

# COER NEWS

*A newsletter to inform you of COER's research findings and initiatives in organisational excellence, benchmarking and performance improvement*

Issue No.2

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Welcome to the 2<sup>nd</sup> Issue of **COER NEWS** – the free Newsletter produced by the Centre for Organisational Excellence Research, Massey University, New Zealand.

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## 1. RECENT HISTORY OF PERFORMANCE IMPROVEMENT

It is easy to forget how quickly the field of performance improvement has advanced over recent times. The majority of the activities and research described in this 2<sup>nd</sup> Issue of **COER NEWS** would not have been undertaken twenty years ago. In particular, terms like benchmarking and business excellence were rarely used (and if they were used they had a different meaning) and now, today, they are fully integrated into the management systems of many of the world's leading organisations.

The table below summarises the recent developments in business excellence, performance measurement and benchmarking and provides references to further information. We have also taken the liberty of adding some specific New Zealand developments to the table.

*Table 1 – Developments in Business Excellence, Performance Measurement and Benchmarking*

| Year                                   | Business Excellence  | Performance Measurement   | Benchmarking   |
|--|--|---|--|
| 1980-1989                              | <ul style="list-style-type: none"> <li>o 1984 – Rehder and Ralston publish one of the first papers using the term TQM.</li> <li>o 1988 - Malcolm Baldrige National Quality Award first awarded</li> <li>o 1989 - TQM Magazine launched - the first journal-style publication on Total Quality Management.</li> </ul> | <ul style="list-style-type: none"> <li>o Mid 1980's onwards - Strong criticism of traditional financially based performance measurement systems (Johnson &amp; Kaplan, 1987; Berliner &amp; Brimson, 1988; Drucker, 1990)</li> <li>o Late 1980's onwards - New methods of measuring performance are proposed (Maskell, 1989; Dixon et al, 1990; Keegan et al, 1989)</li> <li>o 1988 – Activity Based Costing developed by Cooper and Kaplan, (1988) to measure the use of resources by activity.</li> </ul> | <ul style="list-style-type: none"> <li>o Late 1970's to mid 1980's – Competitive Benchmarking led by Rank Xerox (Camp, 1989)</li> <li>o Mid 1980's onwards – Process Benchmarking (Watson, 1993)</li> <li>o 1989 - First book published on benchmarking written by Robert Camp (Camp, 1989)</li> </ul> |
| o Table continued on the next page.... |  |   |  |

|           |  |  |  |
|-----------|--|--|--|
| 1990-1994 | <ul style="list-style-type: none"> <li>o 1992 - European Quality Award first awarded</li> <li>o 1992 - New Zealand Quality Foundation (NZQF) formed.</li> <li>o 1993 – New Zealand Quality Award based on the Baldrige Criteria introduced.</li> <li>o 1994 - Tracking of Baldrige winners against the Standard &amp; Poor's 500 (NIST, 2001b)</li> </ul>  | <ul style="list-style-type: none"> <li>o 1991 – Work on Economic Value Added first published (Stewart, 1991).</li> <li>o 1992 – First published paper on the Balanced Scorecard (Kaplan &amp; Norton, 1992)</li> <li>o 1992 - Skandia's Navigator Model for measuring intellectual capital was first tested (Measuring Business Excellence, 1997)</li> <li>o 1993 onwards – RSA's inquiry into Tomorrow's Company advocated the inclusive approach to performance measurement (Centre for Tomorrow's Company, 1998)</li> </ul> | <ul style="list-style-type: none"> <li>o 1991 -The term "benchmark" is added to the guidelines for the Baldrige Award</li> <li>o 1991 - Rank Xerox win the Malcolm Baldrige Award</li> <li>o 1992 – European Quality Award incorporates benchmarking</li> <li>o 1992- First European book on benchmarking by Codling (Codling, 1992) and guide by Zairi (Zairi, 1992)</li> <li>o 1992- APQC launches the International Benchmarking Clearinghouse, Benchmarking Awards and publishes the Benchmarking Code of Conduct.</li> <li>o 1994 – Global Benchmarking Network formed (an alliance of leading Benchmarking Centres Worldwide – initially representing five countries)</li> <li>o 1994 - Benchmarking for Quality Management and Technology Journal first published.</li> </ul> |
| 1995-1999 | <ul style="list-style-type: none"> <li>o Mid 1990's onwards - Abundance of business excellence self-assessment questionnaires designed by consultants. In the UK there was ASSESS, Optimus, Probe and the UK Benchmarking Index</li> <li>o Mid 1990's onwards - Replacement of terms "TQM" and "quality" within awards and business language with "Business Excellence"</li> <li>o 1996 - Japan Quality Award first awarded (many similar features to the Baldrige Award)</li> <li>o 1999 – Publication of research by Hendricks and Singhal (1999) in the US and Hausner (1999) in Australia indicating that award winners achieve higher levels of performance.</li> </ul> | <ul style="list-style-type: none"> <li>o Mid to late 1990's onwards - Shareholder value and EVA become popular (Rappaport, 1998)</li> <li>o 1996 - Workbook approach to performance measurement devised by Cambridge University (Neely et al, 1996)</li> <li>o 1996 – First edition of the book on The Balanced Scorecard (Kaplan and Norton, 1996)</li> <li>o 1997 – First publication of Measuring Business Excellence - a journal about non-financial ways to measure business improvement</li> </ul>                       | <ul style="list-style-type: none"> <li>o 1995- European Best Practice Benchmarking Award first awarded</li> <li>o 1999- Benchmarking: an International Journal first published (supersedes the Benchmarking for Quality Management and Technology Journal)</li> </ul>  |
| 2000-2002 | <ul style="list-style-type: none"> <li>o 2000 - Paper by Dale and others (Dale et al., 2000) commenting on the name change from TQM to Business Excellence</li> <li>o 2000 – New Zealand Quality Foundation changes its name to the New Zealand Business Excellence Foundation</li> <li>o 2001 – For the seventh year in a row Baldrige winners outperform the Standard &amp; Poor's 500. (NIST, 2001b)</li> <li>o 2001: Centre for Organisational Excellence Research (COER), New Zealand, formed.</li> </ul>   | <ul style="list-style-type: none"> <li>o 2000 – Launch of the international Performance Measurement Association (<a href="http://www.performanceportal.org">www.performanceportal.org</a>)</li> <li>o 2001 – First publication on the "Performance Prism" (Neely and Adams, 2001) a new measurement framework.</li> </ul>  | <ul style="list-style-type: none"> <li>o 2000: New Zealand Benchmarking Club formed.</li> <li>o 2001 – The Global Benchmarking Network grows to an alliance of 21 Benchmarking Centres representing 21 countries.</li> <li>o 2002 – Launch of <a href="http://www.theBPIR.com">www.theBPIR.com</a> - the first website resource to integrate performance measurement, benchmarking, and business excellence</li> </ul>   |

The above table is reproduced from:  
Mann, R.S. & Welch, S.J. (2001), The Development of a Benchmarking and Performance Improvement Resource, *Benchmarking: An International Journal*, Vol. 8, No. 5, pp 431-452. To view all the references shown in the table download a copy of this paper from [www.theBPIR.com](http://www.theBPIR.com) - go to "Our Aims" and select "Learn more about the development of BPIR".

## 2. WHAT'S HOT AND WHAT'S NOT - SURVEY RESULTS ON THE USE OF PERFORMANCE IMPROVEMENT TECHNIQUES/APPROACHES.

At the recent New Zealand Organisation for Quality (NZOQ) 2002 Conference "Teams, Tools and Techniques" COER conducted a survey on the use, understanding and effectiveness of 35 performance improvement techniques/approaches (see Insert 1 for a list of these). It was an opportunity for the COER team to find out if the recent developments, as described in the previous feature, have led to a thorough understanding and use of performance improvement techniques.

*Insert 1 – The 35 Performance Improvement Techniques/Approaches*

Acceptance Sampling, Activity-Based Costing (ABC), Affinity Diagram (Structured Brainstorming), Balanced Scorecard, Benchmarking (Performance Benchmarking or Comparative Analysis), Benchmarking (Process Benchmarking), Business Excellence, Cause-and-Effect (C&E, Fishbone, Ishikawa) Diagram, Cost Of Quality (COQ), Customer (Client) Surveys, Employee (Staff) Suggestion Scheme, FMEA (Failure Mode and Effects Analysis), Gainsharing, Internal Guarantees, Investors In People (IIP), ISO 9000, ISO 9000 - 2000 version, Kaizen Blitz, Knowledge Management, Mission/Vision Statements, Nominal Group Technique (NGT), Performance Measurement (System), Plan-Do-Check-Act (PDCA), Poka-yoke (Mistake-proofing), Quality (Control) Circle (QCC), Quality Function Deployment (QFD), Business Excellence Self-assessment, Seven Basic (Statistical) Tools (B7), Statistical Process Control (SPC), Strengths, Weaknesses, opportunities, and Threats (SWOT) Analysis, Taguchi Methods, Team - Cross-Functional, Total Productive Maintenance, Total Quality Management, Value Engineering (VE),

Twenty-two participants of the NZ Organisation for Quality conference responded to the survey representing 20 organisations.

**Key survey findings - the most frequently used techniques/approaches**

Table 2, below, presents the most popular techniques/approaches.

| <i>Table 2 – Use of performance improvement techniques/approaches</i> | Used by the following<br>% of Orgs |
|---|------------------------------------|
| Mission/Vision Statements   | 85%                                |
| Customer (Client) Surveys   | 80%                                |
| Performance Measurement (System)                                      | 75%                                |
| Employee (Staff) Suggestion Scheme                                    | 75%                                |
| Strengths, Weaknesses, opportunities, and Threats (SWOT) Analysis     | 70%                                |
| Benchmarking (Performance Benchmarking or Comparative Analysis)       | 60%                                |
| ISO 9000  | 60%                                |
| Plan-Do-Check-Act (PDCA)  | 60%                                |

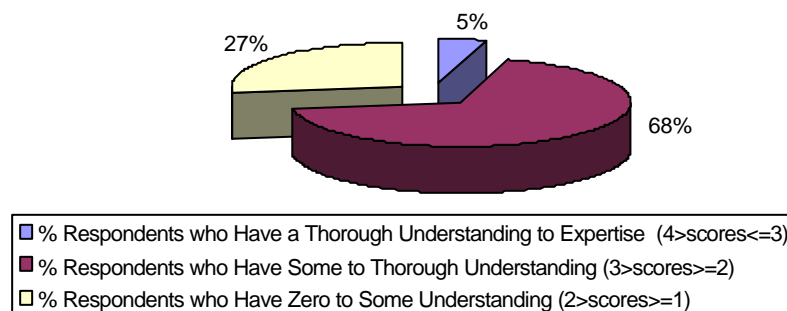
The following techniques were the least popular, with no organizations using them:

- Gainsharing
- Taguchi Methods
- Kaizen Blitz
- Value Engineering

**Key survey findings – understanding of techniques/approaches**

The respondents' average understanding of the 35 techniques/approaches is shown in Graph 1 below. Only one of the 22 (or 5%) indicated a thorough understanding to expertise in the techniques/approaches, 15 (or 68%) rated themselves as having some to a thorough understanding, and the remaining 6 (or 27%) had zero to some understanding of the 35 techniques.

*Graph 1. Understanding of Process Management techniques/approaches by respondents*



The following techniques/approaches were poorly understood (scoring on average between "zero" and "some" understanding). Those that were least understood are shown first:

Gainsharing, Internal Guarantees, Value Engineering, Nominal Group Technique, Poka-yoke (Mistake-Proofing), FMEA (Failure Mode and Effects Analysis), Total Productive Maintenance, Kaizen Blitz, Taguchi Methods, Quality Function Deployment, Acceptance Sampling, Activity-Based Costing (ABC), Investors in People (IIP) and Knowledge Management.

As the majority of delegates attending the conference were likely to be quality practitioners or those with an interest in quality it was surprising to find that, 27%, had a limited understanding of the techniques/approaches. The low understanding of these techniques/approaches is likely to mean that these organisations are unlikely to apply them correctly, if at all, and are therefore missing out on the potential benefits that they can bring.

Explanations of the least known techniques/approaches are provided below and were obtained from [www.theBPIR.com](http://www.theBPIR.com).

Insert 2 - Extract from [www.theBPIR.com](http://www.theBPIR.com)

#### Explanations of the five least understood techniques/approaches

##### **Gainsharing**

**Definition:** A reward process where an organisation shares the gains in performance improvement between owners and employees.

**Description:** Gainsharing approaches to employee compensation and reward are typically designed to encourage greater employee involvement in decision-making, skill development, and improve productivity.

##### **Internal Guarantee**

**Definition:** Taking the idea of the customer guarantee and applying it to internal customer processes.

**Description:** An internal guarantee is a simple, inexpensive, yet surprisingly potent tool that can break many of the persistent logjams, frictions, and communications barriers that so often occur among different corporate functions, departments, or divisions. It could be a promise or commitment by one part of an organisation to another, to deliver its products or services in a specified way to the complete satisfaction of the internal customer or incur a meaningful penalty, monetary or otherwise. Internal guarantees can create strong working partnerships not only among internal divisions but also between customers and an organisation's outside suppliers.

##### **Value Engineering**

**Definition:** A structured technique for formally analysing processes and designs for the sole purpose of reducing cost, waste and improving performance.

**Description:** Organised efforts directed at analysing the function of systems, equipment, facilities, services, and suppliers for the purpose of achieving essential functions at the lowest life cycle cost consistent with performance, reliability, maintainability, interchangeability, product quality, and safety. For example, it is an approach that focuses engineers on improving productivity and quality while reducing costs.

##### **Nominal Group Technique**

**Definition:** A structured process to give everyone in a group an equal voice in helping the group decide on a course of action.

**Description:** Nominal Group Technique (NGT) is a structured group process, which identifies and ranks the major problems or issues that need addressing. NGT is derived from social-psychological, management-science, and social-work studies. It provides each participant with an equal voice. A group leader should consider using NGT when: 1. Conflict exists within the group; 2. The issues are ambiguous; 3. Critical decisions must be made; and 4. Group membership cannot be challenged.

##### **Poka-yoke (Mistake-Proofing)**

**Definition:** In a Poka-yoke approach an operation or process is designed to make human error impossible.

**Description:** Poka-yoke is a system designed to fool-proof against any errors being made by workers performing a process. Poka-yoke replaces repetitive tasks that rely on memory or vigilance and so guards against any lapses in focus. For example, an assembly tool is arranged so that components can only be assembled when they are in the correct orientation and sequence. By making work easier, poka-yoke frees up valuable time and resources to support value-adding activities

*The complete findings from the "What's Hot and What's Not" survey will shortly be published in NZOQ News or alternatively you can obtain a copy from: Juan Pellegrino, PhD Researcher, COER, [J.M.Pellegrino@massey.ac.nz](mailto:J.M.Pellegrino@massey.ac.nz)*

### 3. PRODUCT FEATURE – [www.theBPIR.com](http://www.theBPIR.com)

In April 2002, the Centre for Organisational Excellence Research (COER) was pleased to announce the launch of its Benchmarking and Performance Improvement Resource website [www.theBPIR.com](http://www.theBPIR.com). The Centre believes that this resource is the "premier resource world-wide for organisations that are serious about business improvement".

The resource provides a comprehensive range of performance improvement information (see Fig 3) that is not only useful to the performance improvement specialist but of interest to all those involved in managing and improving any organisational function or process. As such, the resource can play a significant role in helping all of an organisation's employees to identify opportunities and ideas for improvement, benchmark processes, and implement best practices.

Fig. 3 – A snapshot of [www.theBPIR.com](http://www.theBPIR.com) services



The screenshot shows the logo for 'theBPIR.com' with the tagline 'BENCHMARKING & PERFORMANCE IMPROVEMENT RESOURCE'. Below the logo is the heading 'Membership Features' followed by a list of 15 bullet points arranged in two columns.

- **Value for money** - incomparable
- **Wide range of information** - the one-stop resource
- **Information from all around the world**
- **Measures** – formulae, commentary, and more...
- **Benchmarks** – 100's
- **Performance improvement and management tools/techniques** - 100's
- **Best practice case studies** – 100's
- **Baldrige snippets** – 100's
- **Linking to models** – 3 to choose from including Baldrige
- **List of award winning organisations** – 1000's
- **Full access to 600+ business periodicals**
- **Competitive analysis** – analyse your competitors
- **Self-assessment service** – proven by the NZ Benchmarking Club
- **Review of active web-sites**
- **Research registers** – be among the first to know the latest trends and findings
- **Partner product benefit** – great deals on other recommended products
- **Input from centres of expertise**

Membership fees to the website are still at introductory rates. For many of you the price of an annual membership for your whole organisation will be less than the cost of just one of your staff attending a conference.

For further information on the website and *why it is unique* - visit the [www.theBPIR.com](http://www.theBPIR.com). Alternatively, contact: Steve Welch, Product Champion for [www.theBPIR.com](http://www.theBPIR.com), COER. Email: [s.j.welch@massey.ac.nz](mailto:s.j.welch@massey.ac.nz)

For our New Zealand readers why not attend the formal celebration of the website's launch to be held at 5.00pm on Thursday 1 August at Massey University Art Gallery, Palmerston North, and see a public demonstration of its key features. If interested in attending please contact: Steve Welch, Email: [s.j.welch@massey.ac.nz](mailto:s.j.welch@massey.ac.nz)

#### 4. WHAT IS BENCHMARKING?

For those that would like a refresher on what is benchmarking and how extensively it is used worldwide an extract on this topic from [www.theBPIR.com](http://www.theBPIR.com) has been included below. This also explains how [www.theBPIR.com](http://www.theBPIR.com) can be used to assist the benchmarking process.

Insert 3 - Extract from [www.theBPIR.com](http://www.theBPIR.com)

##### What is Benchmarking?

Benchmarking is a powerful technique that is basically the practice of learning through comparing. Two main types of benchmarking exist:

**Performance/competitive benchmarking:** this involves comparing the performance levels of organisations for a specific process. This information can then be used for identifying opportunities for improvement and/or setting performance targets. Performance levels of other organisations are normally called benchmarks and the ideal benchmark is one that originates from an organisation recognised as being a leader in the related area. Benchmarks are also often used in the form of indexes such as the American and European Customer Satisfaction Indexes.

**Process benchmarking:** this is where organisations search for and study organisations that are high performers in particular areas of interest. The processes themselves of these organisations are studied rather than just the associated performance levels, normally through some mutually beneficial agreement that follows the benchmarking code of conduct. Knowledge gained through the study is taken back to the organisation and where feasible and appropriate, these high performing or best practices are adapted and incorporated into the organisation's own processes. Therefore process benchmarking involves the whole process of identifying, capturing, analysing, and implementing best practices.

## Who uses Benchmarking?

In the West it is generally believed that most large and highly successful organisations use process benchmarking as a tool to continually learn and improve. The resources needed to carry out repeated process benchmarking projects properly and in a way that maximises the learning to be gained from the experiences can be considerable, hence the focus upon large organisations in the earlier comment. A key reason for the development of [www.theBPIR.com](http://www.theBPIR.com) was to offer help to organisations who may not have the necessary resources to undertake process benchmarking. Therefore the [www.theBPIR.com](http://www.theBPIR.com) website has been designed to assist in every step of a rigorous benchmarking process. On the other hand, comparative or competitor benchmarking is not affected to the same degree by resources, and is used by organisations of all sizes, the most basic form of this practice is simply knowing your main competitors' product price, something that is a prerequisite to staying in business.

Many researchers provide evidence of benchmarking use in the west. Among these it is quoted that UK company involvement in benchmarking is 60%, 78% and 85% (Zairi and Ahmed, 1999, Coopers and Lybrand, 1995 and the CBI, 1997 respectively) and a European study in 1994 suggested that 88% of companies were involved in benchmarking activities (Voss *et. al.*, 1997). In the US a similar level of involvement was recorded by Bain & Company's 1999 Northern American management tools survey with 76% of organisations indicating that they used benchmarking (Bennett, 2000). Evidence from a recent survey (TBE, 2001) suggests that most users of benchmarking will be involved in comparisons of performance metrics rather than the more rigorous style of process benchmarking. Even when considering this last trend, these figures above provide a clear indication of the popularity of benchmarking in industry today.

## What are the common challenges associated with the benchmarking approach?

There are several main issues that both inhibit organisations actively involved in benchmarking and prevent others from attempting active involvement; the [www.theBPIR.com](http://www.theBPIR.com) has been developed to provide help in this whole area. In a survey of 559 UK respondent organisations (Hinton *et. al.*, 2000) findings indicated that among some of those involved in benchmarking there were difficulties encountered during the process. These difficulties included;

- finding suitable partners
- staff resistance.
- difficulties in comparing data (50% of involved organisations found this),
- resource constraints (time, finance and expertise)

The main reasons given by respondents for not being involved in benchmarking at all, were:

- ignorance 5%
- data comparability 29%
- resource constraints 25%
- too small to gain 15%
- not appropriate 26%

## How can [www.theBPIR.com](http://www.theBPIR.com) help?

Of these inhibitors the [www.theBPIR.com](http://www.theBPIR.com) can assist in the areas of finding suitable partners, data comparability, resource constraints, and to some extent the perception of being too small to gain from the process. This is accomplished by providing databases of identified successful organisations and case studies that can aid in identifying suitable partners and also by the range of performance measures that can aid in collecting comparable data. As information on the website represents the views and/or experiences of a diverse range of organisations of all sizes, and from many different industry sectors and geographical locations, it is intended that all users of the website will find relevant information that meets their needs.

## What is the track record of benchmarking use?

Because benchmarking is so closely linked to Business Excellence, many of the benefits attributed to one can also be attributed to the other. For organisations to reach performance levels judged as "world-class" the various business excellence models indicate clearly, through their scoring systems, the importance of benchmarks and the process of benchmarking. Czarnecki (1998) through considering the Baldrige scoring table concluded that over half the points available were related to benchmarking activities.

There are many case studies focusing on the success gained through benchmarking alone in organisations. The best known of these are perhaps the experiences at Xerox and Chrysler. In the late 70's and early 80's where, faced with ruin due to more efficient Japanese competitors, benchmarking turned the giant Xerox organisation around and put it back at the top of the market. At Chrysler Corporation the benchmarking of Japanese new product development techniques prior to the development of the Viper sports car is credited with saving three billion dollars from development costs and one year of development time (Khade & Metlen, 1996).

A study by APQC's International Benchmarking Clearinghouse (1995) of Fortune 500 companies, found some compelling figures relating to first year payback from benchmarking projects. Within organisations of 'average' benchmarking experience an average of \$76 million payback was reported by more than 30 of these companies for their most successful benchmarking project, and from 'more experienced' organisations this figure was a staggering \$189.4 million. Even among developing organisations this study found average first year payback levels from the most successful benchmarking project at \$370,000.

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## 5. BENCHMARKING WORKGROUPS – WHERE THE RUBBER MEETS THE ROAD

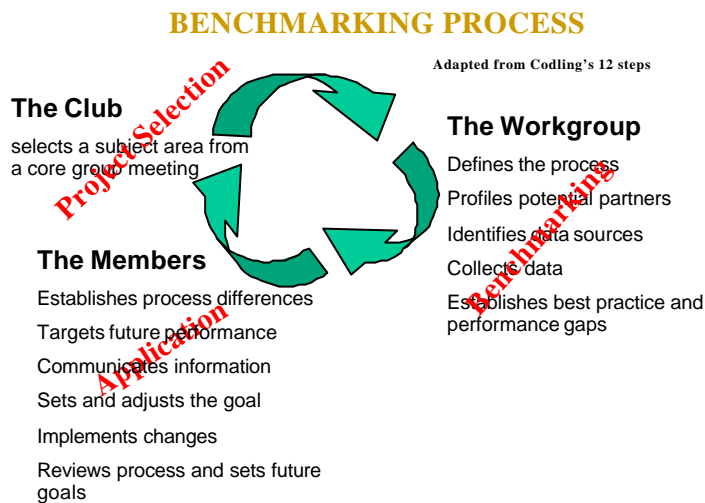
Without the advances in the field of benchmarking as highlighted in the previous sections there would be little knowledge of the most effective ways to identify and transfer best practices. This feature and the six that follow show how the New Zealand Benchmarking Club uses benchmarking to transfer best practices and accelerate the improvement efforts of its Club members.

The member organisations of the New Zealand Benchmarking Club have identified many advantages that are gained by working together on benchmarking projects. They believe that they:

- gain new perspectives on common challenges,
- save costs on the expensive process of benchmarking,
- gain a much wider access to information and research than would otherwise be the case, and
- learn from the networks they form.

To guide the process the Club has adapted Codling's 12 step benchmarking process (Codling, 1992). Codling's method has been divided into three areas as shown in Fig. 4 below.

Fig 4. - New Zealand's Benchmarking Club benchmarking process



The process begins at regular core group meetings involving all Club members. The core group meetings examine the six Baldrige enabling categories, in turn, on a cyclic basis. At these meetings a structured selection process is used to choose a specific benchmarking topic.

A workgroup is then formed to address the selected topic area. Membership of the workgroup is voluntary. The workgroup sets its own Terms of Reference and how it will operate and achieve its aim at its first meeting. Projects may be short or longer term and may be one-off assignments reflecting the interests of the group members, or they may be more generic and designed to spin off specific smaller projects.

The third phase of benchmarking occurs within the individual member organisations, as they review the findings of the workgroup then adapt and adopt the practices described for their own use.

How each workgroup carries out its task is specific to each, and the project that they have elected to work on. The Club has developed the TRADE model shown as Fig 5. to act as an overall guide.

Fig 5. - The generic workgroup process used by Workgroups of NZ's Benchmarking Club

### WORKGROUP PROCESS

- T** TERMS OF REFERENCE
- R** RESEARCH and REVIEW Literature and current members practices
- A** ACT and ANALYSE - define information needs, gather and analyse results.
- D** DEVELOP reports and recommendations
- E** EVALUATE the process and outcomes

Learning-by-doing or on-the-job training is seen as a very effective way of transferring learning throughout an organisation (Tushman & Nadler, 1996). As Mark Twain once wisely noted “a person who undertakes to carry a cat home by its tail learns ten times as much as the person who simply watches”. The same principle can be applied to benchmarking in that the value of the exercise is as much in the journey as the final result. Indeed, Liebfried & McNair (Alstete, 2000) note that benchmarking is analogous to human learning and can be seen as a method of teaching an institution how to learn. Members of NZ’s Benchmarking Club are learning how to learn through working together on benchmarking projects for the benefit of all.

References:

1. Alstete, J.W., (2000) Association-sponsored benchmarking programs. *Benchmarking: An International Journal* Vol 7 No 3. <http://www.emerald-library.com>
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## 6. BEST PRACTICE BENCHMARKING IN NEW ZEALAND

COER researchers are working with New Zealand Benchmarking Club members on a number of best practice benchmarking projects, with six studies in progress as of July 2002. The objectives for these projects are:

- Determining how best practice companies work towards a customer focused culture
- Determining how best practice organisations achieve sustainable best practice leadership capability within their organisation
- Determining how best practice organisations decide which performance measures to use, and from this develop a generic process that will assist organisations in improving their measurement systems
- Identifying how best practice organisations create and sustain an environment in which projects can best fulfil their objectives
- Determining best practice in deploying strategies
- Identifying best practices for recognising and rewarding innovation and achievement in delivering business success.

Progress of all these projects and key contacts are presented in Sections 7 to 12 inclusive.

## 7. BENCHMARKING CUSTOMER FOCUS

The New Zealand Benchmarking Club’s project to “*determine how best practice companies work towards a customer focussed culture*” was recently completed. This one-year project identified the following six characteristics as key to becoming customer focussed:

1. **Leadership** - Customers drive organisational direction and actions
2. **Listening** - Actively seek customers' views and make it easy for them to make contact/ do business
3. **Analysis & Understanding** - Strive to understand customer expectations and their key requirements
4. **Deployment & Integration** - Customer's expectations are acted upon
5. **People** - Customer focused culture is understood and embedded throughout the organisation
6. **Review & Improve** - Customer focus systems are regularly reviewed and improved

In the workgroup’s best practice report examples of practices addressing each of these characteristics are presented.

*To be on COER’s circulation list for receiving the first copies of this report (for a small fee) please contact the workgroup facilitator: Bronwen Bartley, PhD Researcher, COER. Email: [bronb@jhug.co.nz](mailto:bronb@jhug.co.nz)*

## 8. BENCHMARKING DEVELOPING LEADERSHIP CAPABILITY

The New Zealand Benchmarking Club's Developing Leadership Capability workgroup targeted organisations that were likely to have good leadership systems to complete their benchmarking survey. 38 New Zealand organisations completed the survey.

Results relating to current leadership development programs identify that, of the respondent organisations:

- ◆ 69% State that leadership development is a documented component of their organisation's corporate strategy or goals.
- ◆ 77% Are working on a new leadership development initiative
- ◆ 73% Base their leadership development around a competency model; with another 19% intending to
- ◆ 54% Have a formal leadership development program
- ◆ 79% Evaluate their program (of the 54% with a formal program)

Organisations were asked to rate 17 statements on leadership and leadership development. The respondents rated each statement according to its importance to the organisation and on the organisation's current capability. The following 5 statements, in descending order, had the largest gap between the ratings of importance and capability.

1. Senior leaders actively obtain feedback on their performance in order to develop their leadership skills.
2. Leaders at all levels are held accountable for their behaviours.
3. Leadership development is a focus for the organisation.
4. Senior leaders effectively articulate the organisation's vision, mission, strategic direction and performance expectations.
5. A leadership philosophy exists that helps leaders at all levels understand what is expected of them in their role.

The survey results clearly show that what is considered important in developing leadership capability is not reflected in current New Zealand leadership development practices. However, organisations are unanimous in the view that the single most important factor that impacts on the success of their leadership development program is the support of Senior Managers.

The workgroup has conducted follow-up benchmarking site visits to selected organisations. Best practice findings from these visits and international research will be the subject of future articles in COER's newsletter.

*To be on COER's circulation list for receiving the first copies of this report (for a small fee) please contact the workgroup facilitator: Erica Holtsbaum, PhD Researcher, COER. Email: [Erica.Holtsbaum@xtra.co.nz](mailto:Erica.Holtsbaum@xtra.co.nz)*

## 9. BENCHMARKING PERFORMANCE MEASUREMENT

The aim of this New Zealand Benchmarking Club study is to *"determine how best practice organisations decide on which performance measures to use, and from this develop a generic process or set of practices that will assist Club members in improving their measurement systems"*.

Fourteen New Zealand organisations took part in the workgroup's benchmarking survey (conducted by telephone). All these organisations were pre-selected to take part in the survey based on the likelihood that they would have advanced performance measurement systems.

For the purpose of survey analysis, best or better practice organisations were considered as those organisations that rated their approach and deployment of their performance measurement system (PMS) as 'good' or 'very good' rather than 'satisfactory', 'poor' or 'very poor'. Of the fourteen surveyed organisations, there were 6 (46% of all the surveyed organisations) that rated their PMS approach and deployment as 'good' or 'very good' and therefore were considered as best or better practice organisations. As the Figures below show, 'best practice' or 'better practice' organisations rated the implementation of the following practices more favourably than the others.

Fig. 6.

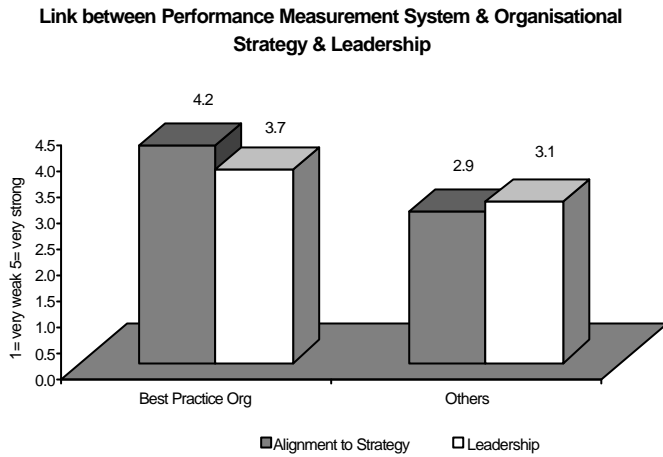


Fig. 7.

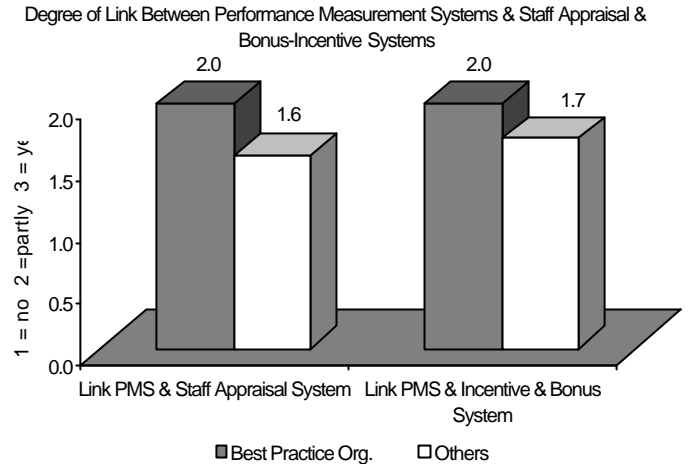


Fig. 8

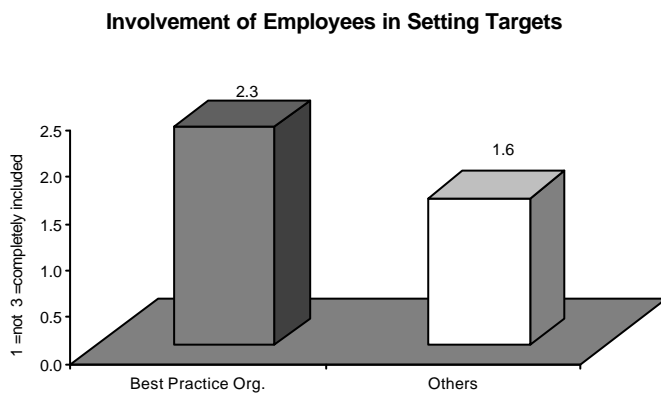
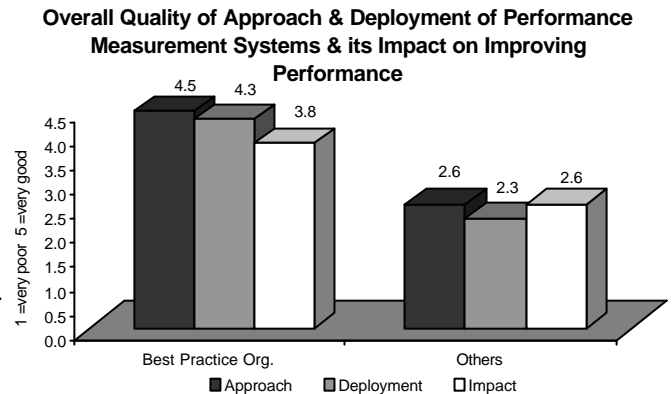


Fig. 9.



In summary, five practices that might be positively related to increasing the overall quality of a performance measurement system and the system's impact on improving performance were identified. These were:

- strong alignment between organisational strategy and performance measurement system;
- adequate leadership given to performance measurement systems;
- employee involvement in the process of setting performance targets;
- inclusion of a higher proportion of non-financial measures in measurement systems; and
- link between performance measurement systems and staff-appraisal and bonus-incentive systems.

The next stage of the benchmarking process is to undertake visits to those organisations that had the best or better performance measurement practices as indicated by the surveys. This will enable best practices to be identified and the Club's performance measurement benchmarking survey tool to be further developed. This survey tool will then be used to benchmark international best practices in performance measurement and visits to Australian organisations exhibiting best practices will then be undertaken.

For more information on this workgroup contact the workgroup facilitator:  
Steve Welch, Product Champion for [www.theBPIR.com](http://www.theBPIR.com), COER. Email: [s.j.welch@massey.ac.nz](mailto:s.j.welch@massey.ac.nz)

## 10. BENCHMARKING STRATEGY DEPLOYMENT

At a New Zealand Benchmarking Club meeting in September 2001 eight topics in Baldrige Category 2 (strategic planning) emerged and one was selected by members for further research. The benchmarking project selected was: *to determine best practices for implementing strategic initiatives*.

Subsequent group work and literature searches have identified seven key features that impact the success of the deployment of strategic initiatives:

- Communication (ensuring understanding of strategy)
- Achieving buy-in
- Creating the infrastructure for deployment
- Aligning implementation throughout the organisation
- Understanding the business drivers
- Learning (continuous evaluation and adaptation)
- Identifying options

A series of case studies are in progress to determine current practice and to identify the best practice tools for each key feature. These will subsequently be used to benchmark organisations against identified best practice and to assist their improvement against the Baldrige strategy deployment item.

*For more information on this workgroup contact the workgroup facilitator:  
Max Saunders, PhD Researcher, COER. Email: [msaunders@paradise.net.nz](mailto:msaunders@paradise.net.nz).*

## 11. BENCHMARKING PROJECT MANAGEMENT

In recognition of the difficulty experienced by many organisations in completing projects on-time and fulfilling planned objectives the Club began a benchmarking project *“to identify how best practice organisations in New Zealand create and sustain an environment in which projects can best fulfil their objectives”*

The benchmarking study involves investigating the following three areas:

- Strategic Planning Link: Establish how best practice organisations, when selecting projects, ensure that projects support the strategic objectives of the organisation.
- Environmental: Establish how best practice organisations respond to changes relevant, but external, to their projects.
- Governance: Establish how best practice organisations maintain oversight and accountability for projects at an organisational level.

At present organisations from around the world are being surveyed on their practices in these areas. If your organisation has good to excellent project management practices then the workgroup invites your organisation to participate in its survey.

*For more information on this workgroup contact the workgroup facilitator:  
Juan Pellegrino, PhD Researcher, COER. Email: [J.M.Pellegrino@massey.ac.nz](mailto:J.M.Pellegrino@massey.ac.nz)*

## 12. BENCHMARKING RECOGNITION AND REWARDS

The most recent benchmarking project that the Club has begun is on *“Identifying best practices for recognizing and rewarding innovation and achievement in delivering business success”*.

As part of this project the benchmarking workgroup are hoping to find out the following from literature searches, surveys, benchmarking visits and discussions with Human Resource experts.

- Define what reward, recognition, innovation, achievement, best practice and business success mean
- Establish what approaches are being/have been used to reward and recognize innovation and achievement
- Identify who is recognized and rewarded e.g. individuals, groups/teams, specific organisational activities (e.g. projects)
- Establish the parameters and criteria used for recognising and rewarding individuals and groups/teams.
- Determine how fairness, effectiveness and appropriateness of strategies are determined and ensured
- Establish how the strategies used provide motivation and incentives to employees to achieve personal and business success
- Identify the costs associated with the strategies used including planning, implementation and evaluation
- Identify how organisations determine and measure the success of their reward and recognition strategy
- Identify what positive and negative results are being/have been achieved as a result of the implementation of reward and recognition strategies e.g. decreased staff turnover, increased financial revenue
- Determine the contextual factors that promote or hinder the success of a reward and recognition strategies

*If you or your organisation can contribute to this workgroup’s research please contact:  
Nicky Campbell-Allen, PhD Researcher, COER. Email: [N.M.Campbell-Allen@massey.ac.nz](mailto:N.M.Campbell-Allen@massey.ac.nz)*

### 13. RESEARCH ON THE MANAGEMENT OF KNOWLEDGE

Research has recently begun at COER to develop a knowledge management framework to assist organisations in achieving performance excellence.

Specific research objectives are:

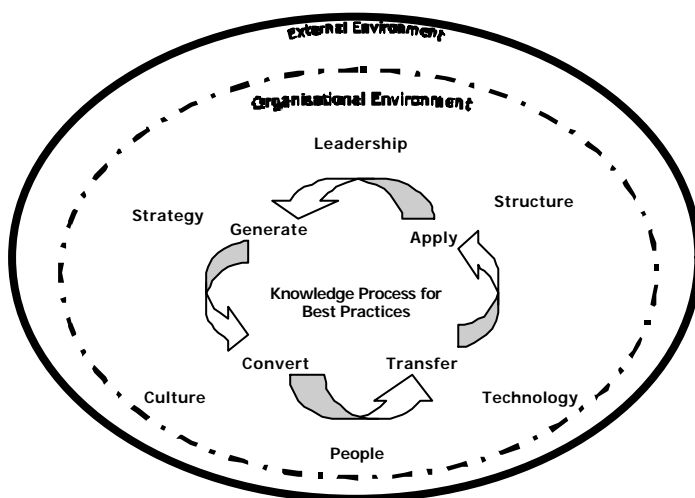
1. Identify activities, resources and outputs that are involved in the **generation** of knowledge.
2. Identify activities, resources and outputs that are involved in the **conversion** of knowledge.
3. Identify activities, resources and outputs that are involved in the **transfer** of knowledge.
4. Identify activities, resources and outputs that are involved in the **application** of knowledge.
5. Characterise and analyse the contextual factors that impede and/or enable the knowledge process and determine their interaction with each of its phases.
6. Develop a knowledge management framework to assist in the implementation of a knowledge process to achieve performance excellence.

#### Present research

Present research, such as Grover and Davenport (2001), indicates that the knowledge management process for best practices takes the form of a cycle where the organisation has to generate knowledge by acquisition or creation, convert it into an accessible and applicable form, transfer it to the point of use, and apply and use it to create value and new knowledge (See Figure 10.).

Each key knowledge management stage may be influenced by contextual factors acting as constraints or enablers. These factors may be internal to the organisation such as organisational strategies, leadership, culture, human resources, structure, and technology. The organisation's external environment such as political, market/economic, social, technological, and environmental factors may also have an impact on the knowledge management process. For example, the lack of a sharing culture in an organisation is likely to impede the knowledge process. On the other hand, increased competition in the market place might speed up the implementation of knowledge management in an organisation.

Fig. 10 - Knowledge management framework



Adapted from Grover & Davenport (2001)

#### The research challenge

COER's research provides an exciting opportunity to compare the knowledge management practices of New Zealand Benchmarking Club members. All Club members are striving for performance excellence and are given access to similar knowledge on best practices within the Club and so studying how well they transfer and apply knowledge will provide a valuable input into developing the most effective knowledge management framework for Club members. In addition to studying Club members, the research will involve studying the knowledge management practices of other organisations with known advanced practices in this area. It is intended that the framework produced will be applicable to all organisations that are striving for performance excellence.

References:

1. Grover, V & Davenport, T. H. (2001). General Perspectives on Knowledge Management: Fostering a Research Agenda. *Journal of Management Information Systems* / Summer 2001. Vol. 18 No. 1, pp 5-21.

And a good NZ based Knowledge Management Book:

Davidson, C. and Voss, Philip (2002). *Knowledge Management. An introduction to creating competitive advantage from intellectual capital*. Tandem Press. Auckland, New Zealand.

For more information on this research or if your organisation would be interested in sharing its expertise in knowledge management please contact: Juan Pellegrino, PhD Researcher, COER. Email: [J.M.Pellegrino@massey.ac.nz](mailto:J.M.Pellegrino@massey.ac.nz)

#### 14. NEW MEMBERS OF THE NEW ZEALAND BENCHMARKING CLUB

In May 2002, Silicon Systems and Actionmail became the two new members of the New Zealand Benchmarking Club. These organisations join: Accident Compensation Corporation (ACC), Aviation Security Service, Canterbury Health Laboratories, Crop and Food Research, dcypha Limited, ENZAFOODS NZ Ltd, Fletcher Wood Panels, Fonterra, Hamilton City Council, Montana Wines, National Student Relations - Massey University, New Zealand Sugar Company Ltd, Philips New Zealand Ltd, R & D Solutionz, Royal & SunAlliance Ltd and Wellington City Council on the Club's journey to "World-class performance by members and widespread adoption of excellent business practices within New Zealand".

The New Zealand Benchmarking Club was formed in May 2000, through a partnership between Massey University and the New Zealand Business Excellence Foundation (NZBEF). As part of their membership of the Club each organisation is committed to completing the Club's annual self-assessment against the Baldrige Criteria. The annual self-assessment enables the Club to monitor its progress in achieving its vision. More importantly the assessments enable the strengths and opportunities of member organisations to be identified. This information helps members to identify those organisations to learn from and leads to the development of effective action plans for improvement.

For more information on the New Zealand Benchmarking Club contact: Robin Mann, Director, COER. Email: [r.s.mann@massey.ac.nz](mailto:r.s.mann@massey.ac.nz).

#### 15. THE GLOBAL BENCHMARKING NETWORK

The Global Benchmarking Network (GBN) is a network of Benchmarking Centres/Club's (from 19 countries) set-up to foster benchmarking and promote best practice sharing worldwide. The Centres that are part of this network have a unique opportunity to tap into best practices from around the world and liaise with other leading centres.

Read below to see whether your country is represented on this Network and has access to its resources:

|                                |                    |                                 |                       |
|--------------------------------|--------------------|---------------------------------|-----------------------|
| ITEM-HSG                       | <b>Switzerland</b> | BENSA                           | <b>South Africa</b>   |
| Centre For Excellence          | <b>Finland</b>     | Excellence Ireland              | <b>Ireland</b>        |
| Best Practice Institute        | <b>USA</b>         | Small Business Services DTI     | <b>United Kingdom</b> |
| Hungarian Quality Institute    | <b>Hungary</b>     | CPC                             | <b>Moldova</b>        |
| New Zealand Benchmarking Club  | <b>New Zealand</b> | Danks Technology Institute      | <b>Denmark</b>        |
| Institute for Quality          | <b>India</b>       | SIQ                             | <b>Sweden</b>         |
| Club Gestión de Calidad        | <b>Spain</b>       | IZB/IPK                         | <b>Germany</b>        |
| Advanced Institute for Quality | <b>Mexico</b>      | Portugese Institute for Quality | <b>Portugal</b>       |
| Inst du Benchmarking           | <b>France</b>      | Benchmarking Club               | <b>Italy</b>          |
| MCV                            | <b>Turkey</b>      |                                 |                       |

If your country is not on the list above then please encourage your country's benchmarking centre/experts to apply for membership to the GBN and attend the next GBN meeting in October in the UK.

The chairman of this network is Dr Robert Camp of the Best-Practice Institute, USA. Dr Camp wrote the first book on benchmarking in 1989. In early 2001, the New Zealand Benchmarking Club became New Zealand's first ever representatives on this network.

For more information on the Global Benchmarking Network and its members visit the website at <http://www.globalbenchmarking.org> or contact: Tom E. Brock, Secretary General, Email: [teb@staturb.demon.co.uk](mailto:teb@staturb.demon.co.uk)

## 16. SPOTLIGHT ON BENSA AND THE BENCHMARKING INDEX

Benchmarking South Africa (BENSA) is one of the longest serving members of the Global Benchmarking Network.

Benchmarking South Africa (BENSA) was originally established by a group of South African organisations that recognised the value of benchmarking and its applicability in the South African business environment. The input and guidance of these founder members helped to establish South Africa's own benchmarking centre. The following organisations are founder members:

|                                 |                                 |
|---------------------------------|---------------------------------|
| National Productivity Institute | IBM                             |
| Sanlam                          | Sasol Limited                   |
| Arthur Andersen                 | Business Consulting             |
| Transnet Limited                | South African Quality Institute |
| Iscor Limited                   | CSIR (Aerotek)                  |
| Old Mutual                      |                                 |

At the end of the initial four-year agreement with the founder members, the BENSA board decided to privatise BENSA. BENSA became a private company on 1 July 2000.

BENSA provides services on all aspects of benchmarking from desktop best practice searches to detailed process benchmarking.

BENSA are particularly pleased with their new product offering - the Benchmark Index. This Index, developed in the UK, enables comparisons of performance on more than 100 measurements against that of more than 5,000 organisations in the database. This provides organisations with a comprehensive business assessment that may include industry specific comparisons and international comparisons. To date over 15 countries are promoting the index and due to its growing database countries are now being able to use the aggregated data for policy making.

*For more information on BENSA contact: Pieter van Schalkwyk, Managing Director, BENSA. Tel: 27 12 663-4811, Email: [yanschalkwykp@tfmc.co.za](mailto:yanschalkwykp@tfmc.co.za), <http://www.bensa.co.za>*

*For more information on the Benchmark Index contact: Tony Kennedy, Benchmarking Manager, Small Business Service. Tel: 020 7215 8168, Email: [tony.kennedy@sbs.gsi.gov.uk](mailto:tony.kennedy@sbs.gsi.gov.uk), <http://www.benchmarkindex.com>*

## 17. FORTHCOMING CONFERENCES

These are forthcoming conferences at which COER will be presenting and may be of interest to you.

- o Manufacturing Summit 2002 – 13/14 August, 2002, Auckland, NZ. <http://www.biia.co.nz>
- o World Quality Congress 2002 – 29 September to 2 October, Harrogate, UK. <http://www.iqa.org/q2002/>
- o Values Driven Organisations – 28-30 May, 2003, Rotorua Convention Centre, NZ. Email: [Quality@NZOQ.org.nz](mailto:Quality@NZOQ.org.nz)

## 18. OPPORTUNITY FOR PhD RESEARCH – CUSTOMER RELATIONSHIP MANAGEMENT

COER is always interested in hearing from graduates that have an interest in business excellence and PhD research. At present we have a vacancy for a PhD researcher in the area of Customer Relationship Management.

For this position, the researcher will be based in Hastings, New Zealand, working primarily with ENZAFOODS and supervised by COER. To ensure the success of the project full access will be given to other leading NZ organisations through the New Zealand Benchmarking Club.

A scholarship of NZ\$25,000 per annum is available (however PhD fees of NZ\$1,700 per annum are to be paid by the student). Only, B+ honours and first-class honours degree holders need apply. Work experience in customer relationship management or marketing would be an advantage.

*For more information and an application form contact Robin Mann, Director, COER, ASAP as applications need to be received by 22 July 2002. Email: [r.s.mann@massey.ac.nz](mailto:r.s.mann@massey.ac.nz).*

## 19. SUBSCRIBE TO COER NEWS

If you would like to receive future copies of this free newsletter and you are not already on our emailing list please send your contact details (including email address) to Robin Mann, Director, COER, [r.s.mann@massey.ac.nz](mailto:r.s.mann@massey.ac.nz) or visit [www.theBPIR.com](http://www.theBPIR.com) homepage to register your subscription. Also, if you want to unsubscribe from COER's mailing list, again please inform Robin.

## 20. FUTURE ISSUES OF COER NEWS

The frequency of publication will depend on the availability of new material. The intention is to publish at least once every six months.

### Thank you for reading COER NEWS.

For more information on COER please contact:

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