



Benchmarking Past, Present, and Future

Dr Robin Mann, Director of the Centre for Organisational Excellence Research (COER) and Co-Founder of BPIR.com Limited explains the past, present and future of benchmarking. This article provides an overview of how benchmarking has evolved over time, and its growing importance. It includes a description of the different types of benchmarking, success stories and services available to support benchmarking endeavours.

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1. The Past

It is now over 25 years since the publication of the first book on benchmarking by Dr Robert Camp (1989): *Benchmarking: The Search for Industry Best Practices that lead to Superior Performance*.

This was a ground-breaking book. It described a new methodology called "Benchmarking" and how to apply it based on Dr Camp's experience of managing the benchmarking programme within Xerox. The uniqueness of Xerox's approach was that they moved from "competitive benchmarking", which was principally used to examine manufacturing costs through product comparisons, to "non-competitive benchmarking" which encompassed a 10 step methodology to learn and apply best practices. Xerox recognised that in order to survive and grow they needed to do more than compare against competitors – what they needed to do was to develop superior practices from learning from best practices wherever they exist.

Stage	Step	Camp Model
Planning	1	Identify what is to be benchmarked
	2	Identify comparative companies
	3	Determine data collection method & collect data
Analysis	4	Determine current performance 'gap'
	5	Project future performance levels
Integration	6	Communicate benchmark findings and gain acceptance
	7	Establish functional goals
Action	8	Develop action plans
	9	Implement specific actions & monitor progress
	10	Re-calibrate benchmarks
Maturity	Leadership position attained Practices fully integrated into processes	

Figure 1 – Xerox's 10 step benchmarking methodology

Between 1981 and 1989, Xerox undertook over 200 benchmarking projects, learning from the best irrespective of which industry they came from. These included American Express (for billing and collection), Cummins Engines and Ford (for factory floor layout), Florida Power and Light (for quality improvement), Honda (for supplier development), Toyota (for quality management), Hewlett-Packard (for research and product development), Saturn (a division of General Motors) and Fuji Xerox (for manufacturing operations) and DuPont (for manufacturing safety). Xerox transformed itself from an organisation which was in danger of going out of business (their market share had plummeted from 86% in 1974 to just 17% in 1984) to one that became recognised as a world-class. Xerox became the first company to win both the Malcolm Baldrige National Quality Award in 1989 and the European Quality Award in 1992. This transformation process from "crisis point" to an acknowledged "world-class" organisation in both the United States and Europe took 8 years.

Due to Xerox's success, benchmarking became known worldwide. Figure 2 shows the rise in popularity of benchmarking from 1990 when there were only a few publications on the subject to over 350 per year in 1993 and this number being maintained until 2004. This is quite unusual – most quality management techniques follow a "fad cycle", where they are popular for a few years and then their popularity declines.

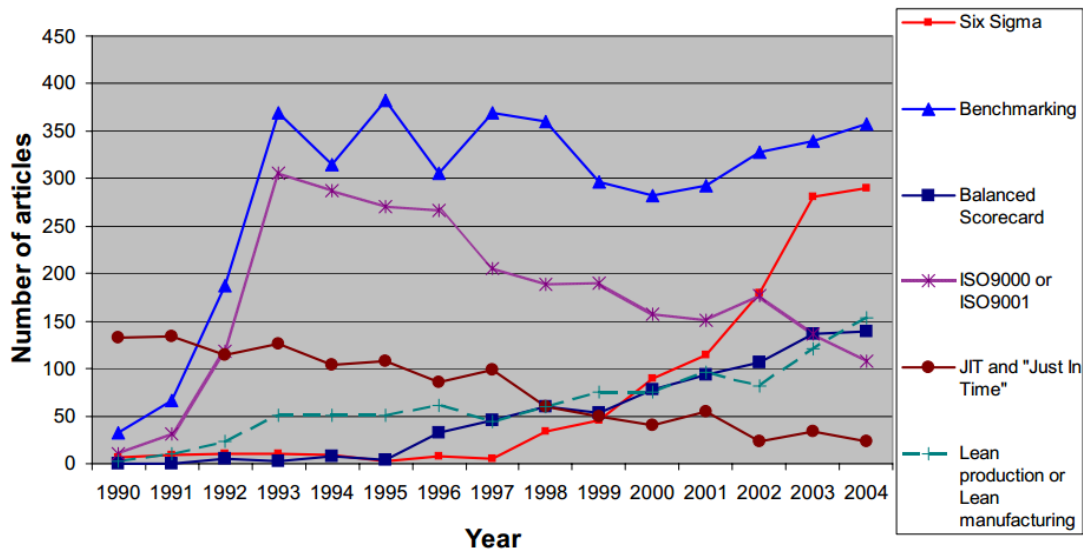


Figure 2 – Number of articles published in ProQuest (1990–2004) on tools and techniques (Thawesaengskulthai, N and J. Tannock, 2008.)

Research, by the author, on the number of articles on benchmarking published in ProQuest in 2014 indicates that benchmarking’s popularity has increased with over 900 publications per year.

The continuing popularity of benchmarking stems from its importance in a global economy which demands that organisations constantly learn and apply better practices to meet the needs of increasingly well-informed customers. In addition, key institutions have helped to popularise benchmarking. The developers of the EFQM Excellence Model and the Baldrige Excellence Framework position benchmarking as a key component of business excellence – therefore bringing greater awareness of benchmarking to leading organisations around the world. Also, the Global Benchmarking Network (GBN) was created in 1994 to promote and encourage its use worldwide. The GBN was formed by experts from benchmarking centres in Germany, Italy, Sweden, the United Kingdom and the United States (with Dr Camp serving as President). Since 1994, the GBN has grown to a membership of 31 benchmarking centres representing 24 countries.

2. The Present

In the last 20 years, benchmarking methodologies have evolved and technology has helped to make it easier to undertake. Most research studies in the last few years have identified benchmarking as a top five tool in terms of popularity in terms of usage and above average in terms of satisfaction – see Figure 3.

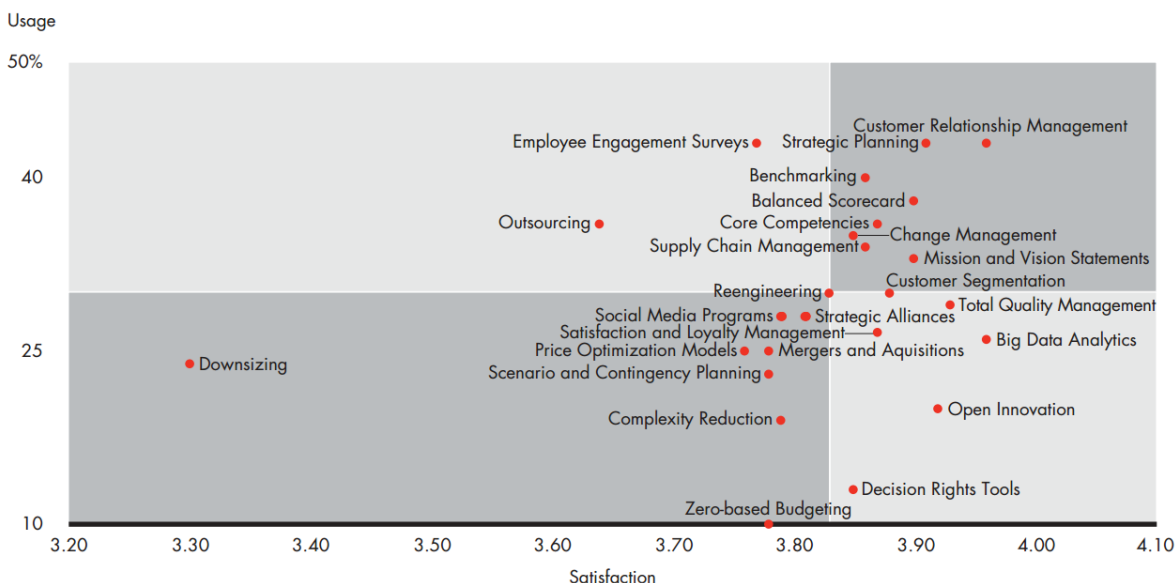


Figure 3 – Popularity and satisfaction of Management Tools and Techniques (over 9,000 respondents worldwide) (Rigby, 2013)

Whilst benchmarking has become popular there have been questions raised about its effectiveness. Research by the GBN (Mann et al, 2010) identified a potential reason why satisfaction rates for benchmarking were not as high as some other techniques. It seems that organisations have widely different opinions on what benchmarking is and how to apply it, leading to a sizeable % of organisations recording poor returns from benchmarking. According to the GBN study almost 30% of organisations that use benchmarking obtain an average return/saving per project of less than US\$15,000. This is in contrast to 20% obtaining an average return/saving per project of greater than US\$250,000 per project with some obtaining returns in the millions of dollars. The reasons for this disparity in success, was reported as:

- 25% of respondents that used benchmarking had not been trained in benchmarking and another 30% of respondents indicated that "only a few of the employees had received training or that training was rarely given".
- 30% of respondents that used benchmarking do not follow a particular benchmarking methodology when conducting benchmarking projects.
- 25% of respondents do not follow (or rarely follow) a benchmarking code of conduct when undertaking a benchmarking project.
- 30% of respondents "do not, rarely, or 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.
- 35% of respondents do not (or rarely) undertake a cost and benefits analysis of the project once it is completed.

One of the common problems is that many people consider benchmarking to be solely about comparison rather than learning from the practices of other organisations and adapting and implementing these practices.

2.1 Classifying the types of benchmarking

There are two main types of benchmarking; informal and formal benchmarking.

Informal benchmarking can be defined as an unstructured approach to learn from the experience of other organizations; therefore not following a defined process. It refers to the type of benchmarking that everyone does at work, often unconsciously, involving comparing and learning from the behaviour and practices of others. Learning from informal benchmarking typically comes from the following:

- Talking to work colleagues and learning from their experience.
- Consulting with experts 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.
- On-line databases/web sites and publications that share benchmarking information provide quick and easy ways to learn of best practices and benchmarks.

Formal benchmarking consists of two types – performance benchmarking and best practice benchmarking.

- Performance benchmarking describes the comparison of performance data obtained from studying similar processes or activities. Performance benchmarking may involve the comparison of financial measures (such as expenditure, cost of labour, and cost of buildings/equipment) or non-financial measures (such as absenteeism, staff turnover, complaints, and call centre performance).
- Best practice benchmarking describes the comparison of performance data obtained from studying similar processes or activities and identifying, adapting, and implementing the practices that produced the best performance results. The Xerox methodology can be described as a best practice benchmarking methodology.

Both informal and formal benchmarking can be used internally (learning inside the organisation), externally (learning from other organisations) or competitively (learning from competitors).

Informal and formal benchmarking are complementary and supportive of each other. Informal benchmarking is easier to do and accessible to everyone and therefore useful for cultural change whilst formal benchmarking is more structured and usually undertaken by project teams and over a longer time-frame. Organisations that have systems in place to encourage informal benchmarking are more likely to be successful with formal benchmarking as their people will be more willing to embrace change and they will already have knowledge of potential best practices and strong contacts with other organisations that can become benchmarking partners.

A PhD research project at COER is investigating the use of Informal Benchmarking. The first stage of the research has involved developing a taxonomy of Informal Benchmarking, see Figure 4. The next stage is to learn how organisations are undertaking informal benchmarking and its effectiveness. To learn more about this research refer to <http://blog.bpir.com/benchmarking/global-survey-report-on-informal-benchmarking/>

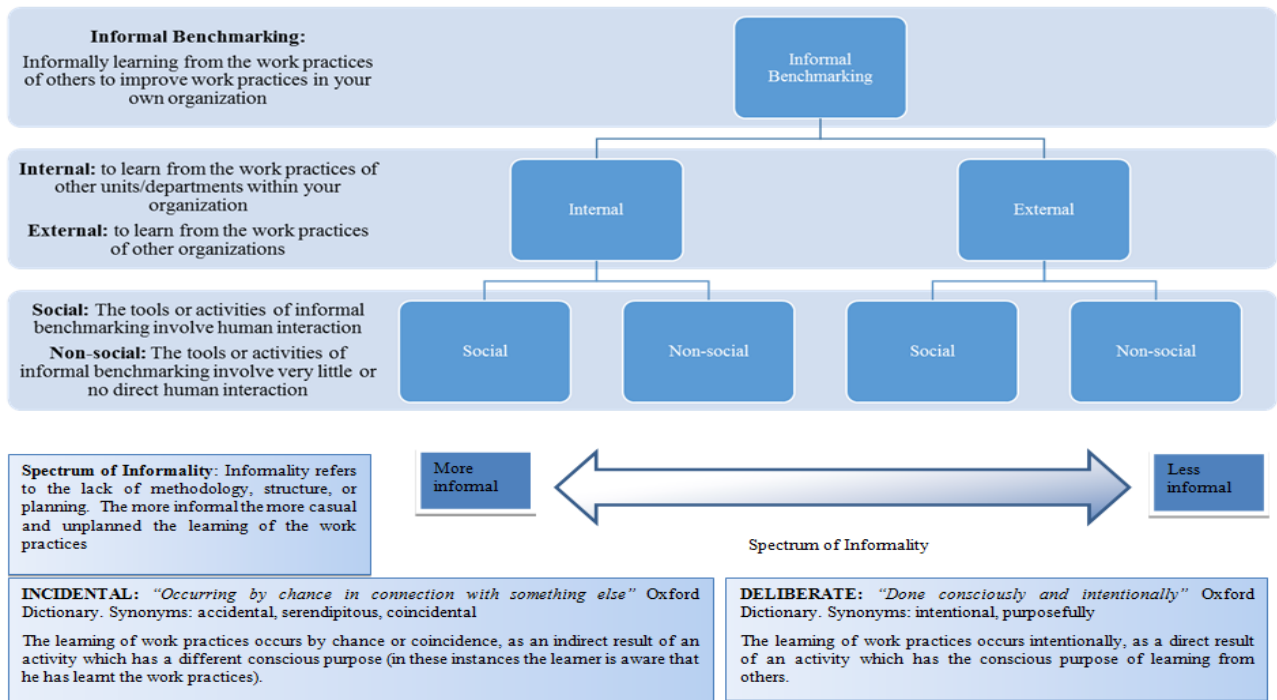


Figure 4 – A taxonomy of informal benchmarking

2.2 TRADE best practice benchmarking

A recent development has been the move to professionalise the field of benchmarking. New benchmarking methodologies have emerged that provide in-depth guidelines and instructions on how to do benchmarking well. One such methodology is the TRADE best practice benchmarking methodology. The name of TRADE reminds users to develop strong two-way relationships with other organisations (the benchmarking partners) in order to share or *trade* information and best practices for mutual benefit.

TRADE was initially developed for the New Zealand Benchmarking Club which existed between 2000 and 2004. In 2007 the methodology was significantly enhanced when COER was commissioned to provide the benchmarking methodology for Singapore’s public sector. In 2009 further developments to the methodology were made with the introduction of a certification scheme to increase the professionalism of benchmarking. Today, in 2015, TRADE is continuing to grow in use with, for example, it becoming the methodology of choice for Dubai’s Government Excellence Programme as part of its drive to encourage innovation in the public sector.

The certification scheme for TRADE encourages individuals to advance from “Trained” to “Proficiency” to “Mastery”. The certification scheme assists organisations undertake benchmarking in a more consistent manner and reap greater benefits in terms of acquiring and implementing best practices. Individuals that reach Mastery have the skills and experience necessary to facilitate or lead benchmarking projects and coordinate an organisation’s overall approach to benchmarking.



Figure 5 - TRADE Certification Levels

The TRADE methodology consists of five stages:

1. **Terms of Reference – plan the project.** This stage involves selecting the aim of the project, forming a project team and developing a Terms of Reference. The Terms of Reference provides the foundation for a successful project. It should include a clear scope, expected benefits, resources required, expected time-line and identification of stakeholders who will be impacted by the project to ensure that their needs are considered.
2. **Research – research current state.** This stage involves researching the extent of the current problem/issue and making sure that the project team has a thorough understanding of its own organisations systems, processes and performance before learning from other organisations.
3. **Acquire Stage – acquire best practices.** This stage involves the comparison of performance with other organisations and then learning from them. It involves identifying which organisations are likely to have superior practices and finding out what they do differently.
4. **Deploy Stage – communicate and implement best practices.** This stage involves communicating the best practice findings from the Acquire Stage to the relevant stakeholders, deciding what should be changed and implementing the change. This stage usually involves adapting the best practices to fit the organisation’s profile and may involve piloting the change before full deployment.
5. **Evaluate Stage – evaluate the benchmarking process and outcomes.** This stage is designed to make sure the project has delivered the expected benefits that were outlined in the Terms of Reference. It involves undertaking a cost/benefits analysis and a general review of the project.

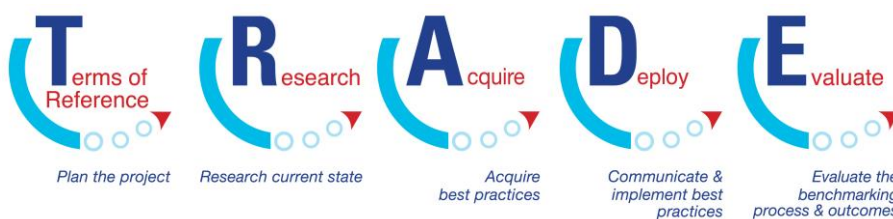


Figure 6 – TRADE best practice benchmarking methodology

Each of the 5 key stages, as shown in Figure 7, consist of 4 to 9 steps that describe what needs to be done to complete the stage.

STAGE	STAGE NAME	STEPS INVOLVED
1	Terms of Reference (plan the project)	1.1 Determine area of focus for benchmarking project 1.2 Develop project brief 1.3 Form project team 1.4 Train project team 1.5 Understand benchmarking code of conduct 1.6 Prepare Terms of Reference (TOR) 1.7 Develop documentation system 1.8 Review project progress and TOR 1.9 Obtain approval to start the next stage of TRADE
2	Research (research current state)	2.1 Understand area of focus to be benchmarked 2.2 Define performance measures 2.3 Identify current performance 2.4 Prioritise and finalise the practices to be benchmarked 2.5 Review project progress and TOR 2.6 Obtain approval to start the next stage of TRADE
3	Acquire (acquire best practices)	3.1 Establish criteria for selecting benchmarking partners 3.2 Select potential benchmarking partners 3.3 Invite and acquire benchmarking partners 3.4 Prepare for data collection 3.5 Collect and store data 3.6 Analyse data 3.7 Formulate recommendations 3.8 Review project progress and TOR 3.9 Obtain approval to start the next stage of TRADE
4	Deploy (communicate & implement best practices)	4.1 Communicate findings 4.2 Develop action plan 4.3 Obtain approval for action plan 4.4 Implement actions 4.5 Review project progress and TOR 4.6 Obtain approval to start the next stage of TRADE
5	Evaluate (evaluate the benchmarking process & outcomes)	5.1 Perform cost /benefit analysis 5.2 Review TRADE project 5.3 Share experiences and project outcomes 5.4 Close project

Figure 7 - TRADE stages and steps

Due to the rigour of the TRADE methodology, benchmarking teams are able to focus on the learning from the project rather than wasting time and making mistakes by not having a clearly defined benchmarking process. Without the discipline of a step by step approach, many things can go wrong. Common mistakes are starting a project without conducting a cost/benefit analysis, having unclear specifications of what needs to be learnt, or obtaining limited buy-in from key stakeholders (some projects fail when best practices are identified as key stakeholders have not been involved and their commitment cannot be gained for implementation).

2.3 Benchmarking Code of Conduct

There are two benchmarking codes of conduct. Both codes aim to promote efficient, effective and ethical benchmarking. The first code was developed by the American Productivity Quality Centre's International Benchmarking Clearing House and Strategic Planning Institute Council in 1993. It is now usually referred to as APQC's Benchmarking Code of Conduct. The second is the European Benchmarking Code of Conduct. The European Benchmarking Code of Conduct was developed by the European Foundation for Quality Management and a small group of sponsoring organisations. The European code is a modified version of the American one which includes the requirements of competition law.

One of the key principles of the code of conduct is the Principle of Confidentiality:

- *Treat benchmarking findings as confidential to the individuals and organisations involved. Such information must not be communicated to third parties without the prior consent of the Benchmarking partner who shared the information. When seeking prior consent, make sure that you specify clearly what information is to be shared, and with whom.*
- *An organisation's participation in a study is confidential and should not be communicated externally without their prior permission.*

When organisations undertake benchmarking it is recommended they read, understand and abide by the Benchmarking Code of Conduct and inform their benchmarking partners' of the Code.

2.4 The Global Benchmarking Award and benchmarking examples

To encourage an integrated and pervasive approach to benchmarking the Global Benchmarking Award was founded by the GBN in 2012. This award recognizes organisations that have developed an effective benchmarking approach. An organisation's benchmarking approach is assessed on 4 perspectives; Leadership Commitment, Pervasiveness of Benchmarking, Formality of Benchmarking and Results Achieved.

The winner in 2013 was the Knowledge and Human Development Authority (KHDA) from Dubai. KHDA are using benchmarking as a key method to improve the educational performance of private schools. One project involved benchmarking its front-line customer service with hotels to offer visitors to the government department a 5-star welcome. Benchmarking enabled KHDA to increase its customer satisfaction rating from 78 per cent in 2010, to 95.1 per cent in 2013, the highest rate amongst all Dubai government entities.



Figure 8 – KHDA winners in 2013, and OCBC winners in 2014 of the Global Benchmarking Award.

The winner in 2014 was OCBC Bank from Singapore. The OCBC Consumer Credit Risk Management have led the use of benchmarking within OCBC. One of its projects, Project BEE (Build Employee engagement) took its roots with a long struggle to improve engagement levels. Not constrained by industry the team visited organisations from IT, a Big Four Accounting and Consulting Firm, insurance and oil and gas. The project learning helped to broaden the team's understanding in this area which led to game-changing ideas such as the

incorporation of people values such as FAST (Fostering team spirit, achieving excellence, showing appreciation, taking ownership). Another project helped OCBC to accomplish the formidable task of embracing a service excellence culture in a collections environment through focusing on 3 areas including handling difficult customers, customer delight and partner management. Government boards, libraries and hospitals were tapped for learning best practices. Through this project OCBC now apply active listening, show empathy and walk with our customers in times of difficulties.

OCBC's performance benchmarking approach includes the following steps: Select, Validate, Analyse, Share and Recommend. For best practice benchmarking OCBC use the TRADE methodology. The project teams define the criteria to guide partner selection. The approach used is documented and shared on the intranet for easy reference. Regular training is conducted on the approach. Each benchmarking project is facilitated by an advisor from the Quality and Service Excellence department who bring with them greater experience and knowledge and also help the teams with partner selection and linkup.

Since 2010 OCBC's Consumer Credit Risk Management Department have undertaken over 20 best practice benchmarking and quality projects with more than 40% of staff being involved and trained in benchmarking. This has assisted them to achieve the following results:

- Employee Satisfaction Score – 13% improvement
- Customer satisfaction – 11 % increase
- Customer Complaints – 30% decrease
- Productivity – Consumer approvals unit productivity gain 22%

2.5 Technology as a benchmarking enabler

Technological advancements have transformed communications and opened up a whole new information based world. Any organisation can now access low-cost internet-based benchmarking services and opportunities such as consortia, on line surveys, virtual common interest groups, best practice information resources and social networking sites for contacting potential benchmarking partners.

There are a wide variety of resources to assist benchmarking such as the Benchmark Index (provided by Winning Moves, UK and IPK Fraunhofer, Germany that compares performance across a wide-range of indicators across many countries), BOND (provided by MPC, Malaysia that compares performance and best practices for Malaysian organisations), Asia Benchmarking Network (provided by IPC, Iran that provides comparison of financial performance and high level metrics for Iranian organisations), Best Company to Work For (provided by TeamOne Consulting, Saudi Arabia for the assessment of human resources performance in Saudi Arabia) and the on-line assessment tool (provided by BestPrax Club, India for the assessment of generic best practices for organisations in India). These resources are a real boon to organisations that want to access best practices and expert advice/opinion but do not have the resources for full-scale benchmarking projects.

The Business Improvement Performance Resource (BPIR.com), developed by COER, is a vast knowledge repository containing databases with thousands of performance measures, self-assessment tools and best practices that cover virtually every aspect of business. This resource enables users to search for best practices through the perspective of various business excellence models (EFQM Excellence Model, Baldrige Excellence Framework, Singapore Quality Award and Canadian Framework for Business Excellence) at the Item level (therefore a level lower than main categories such as Leadership, Strategy, Customers, Measurement, Analysis and Knowledge Management, Workforce, and Operations) – see Figure 9.

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Malcolm Baldrige Model / EFQM Excellence Model / BPIR model / Singapore Quality Award Model / Canadian Framework for Business Excellence / Overview of Models [Help](#)

Click on a Category of the Baldrige Criteria for Performance Excellence. You will then be able to select a Baldrige Item and search for relevant best practice information/data.

Category 7 - Search for Performance Measures/Benchmarks [I](#)

Categories 1,2,3,4,5,6 - Search for Strategies, Tools, Techniques & Best Practice Case Studies [I](#)

5.2.b.1 Workplace health, safety & security [?](#)

Measures / Benchmarks [Strategies/Tools/Techniques](#) [Best Practice Case Study/Surveys](#) [Expert Opinions](#)

Figure 9 – Best practices can be identified for each Item and Category of Business Excellence

A new feature is the addition of best practice videos that are provided by the International Best Practice Competition. These are 8 minute videos and written case studies describing a best practice. In total there are over 100 videos from organisations representing more than 15 countries.

SPEARS Methodology for employee empowerment and inculcating excellence

throughout the organization. It was designed to ensure that all staff in the organization are empowered with proper resources and knowledge for decision making; appropriate to their designations. SPEARS has been implemented throughout the organization as follow:- S - Setting Objectives for all functional areas and further disseminated through individual objectives for all employees, P - Provide resources required by the staff (knowledge & tools) to perform to achieve their objectives and goals, E - Empower staff to think on their feet and raise any concerns within the organization through the Corrective Action Request mechanism, A - Appraise performance of individuals on a monthly basis through the Individual Objective monitoring system to ensure transparency in performance management, R - Review & Recognize performances of individuals as per the company policy, S - Share Knowledge and create various knowledge sharing platforms to motivate creativity in the process. SPEARS is extremely important for JIC to continually be a complete development process in various areas such as employee development, employee alignment & empowerment. These assist the overall organizational development egging it on towards excellence and sustainability, Approximately 320 staff under JIC employment, benefit greatly by this methodology.

Download the presentation from [here](#)

Presentation

Figure 10 – Users of the BPIR.com can view video presentations of best practices

3.0 The Future

So how will benchmarking develop in the next 20 years? This question was asked by the GBN as part of its “Benchmarking 2030 – the Future of Benchmarking Research Project” (Searles et al, 2013). The findings revealed that:

- Informal benchmarking will continue to grow in popularity, enhanced by social media and other technology (mobile, smart machines, wearable technology).
- Increased real-time data and analytics will assist in performance comparisons and enable benchmarking to occur more rapidly. Greater data availability will assist in identifying opportunities for improvement and benchmarking partners.
- Benchmarking within and between the public sector and other sectors is likely to increase as governments and public servants become more accountable to the citizens they serve. In particular, international benchmarks comparing country to country will grow in importance and measure more parameters.

- d. Benchmarking will be used more to address Megatrends that are affecting many countries. Megatrends are large, social, economic, political, environmental or technological changes such as rising CO₂ emissions and an ageing population.
- e. Structured formal benchmarking will continue to be relevant, particularly when it involves face to face human interaction as this enables the nuances of a best practice to be captured and strong relationships between benchmarking partners to be formed.

Undoubtedly technology will play an increasing part in benchmarking enabling organisations to share benchmarks and best practices more quickly and all over the world. With advances in communication technology it will be interesting to see how individuals and organizations cope with the increase in data and information. The speed with which businesses want solutions and best practices is expected to accelerate.

In the future, it is envisaged that benchmarking will help organisations and economies to improve at a faster rate. Whilst the speed of exchanging information (and therefore benchmarking) will increase we need to ensure that organisational decisions are based on sound judgement. It is expected that a disciplined approach using a benchmarking methodology will always have its place alongside an informal approach to benchmarking. The challenge will be to decide which type of benchmarking to do for which circumstance. For instance, a disciplined approach may be advised for opportunities for improvement where speed for solutions is not critical but where breakthrough improvements could have a huge impact on the bottom-line. Faster approaches will be used for issues and opportunities that need to be tackled in a shorter period of time or are less important, with the understanding that faster approaches are riskier and less likely to produce as large a gain.

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Dr Robin Mann is the Head of the Centre for Organisational Excellence Research, Massey University, New Zealand, www.coer.org.nz, Chairman of the Global Benchmarking Network, www.globalbenchmarking.org, and Co-Founder of BPIR.com Limited, www.bpir.com – a best practice website resource, Founder of the International Best Practice Competition, www.bestpracticecompetition.com and Founder of the TRADE Best Practice Benchmarking Methodology. Robin's experience includes managing the UK's Food and Drinks Industry Benchmarking and Self-assessment Initiative (1995-1998), New Zealand Benchmarking Club (2000-2004), Sheikh SAQR Government Excellence Program, UAE (2005-2007), reviewing the Australian Business Excellence Framework (2006), chief expert for APO's project on business excellence in Asia (2009-2011) and productivity (2014-2015). Robin worked in Edinburgh (1992-1995) for Burton's Biscuits as a process improvement manager and obtained his PhD in TQM at Liverpool University in 1992. Robin undertakes consultancy on business excellence and benchmarking all over the world. Robin was awarded the Harrington/Ishikawa Medal in 2011 for contributions to the advancement of quality in the Asia Pacific region. Robin can be contacted at R.S.Mann@massey.ac.nz