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Creating world-class organisations in New Zealand through a benchmarking initiative

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ABSTRACT

This paper describes an innovative approach to fast-track a group of organisations towards world-class performance. The New Zealand Benchmarking Club, formed in May 2000, currently comprises of 18 organisations that are striving to achieve an ambitious vision of "World-class performance by members and widespread adoption of excellent business practices within New Zealand". Club processes include: 1) workshops for sharing best practices; 2) benchmarking projects for undertaking focussed best practice studies; 3) an annual business excellence assessment; 4) a business excellence results sharing meeting; 5) benchmarking research support; 6) partnerships to identify and disseminate best practices; and 7) access to a benchmarking and performance improvement website resource. All of these processes are continually improved to help members to effectively identify and adopt better business practices. Findings from the first three years of operation show that the Club is on track to fulfil its vision as members improve their self-assessment scores by approximately 50 points per year.

1. INTRODUCTION

While there is a wealth of literature on benchmarking development, definitions and typologies, inhibiting and facilitating factors, there is a relative lack of studies discussing the effective working of benchmarking clubs. Over the last three years a number of innovative initiatives in the area of benchmarking and business excellence have been launched by the Centre for Organisational Excellence Research (COER) in NZ. This includes the formation of the New Zealand Benchmarking Club (NZBC) and the development of a Benchmarking and Performance Improvement Resource (www.bpir.com), which went online in 2002. This paper reports on the unique workings of the NZBC and its application of benchmarking to accelerate a group of organisations to world-class performance levels (as measured by the Baldrige Criteria for Performance Excellence or CPE). The progress of the Club members to date is presented in summary form.

2. THE KNOWLEDGE GAP WITHIN NEW ZEALAND, AND THE ROLE OF BENCHMARKING AND SELF-ASSESSMENT

The need for organisations to improve towards world-class performance is, of course, generally recognised in NZ as elsewhere. However, as the NZ Business Excellence Foundation (NZBEF) has recently stated, “*Striving for excellence is not, it seems, a prevalent Kiwi characteristic.*” (NZBEF, 2001). This claim is supported with the evidence that in the past ten years, only two NZ firms have achieved world-class status. The NZBEF concludes that “*if New Zealand wants to get back into the OECD’s top 10 of performing economies, by 2010, then more businesses will have to become committed to achieving world-class performance.*” ‘World-class performance’ is defined by the NZBEF as performance that is recognised as world-class against the ‘standard’ criteria of excellence models such as the CPE. It is generally acknowledged that a score of at least 600 points is required from 1,000 points to be considered as world-class.

The relationship between the use of business excellence models and improved performance is well documented. In both the US and Australia, through the use of fictitious indices in which a notional \$1000 is invested in Baldrige Award winners against companies in the US ‘Standard and Poor’s 500’ and Australia’s ‘ASX All Ordinaries’ indices, data has suggested that the award winners consistently outperform the others, generally by a ratio in excess of three to one¹ (NIST, 2003; BEA, 2003). Besides enhanced financial performance, adoption of a business excellence approach has been well documented as resulting in a number of organisational and customer-focused benefits (ref. COER, 2002 for examples).

Organisations assess their management systems and performance against business excellence models, as they provide a recognised approach for evaluating organisational performance, and comparing that performance to standard benchmark levels, or with the performance of other organisations. Self-assessment does not lead to the adoption of best practices or create significant improvement *per se*. To achieve significant performance improvements as assessed against these models it is necessary for organizations to have an external focus and continually search for and adopt or adapt better practices. Networking and external benchmarking are key mechanisms by which organisations can achieve this. A report prepared by the Organisation for Economic Co-operation and Development (OECD, 1996) concluded that the most effective learning mechanisms are inter-firm networks adding that “*the economies that networks of firms can attain by co-operation are not restricted to those of scale or scope but also embrace ‘economies of co-operation’ in areas such as learning.*” Recent figures from the NZ Ministry for Economic Development’s *Firm Foundations* report (MED, 2002a), however, indicated that fewer than 50% of NZ businesses conduct any form of benchmarking, while fewer than 2% undertake best practice benchmarking, which is the form most likely to bring about an improvement towards world-class performance (as best practice benchmarking provides the understanding of why another organization is performing better).

Hinton *et al* (2000), identify a number of facilitators and inhibitors of successful benchmarking. One key inhibiting factors tends to be organisation size, whereby organisations ‘feel that they are too small to gain anything’ by benchmarking. This finding is particularly relevant in the NZ context where 87% of businesses have five or fewer, and 97% fewer than 20 employees (MED 2002b). Hinton *et al* conclude their article with a number of recommendations for successful benchmarking, including the central importance of an internal facilitator, and the need for novice benchmarkers to utilise external experience. This may be achieved by co-opting someone with experience, working with an

¹ However, it is noted that in 2003 for the first time in nine years the Baldrige Index performed worse than the Standard and Poor’s 500.

experienced partner or joining a benchmarking club or network. Instances of benchmarking clubs, and of the role played by benchmarking clubs in actively facilitating the benchmarking and networking process, both within and across sectors can be found in a variety of articles, including: Bowerman *et al* (2002 - health services); Burcher (1997 – pharmaceutical); Maire (2002 – cross-industry); Davis (1998 - local authorities); Dale *et al* (1995 – sports club); Mann *et al* (1999 - food industry); Voss *et al* (1994 – various manufacturing); Jackson (2001 – universities); Favret (2000 - libraries); Ogden & Wilson (2001 - leisure management).

3. THE CENTRE FOR ORGANISATIONAL EXCELLENCE RESEARCH (COER), AND THE NZ BENCHMARKING CLUB (NZBC)

Until recently there had been little research within NZ investigating and raising awareness of business excellence, benchmarking and best practices. This, combined with the inhibiting effect of the small size of organizations within NZ, has had an apparent (from the evidence in the previous section) detrimental effect on the uptake of these improvement techniques/approaches. Addressing this perceived deficiency was a primary driver behind the formation of the COER within Massey University. Table 1 illustrates the Centre’s strategy of acquiring, sharing and building upon knowledge. This paper focuses upon the third element of the Centre’s operations, namely the New Zealand Benchmarking Club (NZBC).

Table 1. Core activities of the Centre for Organisational Excellence Research (COER), Massey University

<i>Acquiring knowledge</i> →	<i>Sharing knowledge</i> →	<i>Applying knowledge</i>
<p>Partnerships/Alliances Partnerships/alliances enable COER to bring best practices to NZ and share its own research findings worldwide. Partnerships include: The NZ Business Excellence Foundation , NZ Institute of Management, Business Excellence Australia, Best Practice Club UK, Global Benchmarking Network, Work Foundation (UK); MCB (UK); Industry Week (US), Harrington Institute (US), Centre for Business Performance (UK)</p> <p>Best Practice Research Undertaken via PhD researchers on their own or through working with the NZ Benchmarking Club.</p>	<p>Benchmarking & Performance Improvement Resource – www.BPIR.com Comprehensive website on benchmarking, best practices, performance measurement, business excellence and performance improvement. Provides full access to over 150,000 cases and articles.</p> <p>Promotion and Publications</p> <ul style="list-style-type: none"> ▪ COER’s Website (COER.org.nz) ▪ Best Practice Reports ▪ Journal Papers, Articles, and COER News ▪ COER’s Annual Benchmarking Conference and Tour 	<p>NZ Benchmarking Club (NZBC) The Club is the flagship Club for NZ business. Its vision is “World-class performance by members and widespread adoption of excellent practices within New Zealand”. With a membership of 18 leading NZ organisations it aims “to help its members work towards achieving over 700 points against the CPE”.</p> <p>Benchmarking Services Provision of specific benchmarking services such as the benchmark index, self-assessment, benchmarking training, discussion groups, benchmarking studies, literature searches, and partnering.</p>

The NZBC was formed in May 2000, through a partnership between COER and the NZBEF. The Club currently comprises of 18 diverse organisations, each striving to achieve an ambitious stated vision of "World-class performance by members and widespread adoption of excellent business practices within New Zealand". Membership of the Club is currently restricted to a total of 25 organisations to ensure that the high level of trust and understanding amongst Club members, which is regarded as essential for benchmarking and sharing of best practices, is maintained. Potential Club members have to pass a rigorous selection process that considers each applicant in terms of: a) the value they will add to the Club (assessed by the best practices they bring with them); b) the diversity balance of the Club (based

on size, location, sector, and culture), and; c) the level of their commitment to the Club's values and strategy. Once selected, they are invited to join and pay the annual membership fee.

The Benchmarking Club format has been designed to fully engage each member organisation in the process of organisational improvement. The bond amongst the members is the desire to improve the business performance of not only Club members but also all organisations in NZ. Working together the members seek to: 1) identify strengths and weaknesses of each membership organisations business practices; 2) collectively conduct research on best business practices available in NZ and the world; and 3) apply this acquired knowledge to membership organisations' business practices in the areas of identified weaknesses. Repeating this cyclical process, they strive to make progress against the Club's vision of world-class performance. Regular self-assessment against the CPE is the mechanism by which the NZBC tracks the improvement of its members. All Club members are set a target to increase their business excellence score by at least 50 points per year so that over time all Club members are scoring world-class scores of over 700 points.

4. NZBC OPERATION – WHERE THE RUBBER MEETS THE ROAD

An overview of the operation of the Club is provided in Figure 1 and an explanation of how it operates follows.

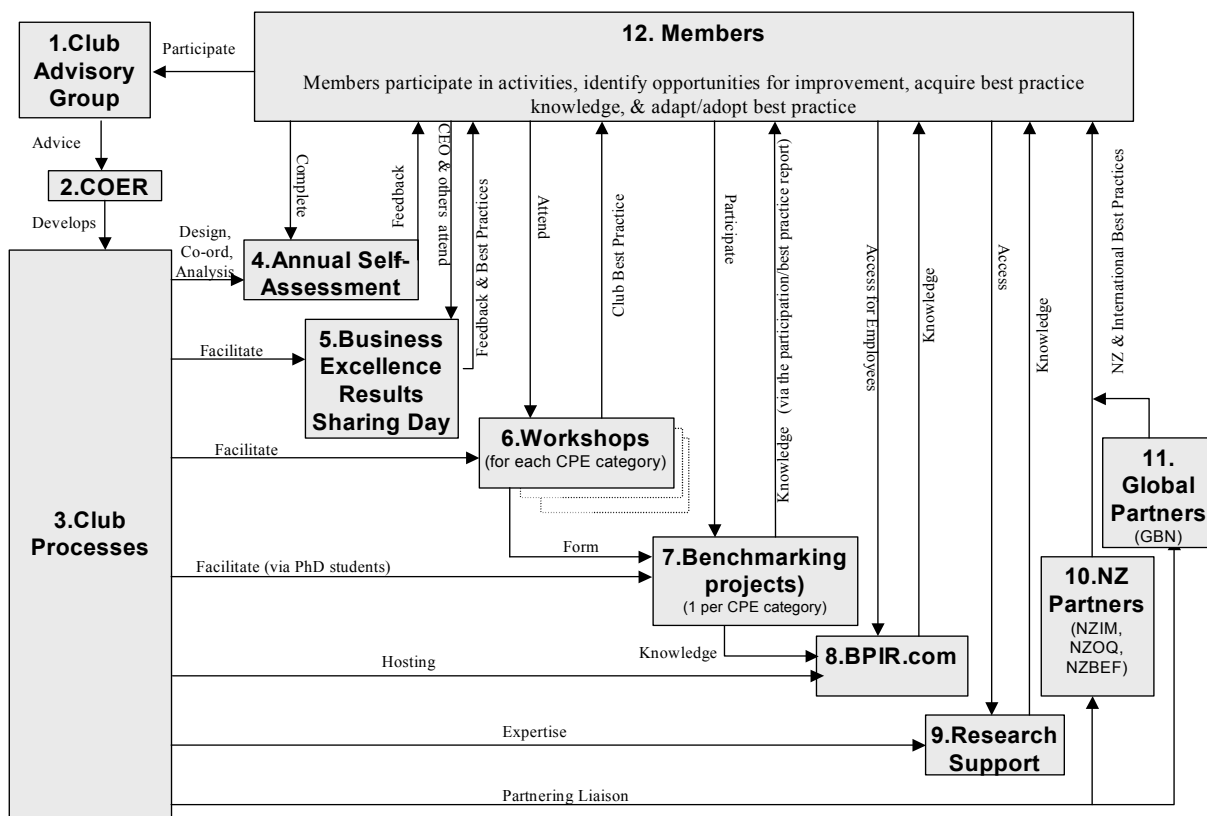


Figure 1 The NZBC Operation and Processes

The NZBC is led and managed by COER (**box 2**). To obtain buy-in of Club members to the Club's future direction and services a Club Advisory Group (**box 1**), consisting of representatives from Club members, works with COER to develop a strategic plan, monitor progress against the strategic plan and develop appropriate operations/services. Through working together this has led to the development of seven key processes to accelerate members' performance. These are:

Self-assessments (box 4): All Club members undertake an annual CPE self-assessment. The CPE assessment tool they use provides feedback to members on their strengths and opportunities for improvement and benchmarks their performance against other members across the seven CPE categories and 19 items. The seven CPE categories cover all aspects of business operations: a) leadership; b) strategic planning; c) customer and market focus; d) measurement, analysis and knowledge management; e) human resources focus; f) process management; and g) business results achieved and the 19 CPE items provide a further breakdown of these. The self-assessment process typically involves the input of 50 man-hours per company (involving a team of 6-8 people). The value Club members obtain from the self-assessment is significant; the self-assessment enables each Club member organisation (and their self-assessment team) to learn more about the elements of world-class performance and systematically identify issues of major concern to their organisation; and develop actions to address them.

Business Excellence Results Sharing Meeting (box 5): This is the Club's premier event of the year and is attended by all Club members, including the senior management teams of these organisations. At this meeting an overview of the Club's results is given, and the names of the top three organisations per CPE item are shared so that other organisations know which Club members to approach so that they can learn from the better performers. In addition, presentations are given by the leading Club member organisations and a session is held on how best to move forward as a collective and improve members' performance based on the Club's self-assessment results.

Workshops (box 6): One-day workshops are held on a quarterly basis at which all Club member organisations attend. Each is focussed on a different CPE category (excluding the CPE Business Results category) so that over time Club members learn the key foundations to world-class performance. Attendees of workshops (approximately 120 annually) are managers whose responsibilities are linked to the category area. This not only ensures that the most appropriate person is present but it also ensures there is a much wider buy-in of the improvement process within each organisation. Prior to each meeting, Club members complete a 'mini self-assessment' so that at the workshop they are prepared to share their better and weaker practices (the latter as opportunities for improvement). Apart from exchanging ideas/views with one another, Club members have the opportunity to learn from invited speakers representing non-Club organisations that use best/better practices in the topic category. A major output from each workshop is the identification of a key opportunity for improvement that is of concern to the majority of members. To address this opportunity a benchmarking project is then set up to identify national and international best practices in the category area. This means that at any point in time as there are six CPE enabling categories there are usually six benchmarking projects in operation.

Benchmarking Projects (box 7): The purpose of these benchmarking projects is two-fold. Firstly, to identify national and international best practices in the selected practice area. Secondly, they provide assistance to Club members on how to adopt and adapt the acquired knowledge to actual business operations. Membership is voluntary and typically consists of 5 to 10 Club member organisations. Each project is led by one of the Club members and facilitated by one of COER's PhD students. The team members set the Terms of Reference, operating procedures and project

methodology. Projects generally involve an analysis of members' processes and performance, a literature review of international best practices, discussions with experts in the topic area, surveys to identify best practice organisations, and visits to best practice organisations. Project findings are presented to all Club members and typically published as a best practice report. Individual member organisations then review the findings of the workgroup and adapt and adopt the practices for their own use. Examples of two benchmarking projects that have been completed are 'to identify best practices in strategy deployment' and "to identify best practices in developing leadership capability".

To guide the Club's benchmarking process the Club has adapted Codling's 12 step benchmarking approach (Codling, 1992), summarised in table 2.

Table 2 The NZBC benchmarking process (adapted from Codling, 1992)

Project selection	Benchmarking	Application
<i>The NZBC members...</i>	<i>The benchmarking project team...</i>	<i>The NZBC members then...</i>
1. Select a subject area at a workshop (attended by all members)	2. Defines the process 3. Profiles potential partners 4. Identifies data sources 5. Collects data 6. Establishes best practice	7. Establish process differences 8. Target future performance 9. Communicates information 10. Set and adjust the goal 11. Implement changes 12. Review process and set future goals

Benchmarking and Performance Improvement Resource (box 8). Members are given free access to the BPIR.com. This is a resource that enables members to conduct their own research into best practices and compare their performance against 100's of best practice benchmarks. This resource, developed by COER, was launched in April 2002 and aims to be the premier best practice resource worldwide.

Research support (box 9): COER has a team of PhD researchers that are supporting the NZBC. Each PhD student is studying best practices in one of the CPE categories. The students are in constant contact with the NZBC, sharing their findings on organisational performance excellence with the members. They also facilitate the Club's benchmarking projects in the area that is most related to their own PhD research. This collaboration provides a win-win situation for both researchers and Club members: on one hand, the researchers learn considerably from their contacts with 'real' business people (mostly senior managers). On the other hand, Club members are kept informed of the most-up-to-date academic theories and findings.

Partnerships (boxes 10 and 11): Partnerships with leading management institutions assist the Club in meeting the second part of its mission: 'Widespread adoption of excellence business practices within NZ', COER has formed a number of strategic alliances inside and outside NZ. Formal partnerships within NZ have been formed with the New Zealand Business Excellence Foundation (NZBEF), New Zealand Institute of Management (NZIM) and the New Zealand Organisation for Quality (NZOQ). Relationships with these organisations enables the NZBC's benchmarking teams to contact and survey a multitude of organisations in NZ, and provides a key mechanism for disseminating NZBC's best practice findings. On an international basis, the NZBC is a member of the Global Benchmarking Network (GBN). The GBN consists of those organisations/associations, deemed as the experts in their particular country in terms of actively promoting organisational performance through benchmarking. It currently represents over 20 countries, and through memberships of these organisations covers over 20,000 organisations world-wide.

5. TRANSFER OF BEST PRACTICES

The previous section outlined the key processes of the NZ Benchmarking club. Through the use of these processes, at the time of writing, six benchmarking studies have been completed, 12 workshops, three business excellence results sharing days, three self-assessments and one year's access to the BPIR.com for members. Therefore over a three-year period members have had access to a considerable amount of information that can help them to improve their processes (this flow of information to Members, **box 12**, is represented in Figure 1). However, the NZBC has recognised that this provision of information does not necessarily mean that members, even when they have the best intentions, will be able to effectively transfer this information into knowledge and improve their practices. In addition to generic barriers to effective benchmarking as identified in research (e.g. that of Hinton *et al*, 2000) the club has therefore had to develop a number of strategies to overcome specific hurdles as they have been encountered.

Table 3 summarises generic and specific (to NZBC experience) barriers to effective benchmarking that are generally believed to exist, or have been encountered, and the means by which the NZBC addresses these. Through the club's experience, the authors are able to recommend the following approaches, which may be of benefit to other clubs.

Table 3 – Best Practice Transfer Issues and Solutions

Inhibitor to successful benchmarking	How NZBC addresses
Generic barriers and solutions	
Organisations may feel they are too small to benefit from benchmarking.	- NZBC member organisations range in size so that the smaller organisation can share practices with, and learn from, the larger ones
A facilitator or champion is required	- Each NZBC member selects two dedicated champions or representatives (a main and a deputy representative) to both represent the firm and ensure the knowledge gained penetrates and permeates through the firm. Two are selected to ensure that relationships and knowledge are not lost if one of them moves on from this position.
Lack of internal expertise on benchmarking.	- The NZBC organisations receive the expert advice and support of the COER / NZBC dedicated staff of academics, practitioners and PhD scholars
There needs to be a frank and free exchange of ideas.	- NZBC workshops and projects encourage the free exchange of information and ideas.
No objective measure of progress.	- Regular self-assessment against the CPE is the mechanism by which NZBC tracks the improvement of its members. Members share a common goal of a 50-point improvement per annum.
Specific barriers and solutions	
Information gained from attending workshops and benchmarking projects is not widely shared	- Members are encouraged to set-up a benchmarking club team or business excellence team whereby each member of the team is responsible for a different CPE category. These individuals attend the relevant Club meetings and share their findings at regular internal meetings. - Minutes (documenting best practices) from all meetings are published and available from the nzbc.org.nz website (members areas) for all staff from each organisation.
Best Practice information gained from benchmarking projects is not applied	- COER provides on-site presentations and workshops to assist members in applying the findings from benchmarking studies
The right people attend the right	- Dates for major meetings that require senior management attendance are set

events	<ul style="list-style-type: none"> - one year in advance - Information on meeting dates is accessible for all staff from each organisation from the nzbc.org.nz website (members area)
Senior management commitment may be lacking	<ul style="list-style-type: none"> - Membership to join the Club is by invitation only. Organisations that wish to join submit an Expression of Interest. Representatives from the Club then meet with the organisation's senior management team to assess their level of commitment to world-class performance. Based on this commitment being there (and other selection factors being met) they will then be invited to join the Club. - An annual liaison visit to the senior management team of each member organisation helps to build relationships and maintain commitment
Lack of resource/expertise to follow through and implement the best practice findings	<ul style="list-style-type: none"> - An annual liaison visit helps to identify potential resource issues that the member is facing and suggests potential solutions - Members are encouraged to use the action planning process developed by COER for prioritizing actions based on their likely impact on improving CPE scores. This system helps to ensure that resources are used effectively.

6. DOES THE CLUB WORK?

Whilst COER and the Club Advisory Group have a good understanding (through satisfaction surveys and discussions with members) of how the Club’s processes are helping to improve member organisations, the prime way that the Club measures its success is through monitoring the improvement in members’ self-assessment scores against a target of *at least 50 points per year*. Ultimately, it is hoped that through 50 point improvements year on year an average Club score of 700 points will be achieved thus indicating that members have achieved world-class performance levels.

On average all club members (as at the end of 2002) considered together, improved their point score by 22 points in 2002 compared with 57 points in 2001 (an increase of 39.5 points per year, which is less than the 50-point target). However, when the scores data are stratified between established members and new members, the seven ‘established’ members (i.e. those that have been with the club since its inception, and have now undertaken three self-assessments) have improved their median score from 260 points in 2000, to 287 points in 2001, to 362 points in 2002 (an average of 51 points per year). In summary the Club is making progress. However, it appears that it will take a number of years for the majority of Club members to become world-class at this rate, as the average score for the Club is 278 points.

7. CONCLUSION

Initial research findings indicate that the NZBC is making progress towards its vision of “world-class performance by members”. The Club’s processes such as the provision of benchmarking projects, and the “Benchmarking and Performance Improvement Resource” are assisting member organisations to improve. The second repeat cycle of CPE self-assessments by NZ Benchmark Club members indicates that on average a 40-point annual increase has been achieved against the CPE (51 points for established members). The target improvement is 50 points per year.

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