

A GLOBAL BENCHMARKING NETWORK PUBLICATION

# GLOBAL SURVEY ON BUSINESS IMPROVEMENT AND BENCHMARKING





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# 1. FOREWORD

In today's business world of fierce competition, customers continually demand higher quality at lower prices and in a shorter time. To meet the actual demand, organisations have adopted different tools, techniques and strategies in order to improve their operational performance and strategic position.

This study, conducted by the Global Benchmarking Network, identified the current and future trend of business improvement tool use and clarified the critical success factors for benchmarking. More than 450 responses from 44 countries were collected.

There has not been a time in history where the search for, insightful understanding and adoption of best practices regarding operations in all branches of industry, in non-profit organizations, in the government or in education was not just critical but an imperative. Benchmarking helps to sustain long-term success through continual comparison and learning from other organisations, it is a strategic strength if practised well and a fatal weakness if not pursued.

The Centre for Organisational Excellence Research (New Zealand) and the Information Centre Benchmarking at Fraunhofer IPK (Germany) undertook the research on behalf of the Global Benchmarking Network (GBN). The GBN, founded in 1994, is an alliance of leading benchmarking centres representing over 20 countries in five continents. Its vision is "to be recognised as the Global hub for benchmarking with active representation in all countries". One of the main goals of the GBN is to increase the awareness and the use of benchmarking globally.

GBN members, and the companies they represent, benefit from a number of services such as sharing meetings, international projects, publications and benchmarking partner searches. The GBN International Benchmarking Conference is the highlight of the year where an active and personal exchange of knowledge and experiences from experts and businesses from all around the world will take place.

The study shown in this publication is the most comprehensive global study of benchmarking that has been yet undertaken. We'd like to thank all participants of the survey and all GBN members for their support and valuable input: Benchmarking Partnerships (Australia), Bahrain Quality Society (Bahrain), National Quality Institute (Canada), Czech Society for Quality (Czech Republic), Information Centre Benchmarking and Lexta Consultants Group (Germany), Hungarian Association for Excellence (Hungary), BestPrax Club (India), Intelligent Persian Consultants (Iran), Excellence Ireland Quality Association (Ireland), Malaysia Productivity Corporation (Malaysia), National Productivity and Competitiveness Council (Mauritius), Centre for Organisational Excellence Research (New Zealand), Romanian Benchmarking Association (Romania), Business Excellence Department of the Russian Organization for Quality (Russia), TeamOne Consulting (Saudi Arabia), Swedish Institute for Quality (Sweden), TECTEM Benchmarking Center of the University of St. Gallen (Switzerland), China Productivity Center (Taiwan), BCS Management Services and Winning Moves (U.K.), Dubai Quality Group, Abu Dhabi International Centre for Organisational Excellence and the Ruler's Court of Ajman (United Arab Emirates) and the Best Practice Institute (USA).



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# 2. KEY FINDINGS AND IMPLICATIONS

## Business improvement tools

Mission and vision statements as well as customer (client) surveys are **the most used out of 20 improvement tools** (77% of surveyed organizations) surveyed. Closely followed by Strengths, Weaknesses, Opportunities, and Threats (SWOT) (72%). Followed by Informal Benchmarking (68%), Performance Benchmarking (49%) and Best Practice Benchmarking (39%).

The **tools that are likely to increase significantly in popularity** over the next three years are Performance Benchmarking, Informal Benchmarking, Strengths, Weaknesses, Opportunities, and Threats (SWOT), and Best Practice Benchmarking. Over 60% out of organizations surveyed stated that they were not currently using these tools but also indicated that they were likely to use them in the next three years.

All 20 improvement **tools are considered to be effective** with between 59 and 80% of organizations surveyed indicating major beneficial effects due to these tools. The tools with the highest rating were Quality Management System (80% of organizations surveyed indicated a moderate or high effect), followed by Improvement Teams and Customer (Client) Surveys (both reached 77%). Between 65 and 67% of respondents identified the different types of benchmarking as having a moderate to high effect.

## Benchmarking

Benchmarking probably did not rate as highly for effectiveness as some other tools due to these reasons:

- 25% answered that the use of benchmarking had not been trained and another 30% indicated that “only a few employees had received training or that training was rarely given”
- 30% answered that they do not follow a particular benchmarking methodology when conducting benchmarking projects.

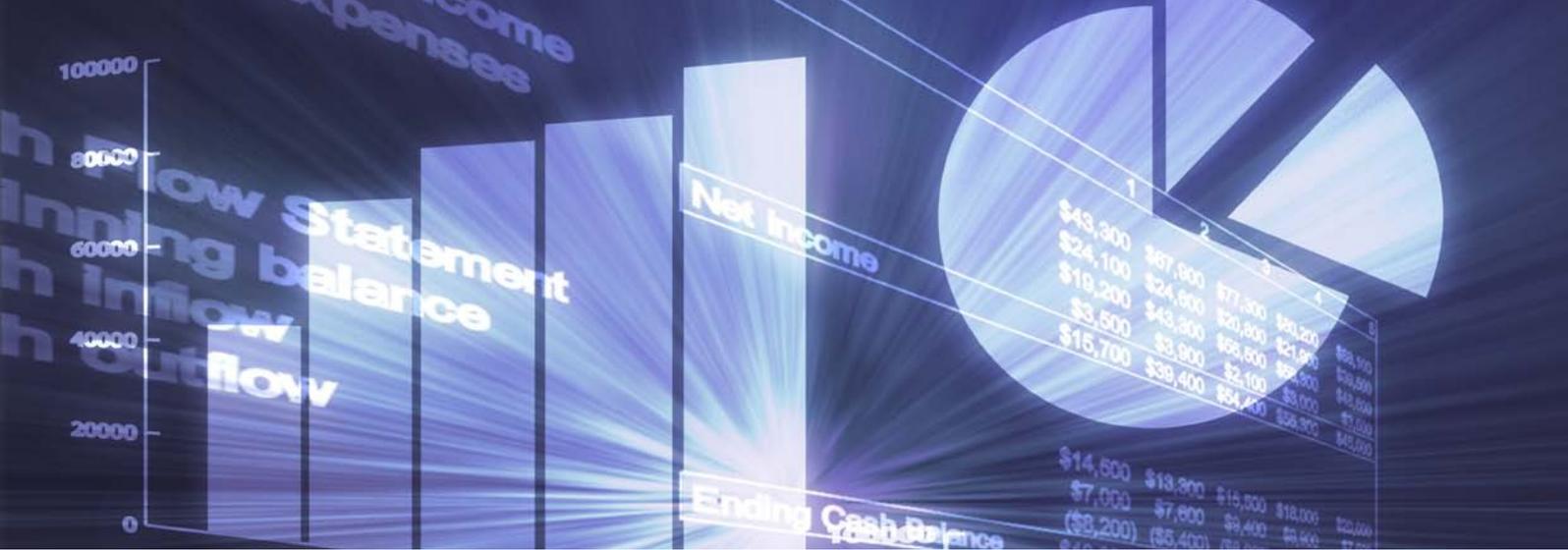
- 25% of organizations surveyed do not follow (or rarely follow) a benchmarking code of conduct when undertaking a benchmarking project.
- 30% answered that they “do not at all, rarely or just sometimes” develop a project brief for their benchmarking project specifying the aim, scope, sponsor, and members of the benchmarking team – thus indicating poor project planning.
- Only 30% of respondents indicated that over 60% of their projects resulted in implementing best practices within their organisation. Therefore many organisations are either not identifying best practices through benchmarking or they are not implementing the best practices they find.
- 35% of respondents do not (or rarely) undertake a cost and benefits analysis of the project once it is completed.

Some respondents reported **significant benefits from benchmarking**. 20% reported an average financial return of over US\$250,000 per project.

The **main benefits of benchmarking**, in order of importance, were reported as: improved performance of processes, learning what other organizations are doing, and major strategic issues addressed.

The **most important factors for benchmarking success** that were reported were: support of top management, understanding of own processes, clear project objectives, and linking of project objectives to strategic objectives.

The **most popular methods for collecting benchmarking data and best practice information** were: searching web sites (used by 59% of respondents on most or all benchmarking projects), literature searches (used by 52%), and site visits/meetings with benchmarking partners (used by 51%). Of those organizations that do some type of benchmarking, approximately 20% regularly collect, review and act on benchmark data that covers the full spectrum of their activities



(including employee, financial, process, product and service and customer data).

The **most popular areas to conduct benchmarking projects** are in customer service (15% of projects were in this area in the last three years), administration, training and human resources (14%), and corporate strategy and planning (12%).

Of those organisations that undertake benchmarking projects usually 2-5 projects per year were undertaken (53% of responses). Most benchmarking projects are conducted in less than 4 months (65% of responses) and a typical benchmarking team consists of 1-4 people (61% of responses).



### Implications of these findings

The study has shown that **benchmarking is a popular improvement tool which is increasing in popularity**. In particular, a high use of Informal Benchmarking has been noticed due to the facilitation through Internet use – therefore paving the way for organizations to quickly obtain good ideas, best practices or network with other organizations. Formal Benchmarking methods such as Performance Benchmarking

and Best Practice Benchmarking require more effort and also time but offer larger gains. Increasingly organizations are seeing the value of both Informal and Formal Benchmarking as a means to meet the rising demands of customers and other stakeholders, as well as to remain competitive in markets of global competition.

**The prime benefit of benchmarking is improved process performance.** Benefits can be substantial from both the financial and non-financial perspective. However, worryingly, there are a sizeable proportion of organizations (approximately 30%) that are using Best Practice Benchmarking without obtaining full benefits. This is because many of these organizations have not been trained in benchmarking, do not follow a proven benchmarking methodology or use a benchmarking code of conduct, or in some cases they are not using standard project management practices to manage their benchmarking projects. Under these circumstances it is no surprise that full benefits are not obtained.

The GBN recognizes it needs to encourage **more people to be trained in benchmarking** and that this training is delivered to a high standard. For other improvement tools like Six Sigma, Balanced Scorecard, Quality Management Systems (ISO9000), or Business Excellence there are, in most countries, many training providers and comprehensive training programmes. However, this is not the case for benchmarking. Whilst interest in benchmarking has continued to rise the number of training providers has still remained small. This is partly due to organisations not recognising the need for formal training.

Effective benchmarking projects require a wide variety of **research and project management skills** within a project team. Through training these skills can be developed. In addition, an experienced trainer will be able to provide advice, tools and resources to assist with benchmarking projects.

# 3. PURPOSE AND DESIGN OF THE STUDY

This study aimed to identify the trend of improvement tools usage based on the worldwide survey conducted by Global Benchmarking Network and to clarify the critical success factors for implementing effective Benchmarking projects. In 2008, the Global Benchmarking Network conducted a global survey on business improvement and benchmarking.

The survey data was collected in the time from May to September 2008 with 452 participants from 44 different

countries. The participating companies and organisations were asked about their opinion and practical experience regarding the implementation of various business improvement tools.

The respondents were classified by region/country, business sector and whether they are using benchmarking as an improvement tool or not.

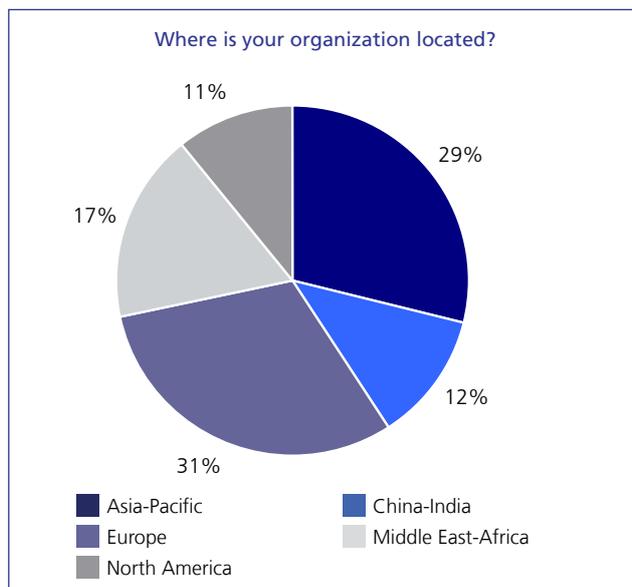


Figure 1: Response distribution by Region

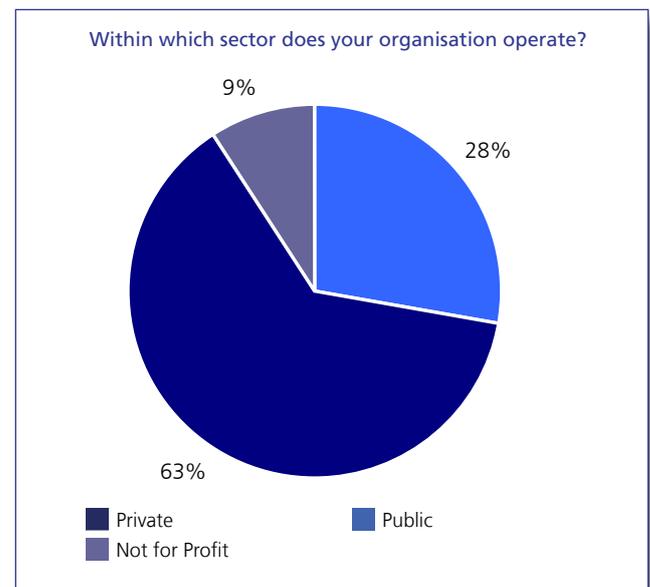


Figure 2: Respondents by Sector

The respondents were grouped into five regions according to their geographical location or their similarities in economical development (Figure 1).

The respondents were classified by their business sector, whether the organisation belongs to the Private Sector, Public Sector, or Not for Profit or Community.

Most respondents are organisations from the private sector (63%), followed by organisations from the public sector (28%) and non-profit organisations as well as communities (10%) (Figure 2).



The organisations which took part in the survey are of different sizes. Most of them are part of large companies with more than 250 employees. The small and medium sized organisations each contribute about a quarter of all respondents.

The respondents were asked to indicate their business activity field with the following result that the four main business activities are: Manufacturing (27%), Personal and Other Services (12%), Governmental Administration and Defense (9%) and Education (8%).

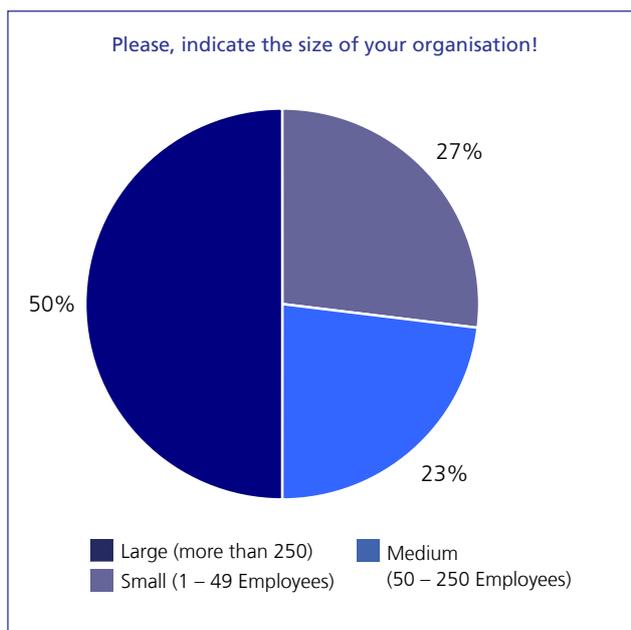


Figure 3: Respondents by Organizational Size



Figure 4: Respondents by Business Activity Field



The survey revealed that most organisations (55 %) are operating over a relatively long period of time (more than 20 years). The smallest group form organisations which operate between 16 and 20 years. 11 % of organisations surveyed belong to the group of young organisations (five years and less).

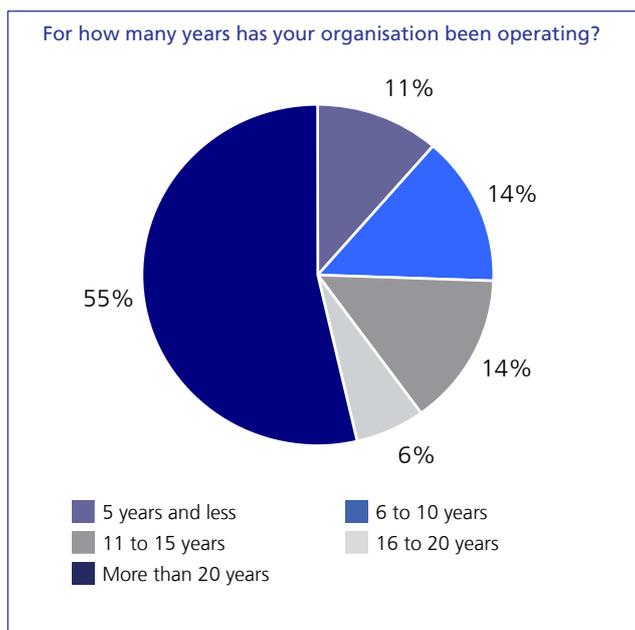


Figure 5: Respondents by Years of Operation

## DESIGN OF THE SURVEY

The results of the survey are presented in two main sections:

**Use of Improvement Tools:** The awareness, usage, effectiveness and possibility for future adoption of 20 improvement techniques. Results make a distinction between different regions, sectors and industries.

**Benchmarking:** This section is split into three areas. Firstly, it describes what is benchmarking and the different types of benchmarking. Secondly, it describes how organisations are using benchmarking and, in particular, the processes that benchmarks are collected for. Thirdly, it focuses on the most powerful type of benchmarking; best practice benchmarking. This type of benchmarking is used for “learning from the experience of others” and achieving breakthrough improvements in performance. In order to identify critical success factors for the implementation of best practice benchmarking projects, only those organisations which implemented this technique, were asked to provide details on who when, what, why, where and how they implemented their benchmarking projects.

# 4. BUSINESS IMPROVEMENT TOOLS

The main purpose of the study was to understand how business improvement tools are currently implemented and perceived, as well as to compare these tools with benchmarking. The study distinguishes four different aspects by comparing these tools with each other:

## Awareness

Is the interviewee aware of this technique?

## Usage

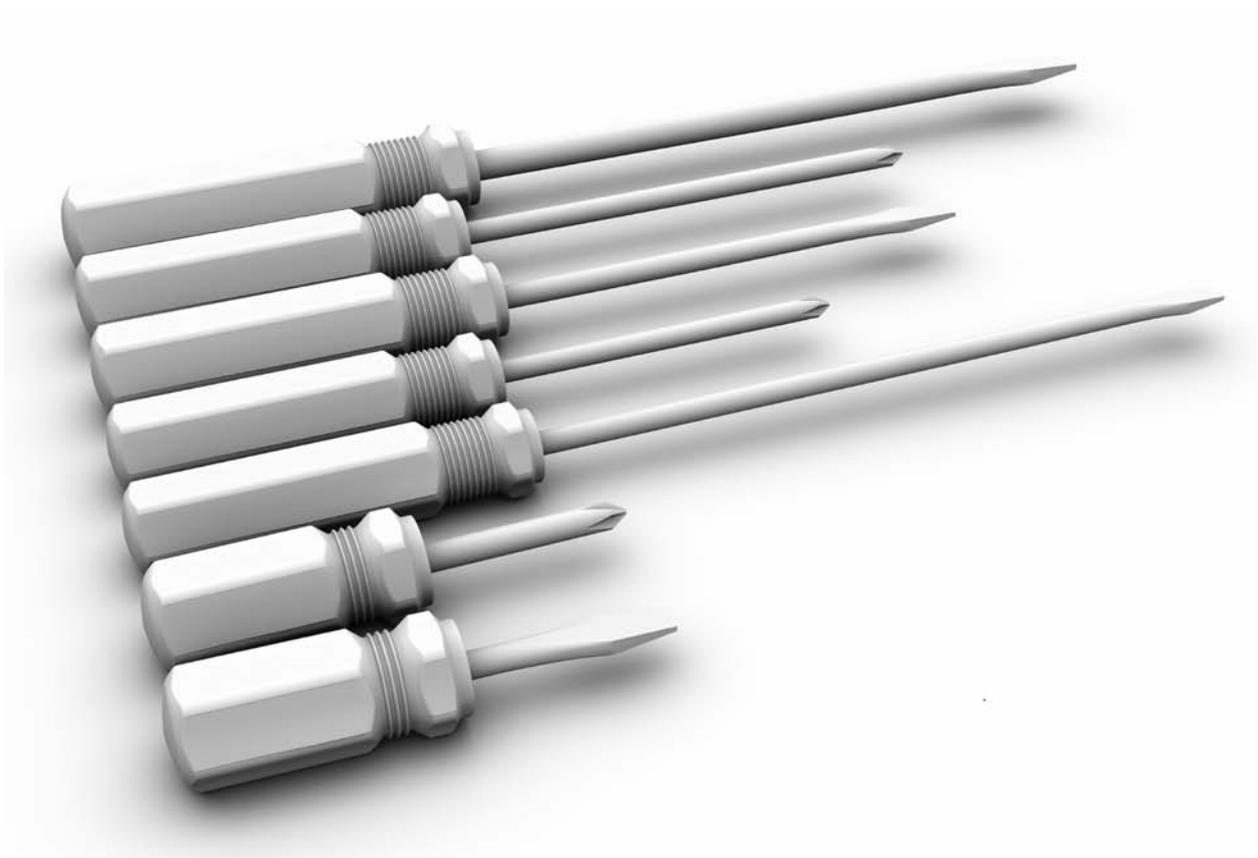
Has the interviewee used this technique?

## Effectiveness

How effective is this technique to the interviewee?

## Future Adoption

Is the interviewee willing to adapt this technique in the future?



# 4.1 GLOBAL PERSPECTIVE

Table 1 gives an overview of improvement tools that have been analysed in the survey. The twenty techniques scrutinised in the survey are broken down in four groups based on the response rate for awareness, usage, effectiveness and future adoption: Top five (blue), above average (light blue), below average (light orange) and bottom five (red).

It is apparent by analysing the data that there are strong correlations between the four groups. The highest correlation can be seen between awareness and usage as, Customer (Client) Survey, SWOT and Mission and Vision Statement are in the top three for both groups but change in positioning. Different results can be found for effectiveness, where the top three improvement tools are a Quality Management System (QMS), Improvement Teams and TQM.

The most striking result might be the fact that the respondents chose different improvement tools for future adoption. They considered Performance Benchmarking, Best Practice Benchmarking and Informal Benchmarking as the most wanted improvement tools for future adoption.

Table 1: Overview of Business Improvement Techniques

Business Improvement Techniques	Awareness	Usage	Effectiveness	Future Adoption
Global Average	65.0%	50.2%	68.2%	30.5%
Informal Benchmarking	75.2%	69.2%	64.2%	41.0%
Performance Benchmarking	66.2%	49.1%	63.1%	50.0%
Best Practice Benchmarking	60.0%	39.6%	64.3%	45.1%
Balanced Scorecard	67.7%	43.4%	66.3%	37.9%
Business Excellence	59.5%	39.8%	71.7%	29.0%
Business Process Reengineering	56.9%	45.6%	73.3%	26.4%
Corporate Social Respons. System	46.9%	37.0%	56.9%	26.0%
Customer (Client) Surveys	85.8%	77.0%	74.4%	29.8%
Employee Suggestion Scheme	76.8%	63.7%	60.8%	31.7%
Improvement Teams	73.5%	64.8%	74.7%	29.7%
Knowledge Management	59.5%	47.4%	62.2%	32.8%
Lean	51.8%	35.8%	70.4%	24.8%
Mission and Vision Statement	82.3%	77.2%	68.2%	29.1%
Plan-To-Check-Act	70.6%	57.7%	73.2%	28.8%
Quality Function Deployment	42.7%	23.9%	63.0%	16.9%
Quality Management System	81.4%	67.3%	76.6%	30.4%
Six Sigma	47.6%	21.9%	62.6%	19.8%
SWOT Analysis	83.2%	72.1%	70.9%	37.6%
TQM	67.3%	40.7%	74.5%	24.3%
5S	45.8%	30.3%	72.3%	19.0%

## 4.2 REGIONAL PERSPECTIVE

### GROUPS OF RESPONDENTS BY REGION AND COUNTRY



The respondents are grouped into five regions according to their geographical location or their similarities in economical development.

The trend between awareness, usage, effectiveness and willingness for future adoption of each region only varies slightly with China-India leading ahead of other regions. China-India as emerging, fast growing economies have a strong desire for and a high utilisation of business improvement tools.

Another developing region, Middle East-Africa, has a lower utilisation of improvement tools, but reveals a relatively high willingness to adopt new improvement techniques.

### Regional Awareness Level

Although the five regions have rather different awareness levels, the ranking of each technique is similar between regions.

#### Key

**Awareness** = % of respondents indicating a moderate or high level of awareness of the technique.

**Usage** = % of respondents indicating the use of the technique.

**Effectiveness** = % of respondents indicating a moderate or major improvement in organisational performance as a result of using the technique.

**Future** = % of respondents indicating the willingness to use the technique in the next three years.

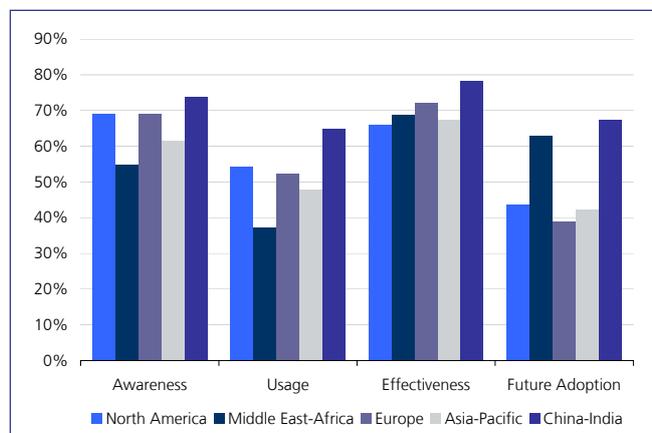


Figure 6: Regional Profile of Improvement Techniques

Table 2: Region ranking – Awareness

Improvement Tools	World	North America	Middle East-Africa	Europe	Asia Pacific	China-India
Customer (Client) Survey	1	2	3	1	3	1
SWOT	2	3	2	3	1	6
Mission and Vision Statement	3	1	4	6	2	2



### Usage Level

The usage rate usually follows the same trend as awareness. Techniques with higher awareness got adopted by companies more often. But, there is more variation in usage among regions than there is in awareness.

### Effectiveness Level

There are some discrepancies among the different regions when it comes to the most effective improvement tool. Quality Management System, the most effective tool globally, is not even one of the top five tools in Europe. The top three tools in Europe were; Informal benchmarking, performance benchmarking and Mission and Vision Statement.

### Future Adoption Level

There is a high interest in adopting new techniques in Middle East-Africa and China-India, despite the fact that China-India already employs more techniques than other regions. However, none of the global top five techniques in future adoption rates is listed in the top two positions in the China-India region.

Table 3: Region ranking – Usage

Improvement Tools	World	North America	Middle East-Africa	Europe	Asia Pacific	China-India
Mission and Vision Statement	1	1	3	3	1	4
Customer (Client) Survey	2	2	4	1	2	1
SWOT	3	4	1	4	2	8

Table 4: Region ranking – Effectiveness

Improvement Tools	World	North America	Middle East-Africa	Europe	Asia Pacific	China-India
Quality Management System	1	3	2	6	4	2
Improvement Team	2	2	9	7	1	12
TQM	3	1	6	2	10	20

Table 5: Region ranking – Future Adoption

Improvement Tools	World	North America	Middle East-Africa	Europe	Asia Pacific	China-India
Performance Benchmarking	1	3	1	2	2	4
Best Practice Benchmarking	2	1	6	1	4	3
Informal Benchmarking	3	2	13	3	1	16

## 4.3 ORGANISATIONAL PERSPECTIVE

### Business Sectors

The responding organisations were classified by their business sector, whether Private Sector, Public Sector, or Non-profit Sector and Community. Depending on the sector to which an organisation belongs varies the way of operating and the goals pursued. The survey result mimics to some extent the nature of each sector.

The Private Sector has the highest awareness level and usage rate, followed by the Public Sector and then the Non-profit and Community sector. Non-profit and Community as well as Public Sector share similar patterns regarding awareness and usage of most techniques, with Non-profit and Community lagging almost consistently 5-10% behind Public Sector. In Informal Benchmarking, Business Excellence and Improvement Teams, Public Sector and Non-Profit and Community have both significant higher usage rates than the Private Sector.

### Business Activity

The highest usage of business improvement tools was registered in Electricity, Gas and Water Supply, as well as in Finance and Insurance with an average use of 13 techniques per organisation, which is twice as many as in Property and Business Services. Accommodation, Cafes and Restaurants only uses 3.5 techniques per organisation, the lowest overall number. As a global average, across the business activities, Customer (Client) Survey, Mission and Vision Statement, Plan-Do-Check-Act, Quality Management System, SWOT, can be termed as the most effective tools.

A breakdown of the global figures is illustrated in the next figure. The most notable leap belongs to best practice benchmarking, which is only ranked fifteenth in actual usage, but jumps to the top ten in the context of potential usage. A positive shift upwards can be seen also for Performance Benchmarking and the Balanced Scorecard.

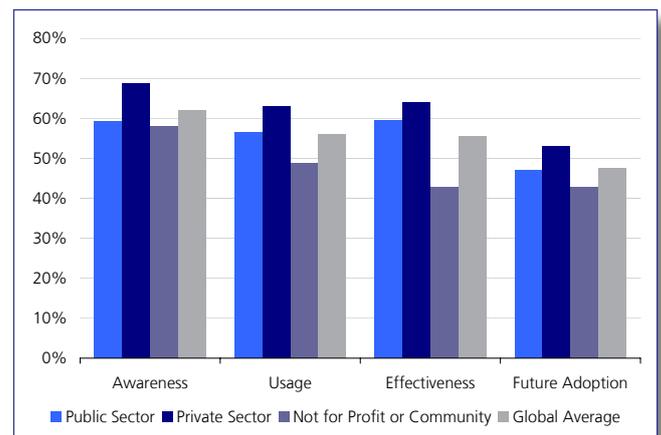


Figure 7: Sector Profile of Improvement Techniques

Table 6: Overview of Business Activities: TOP 5 Usage of Business Improvement Techniques

Industry	Awareness	Usage	Effectiveness	Future Adoption
Global Average	65.0%	50.2%	68.2%	30.5%
Electricity, Gas and Water Supply	74.2%	65.0%	81.1%	49.0%
Finance and Insurance	73.6%	64.5%	70.9%	60.0%
Manufacturing	68.2%	53.3%	71.8%	36.6%
Transport and Storage	72.7%	56.8%	66.0%	35.9%
Education	66.5%	54.7%	58.8%	29.6%

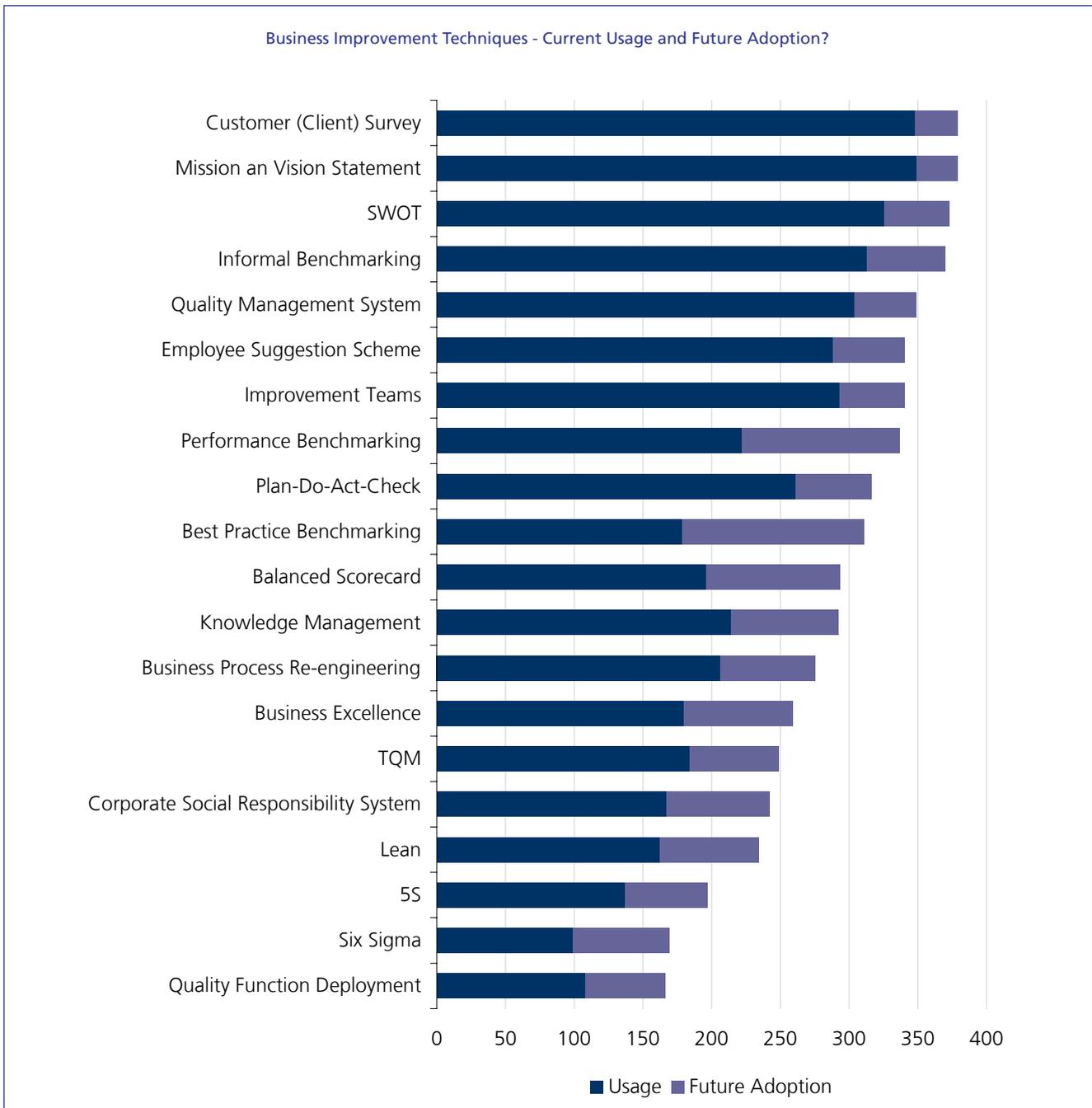


Figure 8: Global Potential Usage (Current and Future)



# 5. BENCHMARKING

## Benchmarking Types

Benchmarking as a management technique has many definitions. The definition used in the survey classifies benchmarking into two main categories: informal and formal benchmarking. Informal Benchmarking can be defined as an unstructured approach to learn from the experience of other organisations; therefore not following a defined process. Formal Benchmarking is conducted consciously and systematically by organisations. It is divided in two categories: Performance Benchmarking and Best Practice Benchmarking. Performance Benchmarking compares the performance level of a specific process to identify opportunities for improvement and to set performance targets. Best Practice Benchmarking is searching for the best way or solution by studying other organisations that are high performers in particular areas of interest. The knowledge gained is then analysed and in cases that the practice is feasible and appropriate, it will be adapted and incorporated in the organisation's own process.

## Informal Benchmarking

This type of benchmarking is mostly used by everyone unconsciously at work and in home life. We constantly compare and learn from the behaviour and practices of others – whether it is how to use a software program, how to cook a better meal, or to be a better player in our favourite sport. In the context of work, people are undertaking informal benchmarking when:

- Talking to work colleagues and learning from their experience (coffee breaks and team meetings are a great place to network and learn from others).
- Consulting with experts (for example, business consultants who have experience of implementing a particular process or activity in many business environments).
- Networking with other people from other organisations at conferences, seminars, and Internet forums.
- Utilising on-line databases/web sites and publications that share benchmarking information. Such information provides a quick and easy way to learn of best practices and benchmarks.

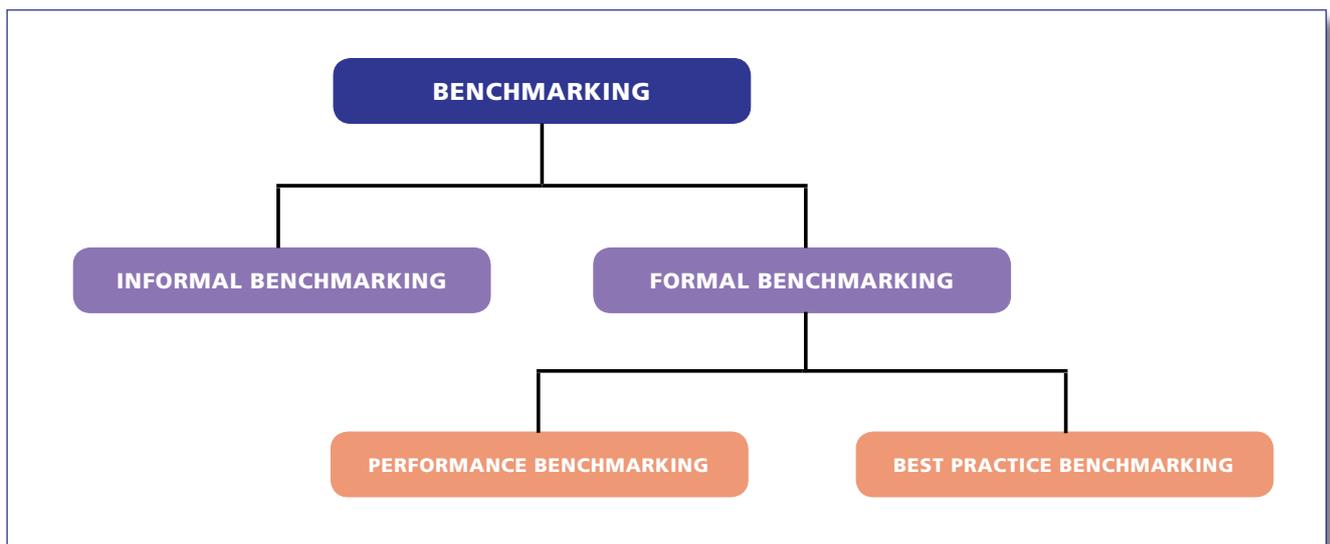


Figure 9: Benchmarking Types



### **Formal Benchmarking**

Secondly, there is “Formal Benchmarking” which differs in two types – Performance Benchmarking and Best Practice Benchmarking.

#### *Performance Benchmarking*

Performance benchmarking describes the comparison of performance data obtained by studying similar processes or activities. Comparisons of performance may be undertaken between companies – or internally within an organisation. It is useful to identify strengths and opportunities for improvement. Performance benchmarking may involve the comparison of financial measures (such as expenditure, cost of labour, cost of buildings/equipment, cost of energy, adherence to budget, cash flow, revenue collected) or non-financial measures (such as absenteeism, staff turnover, the percentage of administrative staff to front-line staff, budget processing time, complaints, environmental impact or call centre performance).

A lot of people equate benchmarking to performance benchmarking. This is unfortunate, because performance benchmarking on its own is of limited use. Too often performance benchmarking data is collected (often at significant cost) and no further action is taken after the data has been obtained. Whilst performance benchmarking enables the user to identify a performance gap, it does not provide the idea, best practice or solution as to how performance can be improved and the gap closed.

#### *Best Practice Benchmarking*

Best Practice Benchmarking describes the comparison of performance data obtained by studying similar processes or activities and identifying, adapting, as well as implementing the practices that revealed the best performance results. Best practice benchmarking is the most powerful type of benchmarking. It is used for “learning from the experience of others” and achieving breakthrough improvements in performance. Best practice benchmarking focuses on “Action” – i.e. doing something with the comparison data and working out why other organisations are achieving higher levels of performance. Best practice benchmarking projects typically take from 2 to 4 months to identify best practices. The practices then need to be adapted and implemented.

The time taken for the whole project varies dependent on the project’s scope, importance, and resources used. Projects are usually resource intensive (in terms of the project team’s time) and so care needs to be taken that they focus on issues of high strategic importance that will deliver major bottom-line benefits.

#### **Other Types of Benchmarking**

There are many other types of benchmarking such as internal, external, competitive, strategic, and product benchmarking. However, all these types can be undertaken informally or formally and therefore are subsets of Informal and Formal Benchmarking.

# 5.1 GENERAL USE OF BENCHMARKING

Benchmarking, such as Performance Benchmarking and Best Practice Benchmarking, is highly desirable. But despite the great potential, the usage rate of Performance Benchmarking and Best Practice Benchmarking is lower than average.

Benchmarking has even a lower average than the global average effectiveness rate over all business improvement techniques, which arises the question: what can be done to enhance the user experience of benchmarking and improve its currently mediocre performance?

To get an answer, it is important to study organisations that use Benchmarking. It has to be investigated why they choose Benchmarking and how it was implemented. Furthermore, the reasons for not implementing Benchmarking also need to be analysed.

In Europe, the average usage rate of improvement tools lies around 52%, but Benchmarking, including Best Practice Benchmarking and Performance Benchmarking, has a usage rate of 68,6%, the highest of all regions. Furthermore in different sectors, the Top Five (see table 6) has a relatively high usage rate of improvement tools, but Government Administration and Defense stands out with a usage rate of 71% in Benchmarking.

Employee involvement plays an important role in Benchmarking projects. The respondents were asked to answer the following three questions:

- Do your employees receive training in benchmarking?
- Do your employees collect and use benchmarking information?
- Are the better practices that have been identified through benchmarking communicated to your employees?

Higher involvement from employees is shown from organisations whose opinions are positive towards benchmarking. Employees of the organisations stated that they are more trained

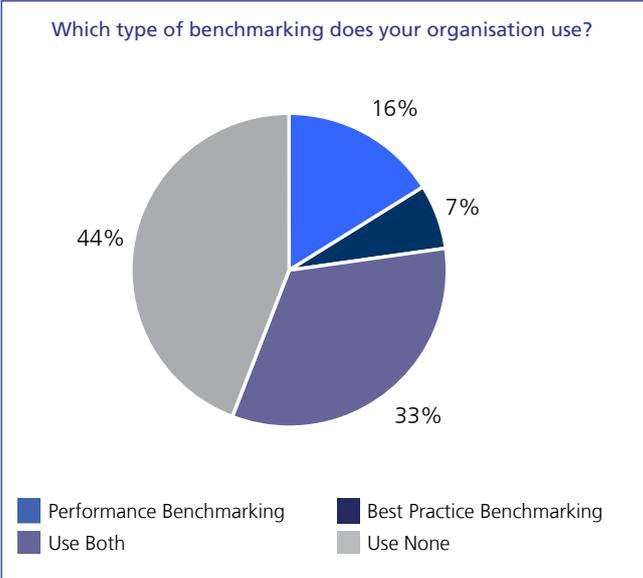


Figure 10: Usage of Benchmarking

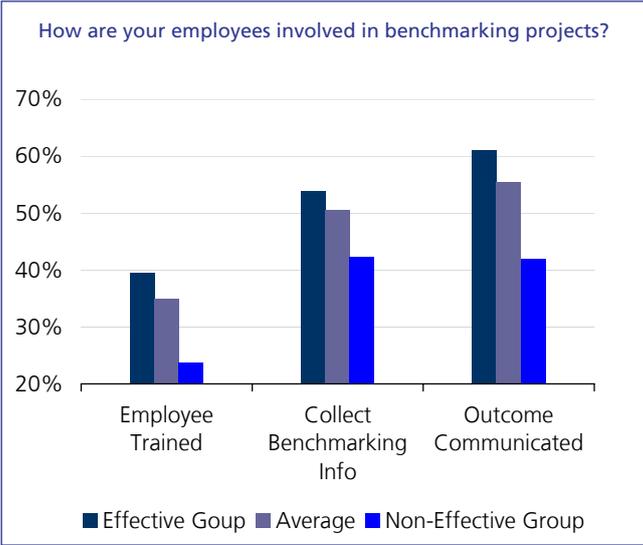


Figure 11: Employee Involvement of Benchmarking Projects

Only respondents who indicated that they used Performance or Best Practice Benchmarking completed this section of the survey



Figure 12: Reasons for not Adopting Benchmarking

in Performance Benchmarking and Best Practice Benchmarking. They collect benchmarking information more frequently and are informed about the outcomes of the projects. The opposite is occurring when the employees have a negative opinion of the Benchmarking tools.

An interesting finding was the answer regarding why some organisations are not implementing Benchmarking. 200 out of 452 organisations have not implemented either Performance Benchmarking or Best Practice Benchmarking, and the main reason behind this is the lack of resources and partners.

For Middle East-Africa, which is the region with the lowest usage rate in both Performance Benchmarking and Best Practice Benchmarking, the biggest obstacle in practicing benchmarking methods is the fear of sharing knowledge. The main concern for the organisations outside Middle East-Africa is the lack of benchmarking-understanding (North-America, Asia Pacific), lack of technical knowledge in planning benchmarking projects (China-India) and the lack of resources (Europe).



Figure 13: Willingness to Use Third Party Benchmarking Service

Private organisations are more sceptical to share their corporate information and have more difficulties in finding benchmarking partners than public ones. Usually larger in size and longer in history, public organisations often have more complex administration structures, which might have some negative impact on implementing new methods. Thus, the most critical reason for not using benchmarking for organisations in Public sector, Non-profit or Community is the lack of top management commitment.

Respondents were also asked to indicate the main success factors for benchmarking. These were identified as resources and the ability to find willing and suitable benchmarking partners. Organisations that used third party services found benchmarking more effective than those that did not use any third party service. Overall, the use of third party services is not very common with only 30% of the organisations. But within these 30%, 75% of the interviewees said that benchmarking is an effective tool for their organisation.



# 5.2 BEST PRACTICE BENCHMARKING

Best Practice Benchmarking describes the comparison of performance data obtained by studying similar processes or activities and identifying, adapting, as well as implementing the practices that revealed the best performance results (figure 12). Best practice benchmarking focuses on “Action” – i.e. doing something with the comparison data and learning why other organisations are achieving higher levels of performance.

The time needed for the whole project varies dependent on the project’s scope, importance, and resources used. Projects are usually resource intensive (in terms of the project team’s time) and so care needs to be taken that the focus will lie on issues of high strategic importance that will deliver major bottom-line benefits. A best practice benchmarking project should follow these four steps: Planning, Research and Analysis, Implementation, and Evaluation.



Figure 14: 4 steps of a successful Best Practice Benchmarking project

### Survey Results

Organisations, which have specifically implemented Best Practice Benchmarking were asked about with whom, when, what, why, where and how they undertook benchmarking projects.

The survey results explain the characteristics of a benchmarking project. More than half of the organisations are conducting two to five benchmarking projects per year. Most time on the project is spent on Research & Analysis and Implementation. Including the time spent on implementation, the average length of a benchmark project lies between eight and nine months. The size of a benchmarking team usually comprises between three and four people. Few organisations have specialised benchmarking personnel who organise and lead benchmarking projects. Most benchmarking projects involve people from middle management, selected employees, senior management and process owners.

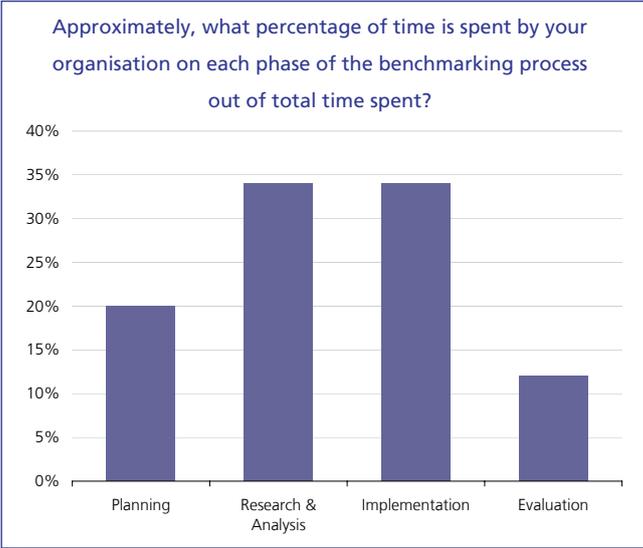


Figure 15: Percentage of time spent by the organisations on each phase of the benchmarking process

Only respondents who indicated that they used Best Practice Benchmarking completed this section of the survey.

## Goals of a Benchmarking Project

The main motivation behind an organisation's participation in a benchmarking project is to improve the performance of a process.

Most organisations use benchmarking to improve their performance in commercial areas, such as customer service and administration, training and human resources. More than half of the organisations developed their own methodology when conducting benchmarking projects, whereas 25% do not or rarely follow a benchmarking code of conduct.

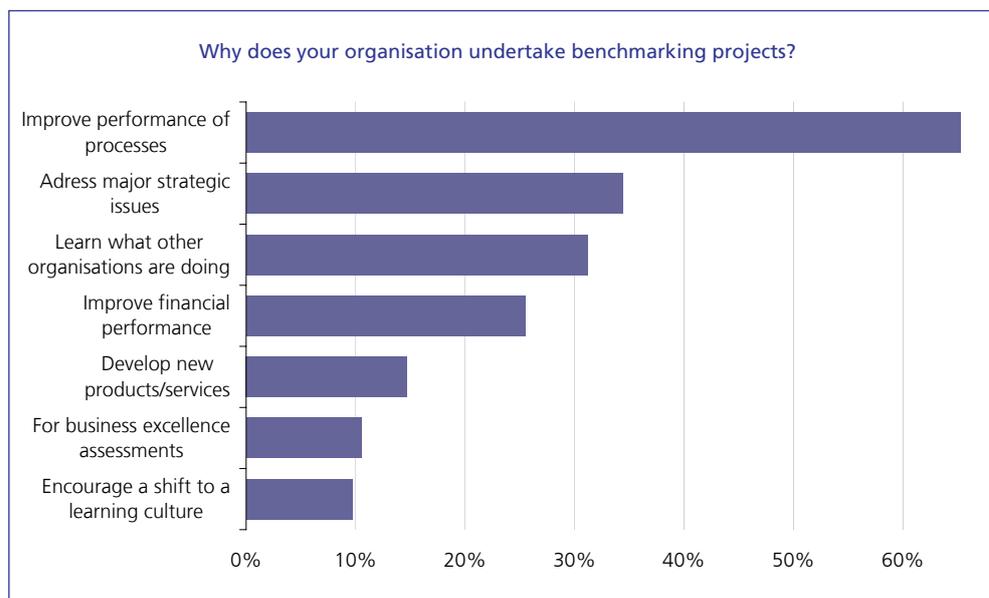


Figure 16: Reasons for Undertaking Benchmarking Projects

## Planning

The planning phase of a benchmarking project influences positively the success of a project. The survey investigated if organisations undertook the following activities in the planning phase:

- Developed a project brief specifying the aim, scope, sponsor and the members of the benchmarking team.
- Calculated the expected costs and benefits of the project
- Followed the benchmarking code of conduct

20% more organisations, which indicated a moderate or major impact from benchmarking, usually or always followed one or more of the three preparation steps of benchmarking projects.

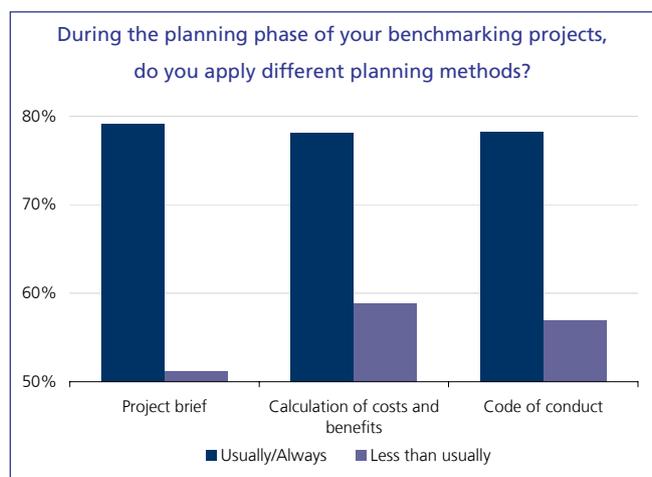


Figure 17: Effectiveness Rating for Planning Phase Activities

## Research and Analysis

A wide range of information collection methods is available. Most project teams collect benchmarking data and best practice information from online web sites and from their benchmarking partners. Systematically categorised Best Practice databases, either internal or external, are slightly less popular.

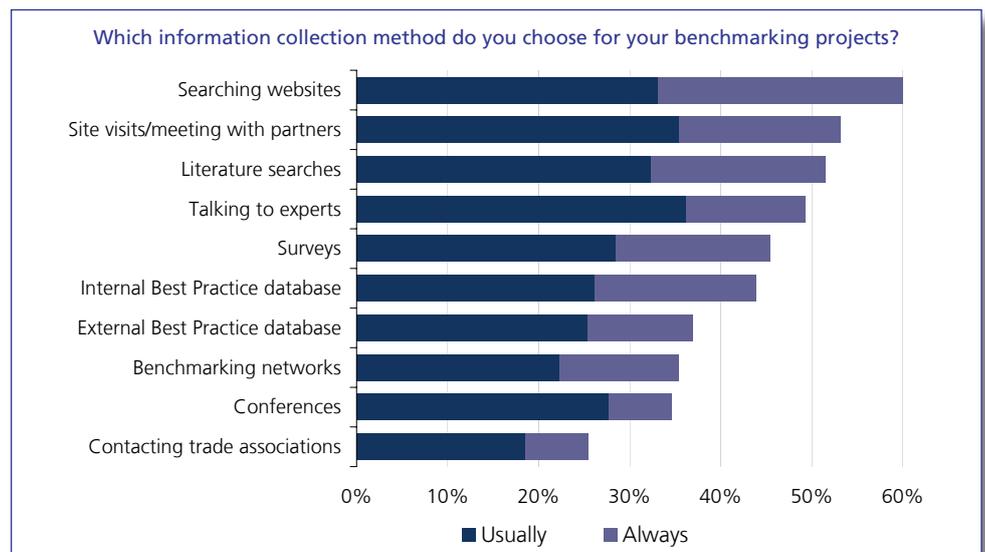


Figure 18: Usage of Benchmarking Data Collecting Methods

## Implementation

On average 41-60% of benchmarking projects result in implementation. However, almost 20 responding organisations had a success rate of 81-100% projects resulting in implementation.

For benchmarking projects that successfully led to an implementation, the average implementation phase takes about 5,1 months, which is 1,5 months more than planning and researching phases together.

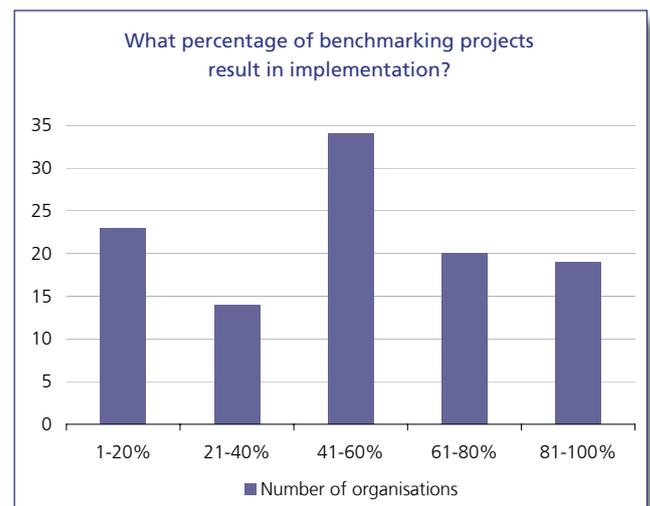


Figure 19: Benchmarking implementation



## Evaluation

The benefit of a proper evaluation is most apparent when the effectiveness rates of benchmarking are compared between organisations that usually or always evaluate the project at its end and those that don't. The respondents were asked if they

- Measure the improvements that have occurred
- Undertake a cost and benefit analysis
- Evaluate how successfully they manage the project

Those organisations that usually or always perform an evaluation at the end of a project are much more likely to have undertaken a successful project. By not evaluating or examining the project even if it is not completed, organisations lose

a precious opportunity to learn from mistakes and to improve their benchmarking approach.

At the end of a benchmarking project, three areas were examined:

- Project outcome communication methods
- Benefit of project outcome
- Project financial return

For the channels of communication, active communication methods are used more frequently than passive ones to convey the results of benchmarking projects to the personnel in the organisation.

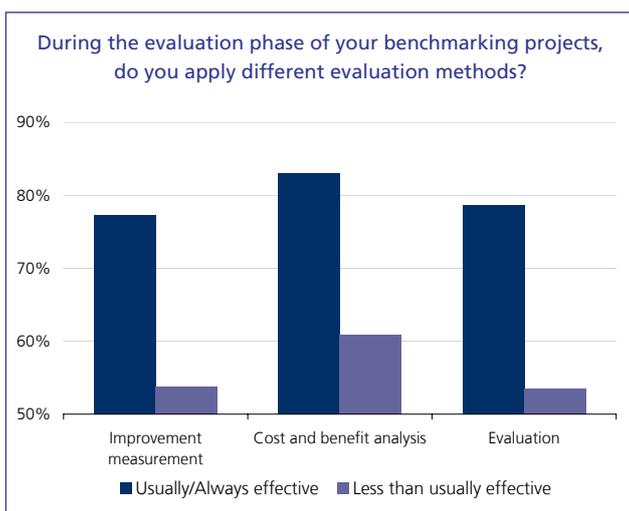


Figure 20: Effectiveness Difference of Evaluation Actions

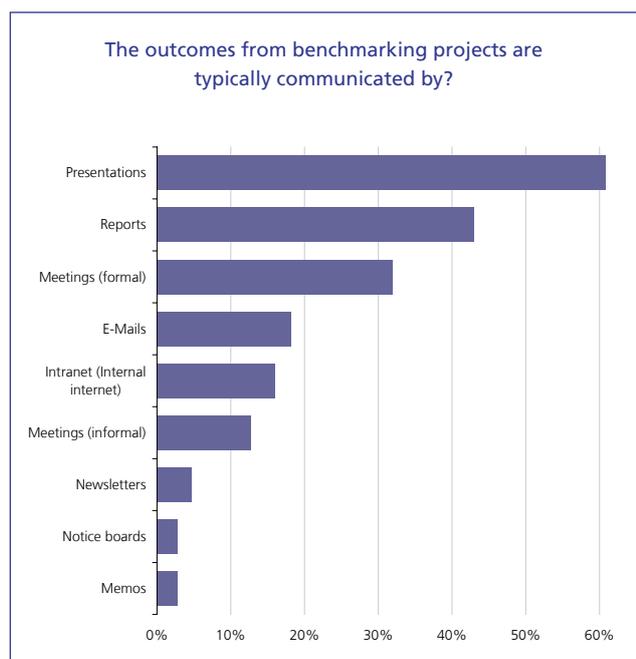


Figure 21: Benchmarking Presentation Outcome Communication Methods

The main benefit of benchmarking projects is improved performance of processes. This is an important result due to the fact that this finding corresponds with one of the most important reasons why organisations perform benchmarking (Figure 22).

Many improvements are subtle and hard to measure in financial numbers. For those organisations that measure the actual financial return contributed by benchmarking projects, the

average financial return is between 11,000 to 50,000 US\$. Some respondents stated significant benefits from benchmarking. 20% reported an average financial return of over US\$ 250,000 per project. Analysing the survey responses of these organisations it was evident that they paid more attention to the planning and evaluation of their projects. For instance, Figure 24, shows that those organisations that usually or always measured the costs and benefits of a project were more likely to achieve better financial outcomes.

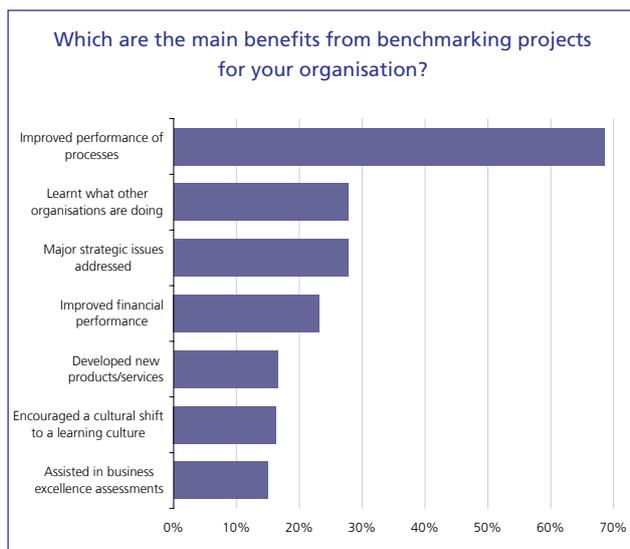


Figure 22: Main Benefit of Benchmarking Projects

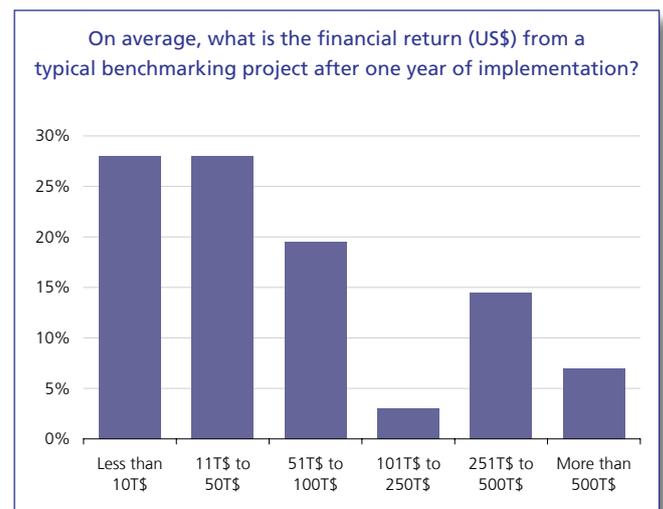


Figure 23: Financial return (US\$) from a typical benchmarking project, after one year of implementation

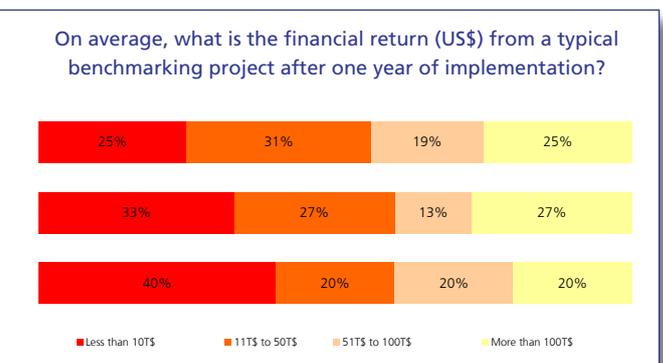
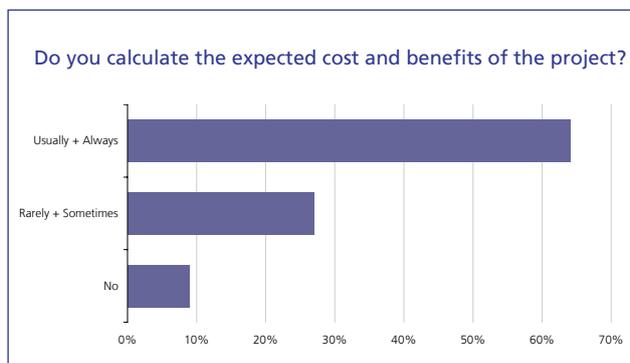


Figure 24: Financial return from a typical benchmarking project

### Key Success Factors of Benchmarking Projects

Finally, respondents were asked to indicate the key factors of success for a benchmarking project. More than 95% agreed that the support from the top management is most important.

The reason why external or consultancy support is considered to be the least important factor of a successful benchmarking project to an organisation could be due to the low usage level of third party benchmarking services.

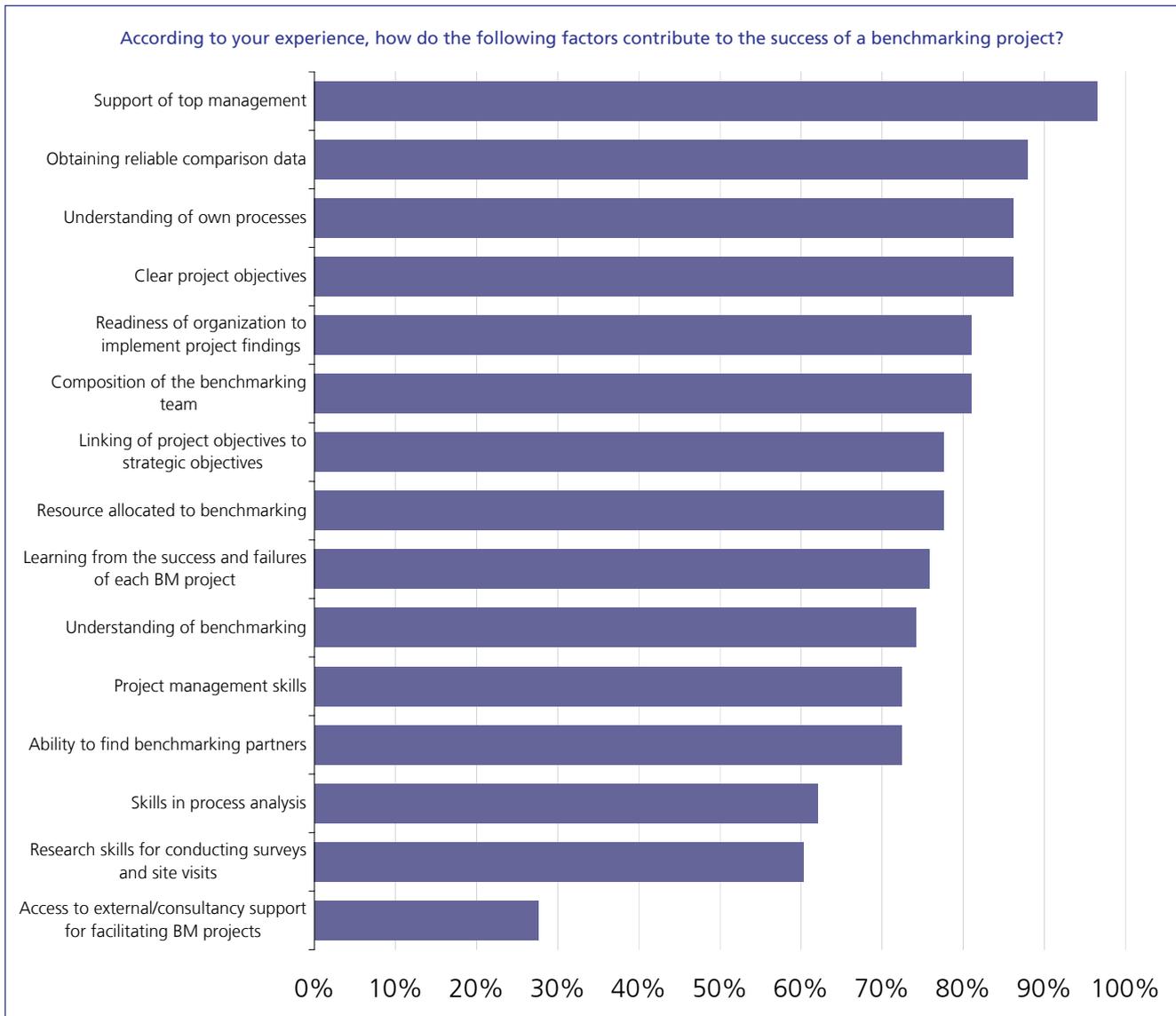


Figure 25: Factors of a Successful Benchmarking Project

# 6. SUMMARY AND CONCLUSION

The purpose of the study was to identify current trends in usage, effectiveness and future adoption of improvement tools as well as to clarify possible difficulties while conducting benchmarking projects. Therefore the Global Benchmarking Network conducted a survey between May 2008 and September 2008 which had 452 organisations surveyed from 45 different countries.

### Business Improvement Tools

Within the twenty pre-selected improvement tools, Mission and Vision Statement, Customer (Client) Service and SWOT Analysis were used most by organisations. But the most effective improvement tools were quality improvement techniques, such as Quality Management System, Improvement Teams and Total Quality Management. A reason for this preference could be that they are considered as having a more tangible impact on an organisation. Some improvement tools, like Mission and Vision Statement, encourage a positive cultural shift, which is usually subtle and its benefits can only be observed on a longer time scale.

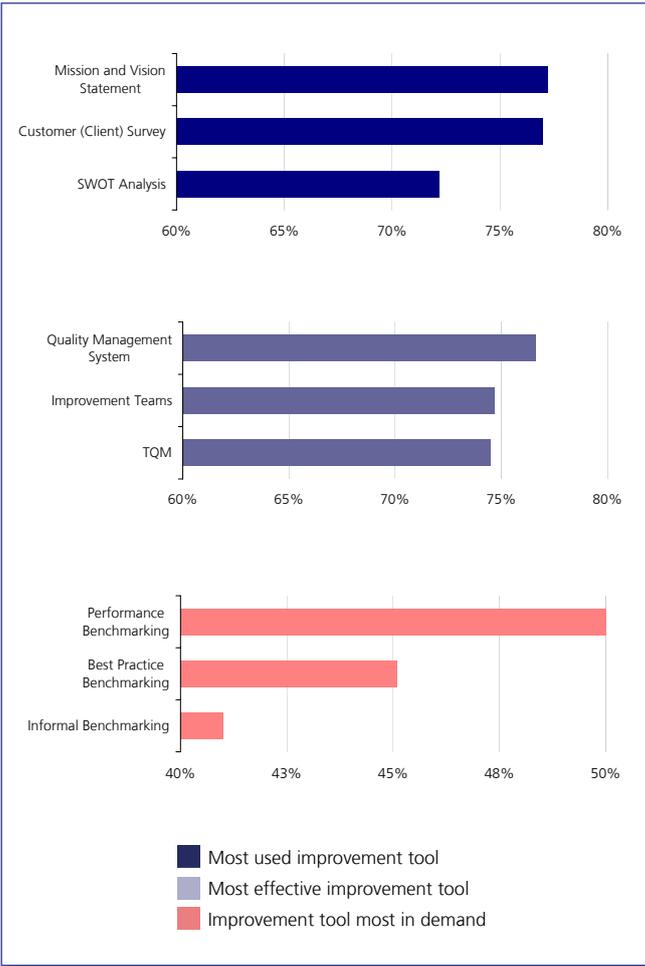


Figure 26: Top Three Improvement Tools



### Regional Perspective

A possible influential factor, region, is found to have a subtle effect on how organisations choose and work with improvement tools. Regions, like North America, Europe and Asia Pacific, share, in general, a similar view on improvement techniques. China-India, the fast growing region, shows a high willingness to adapt and experiment with new improvement tools, even with their already higher-than-global-average use of improvement techniques. Middle East-Africa is more conservative regarding improvement tools and currently uses much fewer tools than other regions. Despite the high future adoption rate, both Middle East-Africa and China-India show relatively little interest in adopting benchmarking currently, one of the most sought-after improvement tools by other regions.

### Organisational Perspective

Five industries stand out as having higher levels of awareness, current use, expected use and effectiveness of improvement tools. These are Electricity, Gas and Water Supply, Finance and Insurance, Manufacturing, Transport and Storage as well as Education.

Five other industries, Personal and Other Services, Health and Community Services, Construction, Government Administration and Defense and Property and Business Services, have lower levels on the whole.

### Benchmarking

The obstacles preventing organisations from adapting benchmarking are mostly from a lack of technical knowledge and the difficulty of finding a benchmarking partner, both problems can be supported by third-party benchmarking services. Other critical success factors with a positive effect on the success of a benchmarking project are:

- The evaluation at the end of a benchmarking project
- The preparation before the start of a benchmarking project
- High level of employee involvement in a benchmarking project

It is clear that if organisations perform benchmarking projects in a professional manner the gains from both the financial and non-financial perspective can be large (20% of respondents stated an average financial return of over US\$250,000 per best practice benchmarking project).

Last but not least the support of the top management is a crucial factor regarding the success of benchmarking projects. In many situations, benchmarking teams are facing obstacles within benchmarking projects that can only be solved with the help of a higher authority. The lack of support and involvement from the top management or even fellow colleagues is often caused due to a lack of benchmarking-understanding. Therefore the promotion of benchmarking-knowledge is needed to launch a smooth project.

# APPENDIX A – DEFINITIONS OF IMPROVEMENT TOOLS

<b>Informal Benchmarking</b>	Actively encouraging employees to learn from the experience and expertise of other colleagues and organisations through comparing practices and processes e.g. through best practice tours, conferences, best practice websites, networking
<b>Performance Benchmarking</b>	Comparing performance levels of a process/activity with other organisations – therefore comparing against benchmarks
<b>Best Practice Benchmarking</b>	Following a structured process for comparing performance levels and learning why better performers have higher levels of performance and adapting/implementing those better practices
<b>Balanced Scorecard</b>	Used for measuring whether the activities of a company are meeting its objectives in terms of vision and strategy by focusing on a balanced set of outcomes
<b>Business Excellence</b>	Using a business excellence model (such as EFQM, Baldrige, or any other national excellence model) for assessment and improvement.
<b>Business Process Re-engineering (BPR)</b>	Involves significant changes in the design and production of an organisation's products/services by focusing on processes rather than traditional functions
<b>Corporate Social Responsibility System</b>	System designed to measure, apply, assess, and report organisational efforts to integrate CSR, particularly environmental and social concerns, into all operations
<b>Customer (Client) Surveys</b>	Surveys to obtain customer feedback
<b>Employee Suggestion Scheme</b>	A formal mechanism by which employees can offer their ideas
<b>Improvement Teams</b>	A team established to address a specific improvement issue
<b>Knowledge Management</b>	A range of practices used by organisations to identify, create, represent, and distribute knowledge
<b>Lean</b>	A process of improvement that focuses on practices aimed at reducing inventory levels and waste from the organisation's key processes
<b>Mission and Vision Statement</b>	Brief statements of the purpose and vision of an organisation, with the intention of keeping employees aware of the organisation's direction
<b>Plan-Do-Check-Act (PDCA)</b>	A four step process for continuous improvement
<b>Quality Function Deployment (QFD)</b>	A structured team approach in which customer requirements are translated into appropriate technical requirements for each stage of product development and production
<b>Quality Management System</b>	Such as ISO 9001, following procedures, quality manual and auditing
<b>Six Sigma</b>	A measured and fact-based approach to reducing process variation and improving performance
<b>Strengths, Weaknesses, Opportunities, and Threats (SWOT)</b>	A strategy development tool used to identify the strengths, weaknesses, opportunities and threats facing an organisation
<b>TQM</b>	A management approach for long-term success through improving customer satisfaction, processes, products, services and culture
<b>5S</b>	A housekeeping method for organizing a workplace, especially a shared workplace (like a shop floor or an office space and keeping it organized)



# APPENDIX B – GLOBAL BENCHMARKING NETWORK MEMBERS

More information about the Global Benchmarking Network can be found on [www.globalbenchmarking.org](http://www.globalbenchmarking.org).

[www.bestpracticeconference.com](http://www.bestpracticeconference.com)

Each year the GBN organises the International Benchmarking Conference. The conference in 2010 will be held in Dubai. Further information on the conference can be found on

If your organisation, wants to know more about benchmarking and/or be trained in benchmarking we advise that you speak to your country's GBN representative.

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