
2. Benchmarking is most useful for manufacturing organisations to compare products and manufacturing processes.
3. Benchmarking is fad.

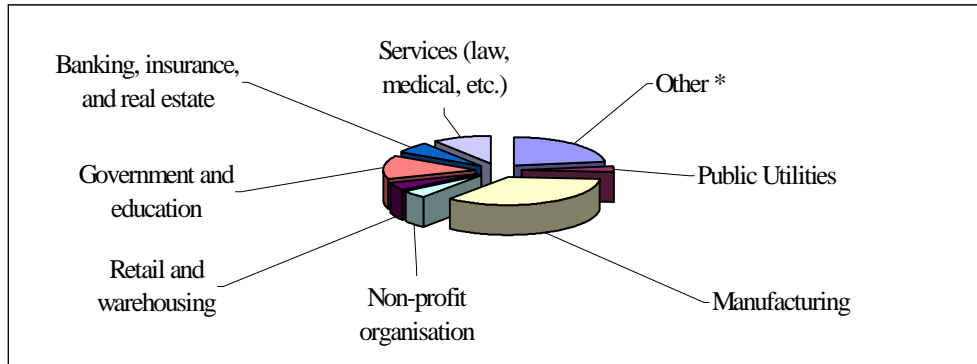


Figure (2) Study Participants by Industry Sector

*Other included Contract Catering; Management Consulting, Transport and Distribution, Architecture, Defence, Software Services, Energy (oil and gas refineries and production), Telecommunications, Aviation, Construction (Engineering and contracting), Mining, Environmental Services, Leisure Management

4 Study findings

In order to establish the level of benchmarking activity and application globally, the information gathered included both hard and soft issues associated with benchmarking. The analysis was aimed at evaluating the level of benchmarking maturity reached across different industry fields and different operations. Furthermore, the factors that were thought to lead to effective benchmarking and the development of best practices were also investigated. The specific aims of the survey were to examine:

- The status and development in the utilisation of benchmarking and best practices across different regions and countries.
- How different sectors approach benchmarking and best practice implementation.
- The factors that facilitate effective benchmarking implementation and the transfer of best practices.
- The major barriers and impediments to benchmarking for best practice.
- The benefits that are being delivered and how companies can attain them.
- The key challenges that lie ahead in the field of benchmarking.

The results reported and discussed in the following sections are those specifically related to the benefits of benchmarking and the future trends and issues that expect to re-shape benchmarking practices.

4.1 Benchmarking benefits

The questionnaire presented participants with a list of potential benchmarking benefits (identified from successful case study experiences). Participants were requested to note which of these benefits they have witnessed, and comment on the degree of impact on a five-point scale (1 being none, and 5 being very high).

The findings (Table 1) were very interesting. Firstly, and on average, of all the major benefits mentioned, none of the results showed a more than average (moderate) improvement in any area (all mean scores were 3 or below). Secondly, the benefits that were judged to have had the highest benefits derived from benchmarking applications were process improvement, setting internal standards, and quality improvement. As for all other benefits, it is perceived that benchmarking has had a less than moderate affect in these areas of which the least cited were 'change in style of leadership'.

However, the above analysis is based on the general 'average' view. A closer look at the results is given in Table 2. As the sample figures indicate, many of the benefits have been actually evenly distributed, i.e. 20-30 % of the organisations reported high to very high benefits achieved, and a similar group reported none or some. Thus, it could be concluded that benchmarking is capable of high to very high benefits in all the areas cited. Whether an organisation can achieve these benefits or not will depend on their understanding of benchmarking and following the right methodology of benchmarking.

Benefit	Mean Score
Process improvement	3.06
Setting of internal standards	3.04
Quality improvement	3
Influencing the strategic decision making process	2.79
Innovate approaches to business improvement	2.77
Understanding of customer requirements	2.77
More effective deployment of resources	2.76
Increased speed of service	2.73
More effective and efficient management of resources	2.67
Improvement in people management	2.54
Change in approach style of leadership within the organisation	2.37

Table (1) Benefits derived from benchmarking (a)
1 = None, 2 = Some, 3 = Moderate, 4 = High, 5 = Very High)

A further look at Table 2 reveals that benchmarking achieved the highest benefits in (in the most successful organisations):

1. Influencing the strategic decision making process.
2. Allowing more effective deployment of resources.
3. Process improvement.

Benefit	No answer	None	Some	Moderate	High	Very High
Quality improvement	5	16.3	26.7	30.2	17.8	4
Increased speed of service	5.5	26.9	21.9	26.4	12.9	6.5
Innovate approaches to business improvement	4.5	19	34.5	27	13	2
Process improvement	3.5	6.5	26.4	27.4	28.4	8
Understanding of customer requirements	4.5	15.4	23.4	25.9	23.9	7
Setting of internal standards	5.5	11.9	20.9	33.3	23.4	5
Influencing the strategic decision making process	3.5	7	25.9	22.4	29.4	11.9
More effective and efficient management of resources	5	15.4	19.4	29.9	20.9	9.5
More effective deployment of resources	4	8.4	18.3	31.7	28.7	8.9
Improvement in people management	4.5	12.4	22.4	31.8	20.9	8
Change in approach style of leadership within the organisation	5	14.4	23.8	29.7	22.3	5

Table (2) Benefits derived from benchmarking

4.2 Future Issues of Benchmarking

The results of the study have indicated a wide spread of benchmarking applications across geographical and sectoral borders. It is forecasted that such momentum would run in the future as benchmarking becomes more and more a ‘way organisations do business’. Within this context, the study aimed to identify some future issues that may affect the practice of benchmarking. Figure 3 shows the major findings. It reveals that the two main trends that are predicted to affect the benchmarking of the future are the power of information technology, and that the ever increasing benchmarking activity will lead to wider proliferation of best practices.

As the results show, the major issue that will affect benchmarking in the future (and indeed in the present) is the advances in IT. The speed of communication today means that more information, in both width and depth, is available to more people, faster, than ever before. The internet, mobile phones, laptops, scanners, modems, and digital photography (most unknown two decades ago) are all now widely available, and ensure that what one person knows, we all know, or have access to.

It is expected that the internet and other electronic means will result in more best practice transfer. A recent study (Jarrar and Zairi, 2000) reported that there are currently over 500 internet sites dedicated to benchmarking education, organisation, and best practice spread and transfer. Already many organisations have their own intranets, and e-mail is becoming a standard means of communication. This spread of IT is accelerated by the fast paced proliferation of knowledge management applications and specialised tools.

Benchmarking

In another question, participants we requested to identify which top 5 technologies they thought will have the most effect on the future of benchmarking practices. The results were (in descending order of importance):

1. E-mail
2. Internet
3. Groupware
4. Video conference
5. Corporate intranet

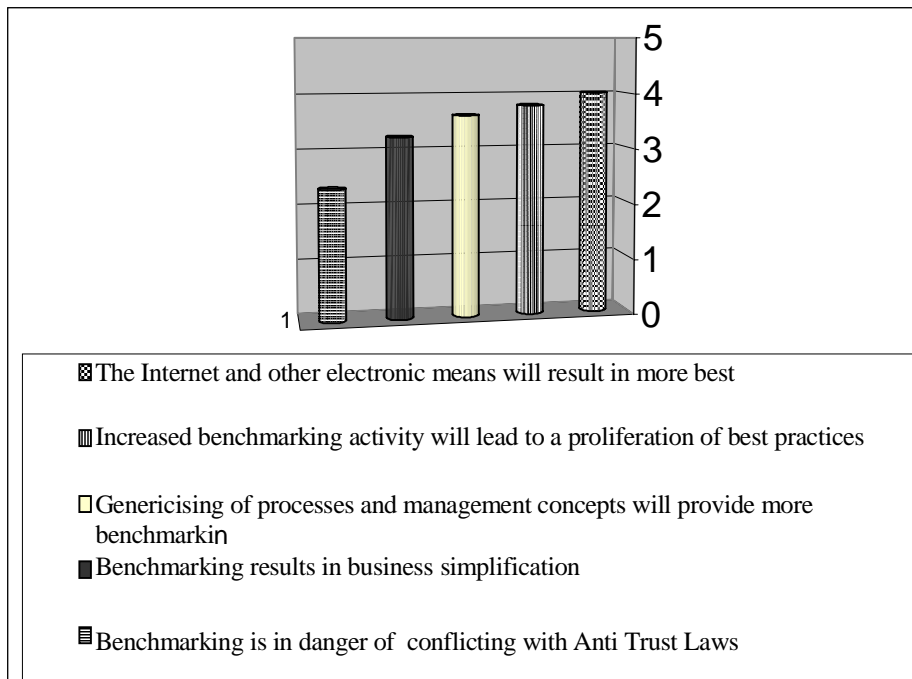


Figure (3) Future trends in benchmarking
(1 = Strongly Disagree, 5 = Strongly agree)

The other issue is related to the spread of the benchmarking activity itself. More and more companies seem to be adopting this powerful concept and reporting more and more savings and improvements as a result. "Texas Instruments has avoided over \$1.5 billion in unnecessary manufacturing investment from its increasing stock of 530 best practices. Xerox Europe realised \$400 million in increased revenues from a sales-related portfolio of best practices, while Smith & Nephew Medical Division is transforming the entire supply chain by adopting best practices. The initial pay-off in eliminating non-value-added activities is £11 million" (Ashton, 1998). Such published examples and experiences are helping organisations identify the benefits of best practices and their use and spread are expected to gain further momentum exponentially.

Moreover, this trend is further accelerated by the wide spread of national and international consortia and clubs that are actively promoting the use of benchmarking. National Benchmarking centres, and dedicated Best Practice Clubs are well established in countries all over the world from the US to Saudi Arabia, Europe to Singapore.

Finally, very few respondents believe that benchmarking will be conflicting with any Anti Trust Laws. There are several well documented and publicised Benchmarking Codes of Ethics that organisations are relying on. It is expected that such codes will become more standardised and more and more organisations will follow them as this is clearly in the best interest of all parties concerned. Moreover, organisations are realising day by day that they need to co-operate and learn from each other to sustain their competitive advantage. Indeed, less are worried about confidentiality issues, and more are worried about identifying organisations to collaborate with. We are truly moving away from an age of intense competition to an age of collaborative 'co-opetition'.

5. Conclusions

The best practice phenomenon is widely regarded as a 'corporate miracle' and has become popular among practitioners of various disciplines in the 1990s. The ever-growing literature on benchmarking indicates a wide spread of benchmarking applications across geographical and sectoral borders. It is forecasted that such momentum would grow in the future as benchmarking becomes a 'way organisations do business'. More and more companies seem to be adopting this powerful concept. National and international consortia and clubs are actively promoting its use and this will lead to further proliferation of best practices. A major issue that will affect benchmarking in the future is the advances in IT. It is expected that the internet and other electronic means will result in even more best practice transfer. Knowledge is still power, as it always has been, but now increasingly in the hands of the many and not just the few.

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