

# **Best Practice Benchmarking**

For Global Competition and Cooperation

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# Key Messages

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- **Critical Need For Benchmarking**
  - ☞ Today's Imperatives demand innovative change
- **Global Initiative For Excellence**
  - ☞ Worldwide search and best practice mastery
- **Proven Steps For Success**
  - ☞ Improve A Critical Process (**What**)
  - ☞ Source Best Practice Partners (**Whom**)
  - ☞ Document Superior Practices (**Info. Resources**)
- **Breakthrough Results Continue**

# Today's Imperatives

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- More
- Better
- Faster
- Cheaper
- Growth
  - ☞ Profitable growth
  - ☞ New markets, products
- Quality/Satisfaction
  - ☞ Meeting requirements
  - ☞ Customer Loyalty
- Cycle Time Compression
  - ☞ Non-value added
  - ☞ No value added
- Return on Assets
  - ☞ Business results
  - ☞ Human assets

# Key Factors for Successful Change

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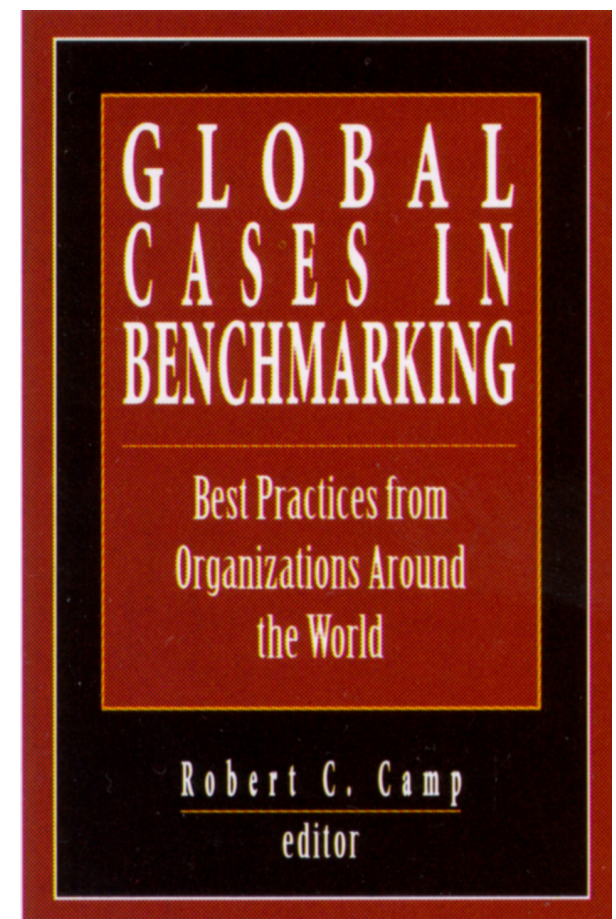
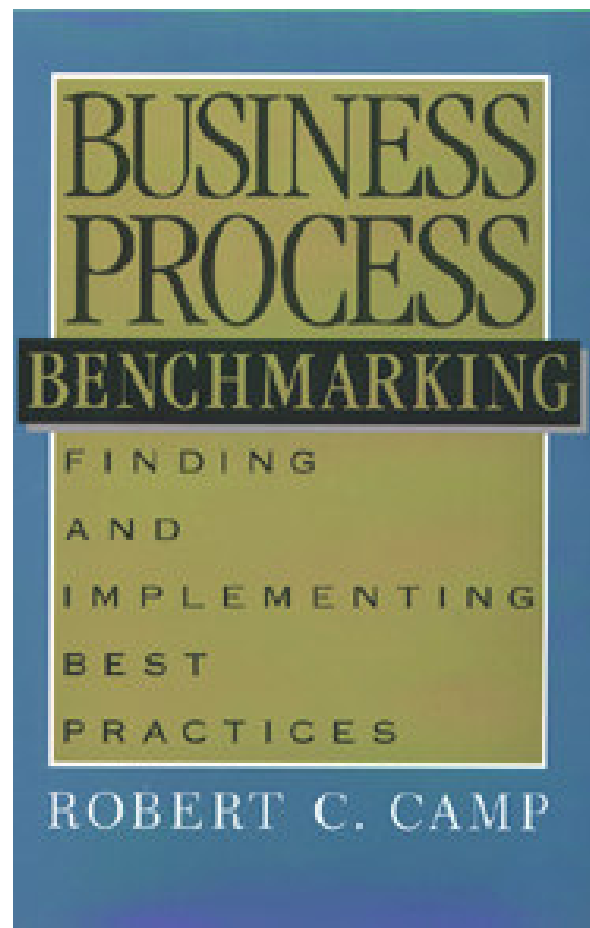
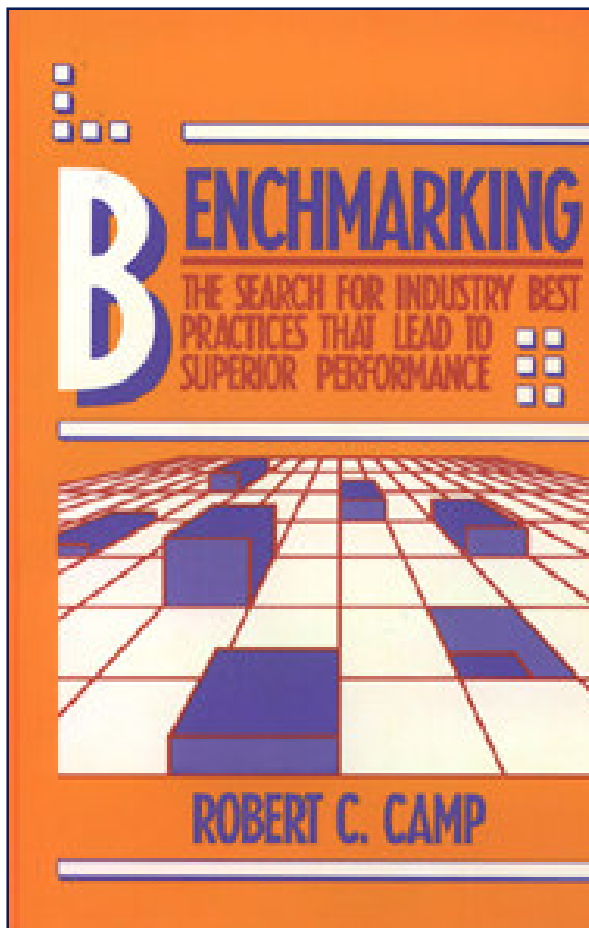
- Believing there is a **NEED** for change
- Determining **WHAT** you want to change
- Developing a **PICTURE** of what you want to look like after the change

# Benchmarking Makes Change Successful

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- The **GAP** between internal and external practices creates the **NEED** for change
- Understanding industry **BEST PRACTICES** identifies **WHAT** you must change
- The composite practices gives a **PICTURE** of the **END POINT** after the change

# How To and Case Study Books

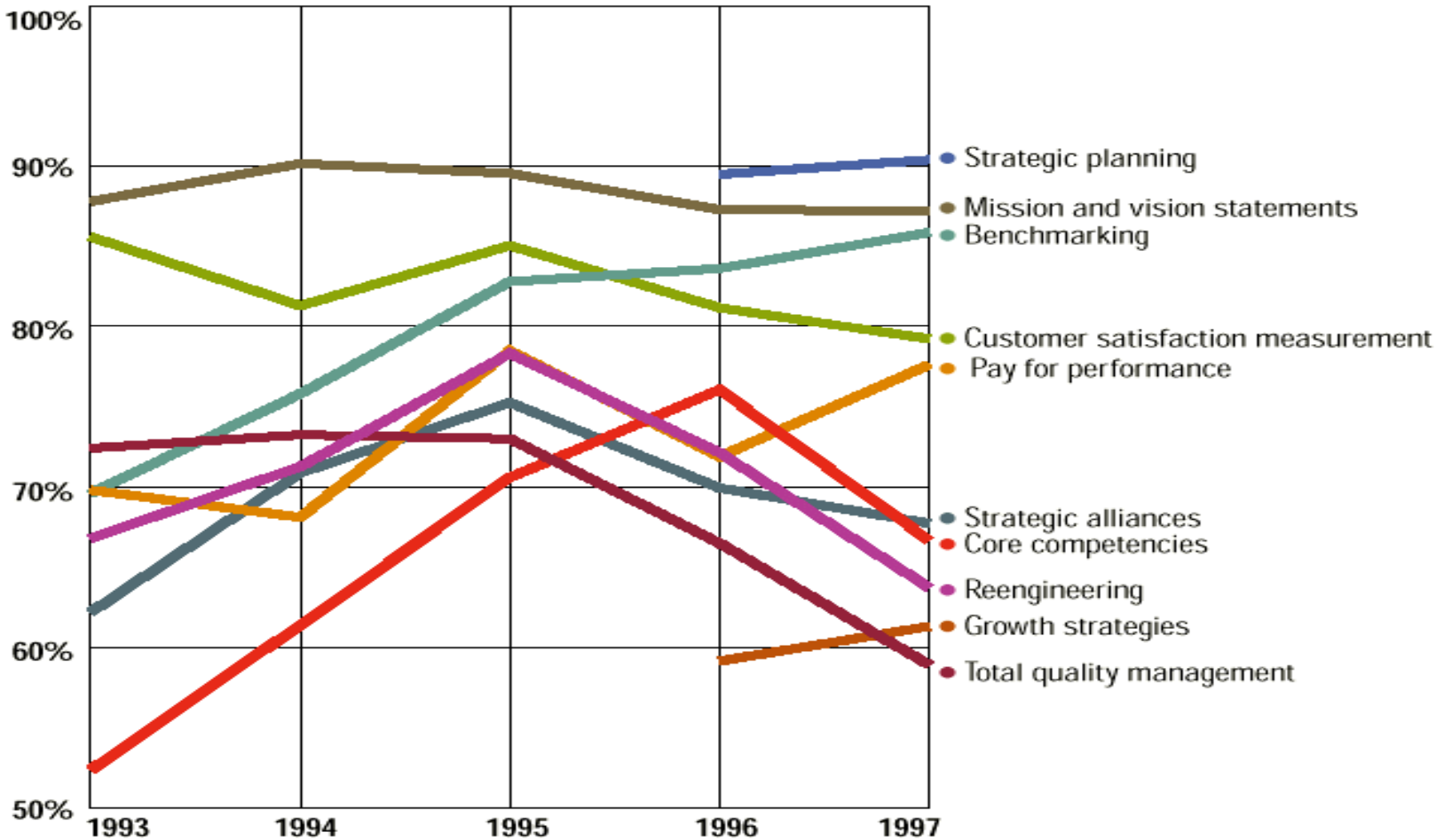


ASQ Quality Press, 1 800 248 1946, 414 272 1734 fax, [asq@asq.org](mailto:asq@asq.org), [www.asq.org](http://www.asq.org)

# Changing Popularity

## But They Go in and out of Fashion ...

Usage rate



Source: Fortune, Bain & Co.

# Top 10 Tool Usage (1993 to Present)

	Usage		Rank		%
	First Year	2004	2002	2004	Satisfaction
Strategic Planning*	83%	79%	1	1	4.14
CRM***	35	75	7	2	3.91
<b>Benchmarking</b>	<b>70</b>	<b>73</b>	<b>2</b>	<b>3</b>	<b>3.98</b>
Outsourcing**	71	73	5	3	3.89
Customer Segmentation**	60	72	4	5	3.97
Mission/Vision Statements	88	72	2	6	3.87
Core Competencies	52	65	11	7	3.97
Strategic Alliances	62	63	13	8	3.95
Growth Strategies*	55	62	9	9	3.91
Process Reengineering	67	61	19	10	3.90
TQM	67	61	18	10	3.93

\*Added in 1996, \*\*Added in 1998, \*\*\*Added in 2000

Source: Bain & Co.



# Worldwide Reach (Organizations & Processes)

Economic Sector	United States	Europe	Asia Pacific	Americas
Manufacturing	<b>Chevron</b> Crude Analysis	<b>StatOil</b> Casing Delivery	<b>Fletcher Challenge</b> Best practice journey	<b>INGWE Coal</b> Continuous Miner
Service	<b>Pacific Bell</b> Customer Satisfaction	<b>IBM</b> Procurement	<b>NRMA</b> Successful Change	<b>Canada Publishing</b> Book Fulfillment
Non-Profit	<b>Dartmouth Medical</b> Bypass Surgery		<b>PSB Singapore</b> OJT Training	<b>Benchmk'g Group</b> Program Launch
Government	<b>Federal Consortia</b> Complaint Handling	<b>Royal Mail</b> Pipeline processing	<b>Urban Water</b> Supply & sewerage	
Education	<b>Babson College</b> Enrollment Management		<b>Queensland U.</b> Law Research	

# Worldwide Reach (Cost Savings & Benefits)

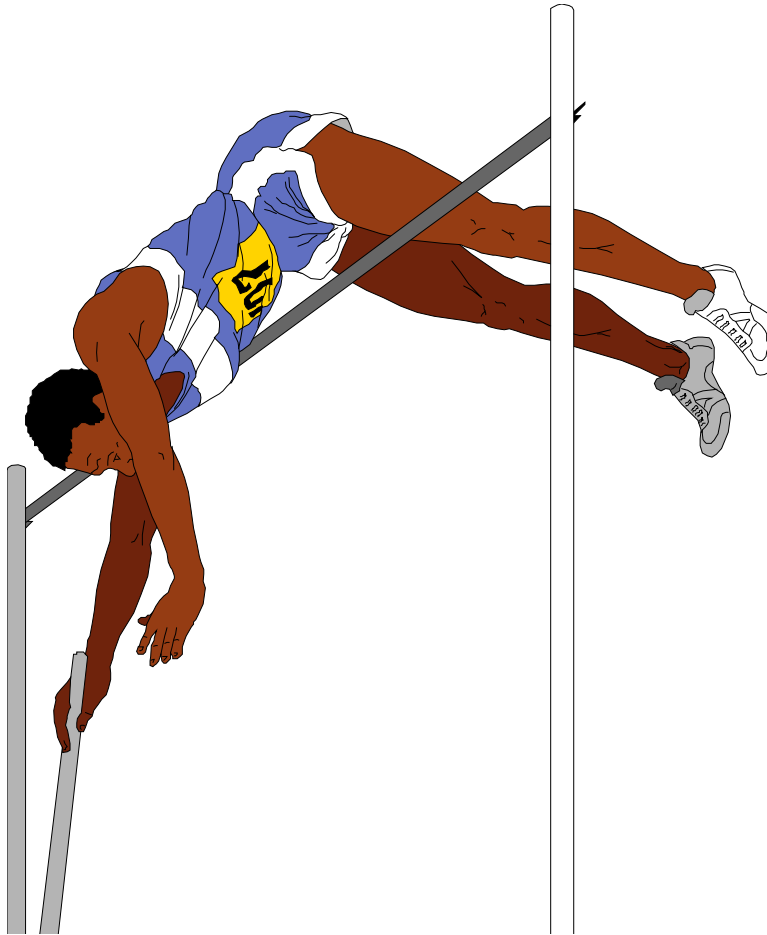
Economic Sector	United States	Europe	Asia Pacific	Americas
Manufacturing	50% less cycle time 20% less cost	25:1 benefit/cost Potential 50:1	Learn, change at rapid pace	40-70 Ton/mo. range 10-31% output increase
Service	70:1 benefit, \$5 Mil. 60% less interviews	High value/cost process 20 to 3 day P O cycle	8 leaders compared 83% BP transfer	35-50% less cost 70% fewer returns
Non-Profit	24% reduced mortality Med. Center: 3.1-6.3%		Best practice mastery Quick, effective skills	Two Brazilian Quality Award Recipients
Government	2X less dissatisfied 25% increased loyalty	Not quantified but substantial	100:1 benefit/cost 18% less cost	
Education	50%: top 10% of class Lower attrition		Higher quality post graduate intake	

# Benchmarking is...

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The process of *identifying, understanding and adapting* **superior practices** from organizations locally and worldwide to help your organization **improve** its *performance* and **achieve** priority *business results*

# Critical Focus



## WRONG FOCUS

*“How High?”*

## RIGHT FOCUS

*“How does he vault that high?”*

## POTENTIAL PRACTICES FOR BEST PERFORMANCE

Technique

Coaching

Conditioning, Nutrition

Psychological Preparation

Choice of pole

# Types of Benchmarking

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- |                                            |                                                                               |
|--------------------------------------------|-------------------------------------------------------------------------------|
| ● Internal<br>(20%)                        | <u>Comparison to:</u><br><b>Similar operations<br/>within an organization</b> |
| ● Competitive<br>(10%)                     | <b>The best direct<br/>competitors</b>                                        |
| ● Functional<br>(35%) (Selection Criteria) | <b>The same function<br/>outside the industry</b>                             |
| ● Generic Process<br>(35%)                 | <b>Innovative, exemplary<br/>work processes</b>                               |

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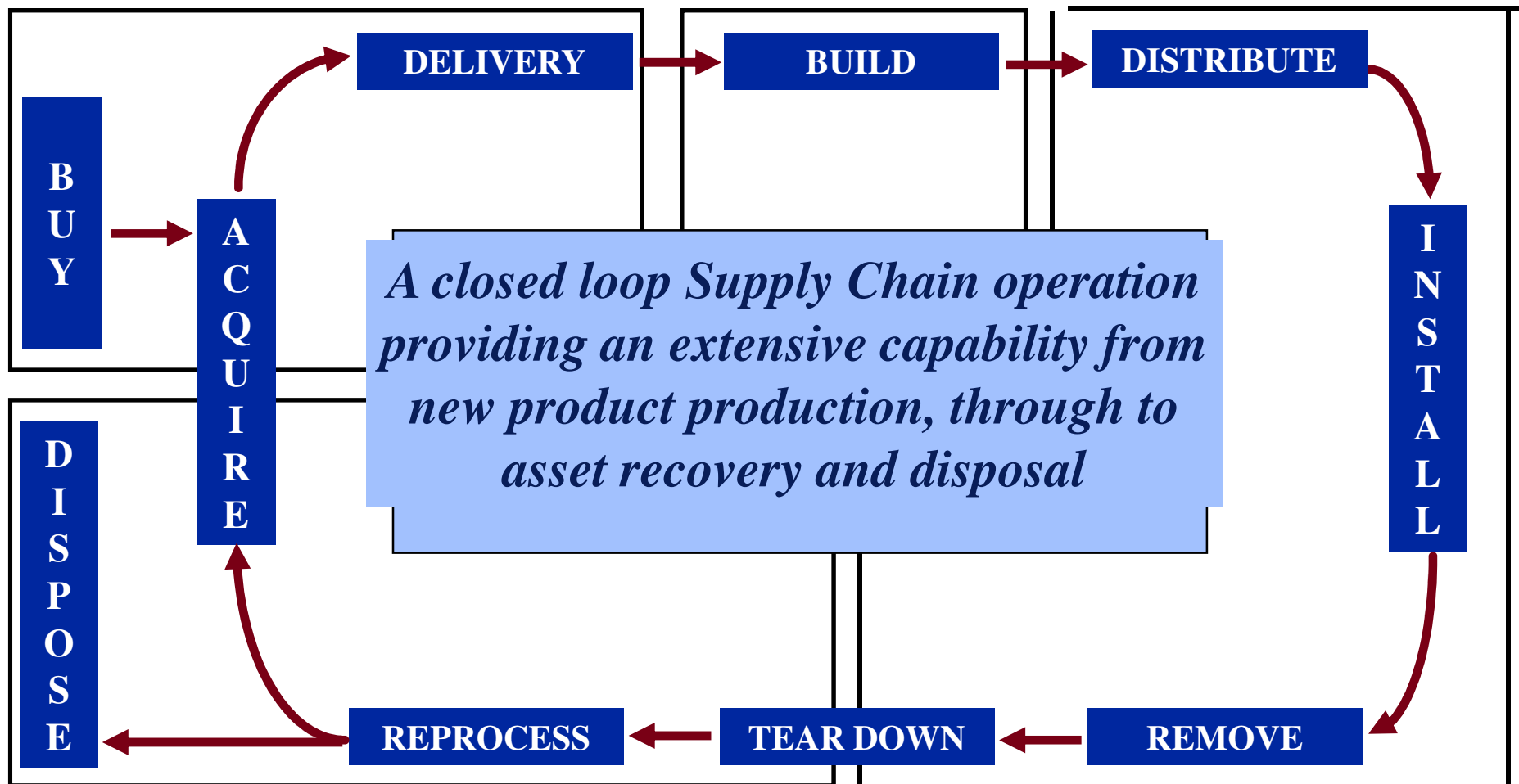
# Improve A Critical Process (What)

**Objective:** Improve a Mission Critical Process

**Steps:** Identify (List), Prioritize, Document, Analyze and Develop Vital Few Measures for a Key Work Process

**Outcome:** Process Defined for Best Practice Search

# Supply Chain Detail



# Improvement Opportunity

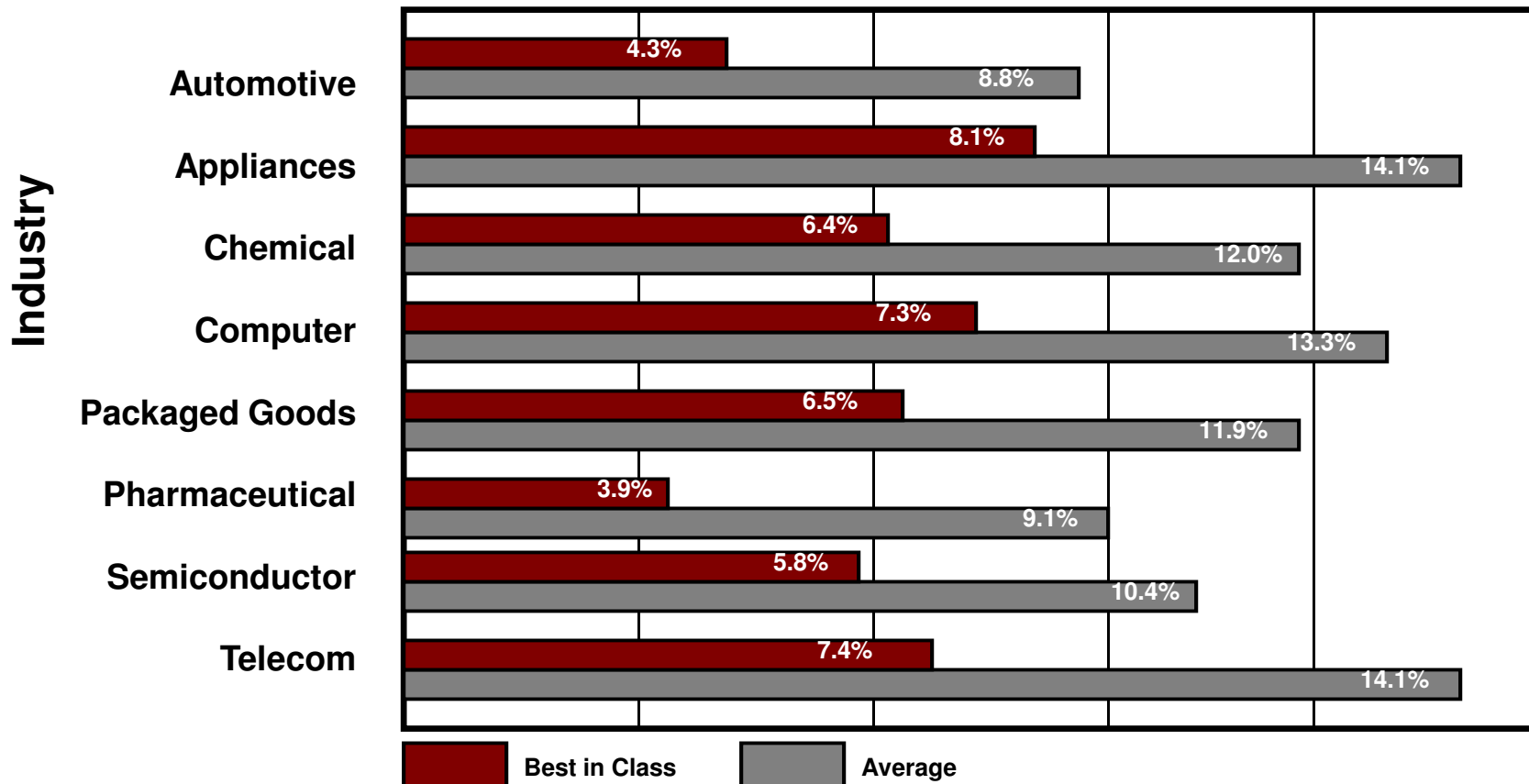
		<b>Supply-Chain Performance Versus Custom Population</b>				
		0% – 20%	21% – 40%	41% – 60%	61% – 80%	81% – 100%
<b>Key Perspectives</b>	<b>Level 1 Metrics</b>	<b>Major Opportunity</b>	<b>Disadvantage</b>	<b>Average or Median</b>	<b>Advantage</b>	<b>Best-in-Class</b>
<b>Customer-facing</b>	Delivery Performance/ Quality	Delivery Performance to Request Date			▲ 92%	100%
		Order Fulfillment Lead Time		▲	5.6 days	2.2 days
		Perfect Order Fulfillment	<i>Data not available</i>		79.3%	98.4%
	Flexibility & Responsiveness	Upside Production Flexibility @ 20%			30 days	▲ 6 days
		Supply-Chain Response Time	▲		76 days	19 days
<b>Internal-facing</b>	Cost	Supply-Chain Management Cost	▲		9.7%	5.6%
		Value Added per Employee			\$239K	▲ \$461K
	Assets	Total Inventory Days of Supply			68.5 days	▲ 34.8 days
		Cash-to-Cash Cycle Time		▲	84.5 days	33.4 days
		Net Asset Turns			1.7	▲ 3.9

▲ Your organization's performance



# The Supply-Chain Advantage

(Percentage of company revenue spent on supply-chain activities)



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# Source Best Practice Partners (Whom)

**Objective:** Source Partners For Best Practice Exchange

**Steps:** Best Competitors and Functional Industry Leaders,

Think Laterally, by Analogy, Generalize the Concept

**Outcome:** Best Practice Organizations Identified

# Best Practice Search

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## **Customer**

HQ Cold call

800 number

Answer center

e-mail

Suppliers

## **Research**

Web pages

Posting board

Associations

Publications

Annual Report

## **Referral**

Colleague

Conference

VIP reference

Periodical

## **Best practice**

Award winner

Case study

Academia

## **Network**

Coordinator

Consortium

Consultants

Software

Previous study

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# Document Superior Practices (Information Resources)

**Objective:** Identify Existing Best Practice Information

**Steps:** Information Sources (Which are Primary?),  
Information Searches (How conducted?),  
Site Visits

**Outcome:** Best Practice Findings Reports Obtained

# Best Practice Collection

← Alternative Approaches →

Considerations	Full, Formal BMK Project	Surveys, Questionnaires	Best Practice Reports	Literature Search	Informal, Collegial Contact
<b>Preparation</b>	Process map, measures, quest. set, visit guide.	Electronic setup, launch, administer, analyze.	Subject matter expert assistance.	Librarian essential.	None.
<b>Information Accessed</b>	Websites, databases, networks, publications.	Random or preselected participants.	Completed best practice project reports.	Case studies in public databases.	Personal Rolodex.
<b>Partner Search</b>	Exhaustive, vital few.	Structured set.	Consortia participants.	Companies cited.	Random networking.
<b>Time, Resources required</b>	3–6 months. Trained team, support.	2–3 months. Survey design expert	1–2 months. Benchmarking expert.	30 days. Cybrarian.	Days. Individual effort, contact availability.
<b>Site visit required, number</b>	Yes, validation. 3–8 Carefully researched.	Desirable, 15–30. Possibly competitors.	No. Predefined.	No. Those found in literature.	No. Limited by resources, network.
<b>Findings Report</b>	Detailed best practice knowledge.	Short and quantitative, essential.	Acceptable if adaptable.	Limited to public domain information.	Rarely prepared.
<b>Commitment to Implement, Risks</b>	High, BP org. known, apprised. Timeframe, affordability.	Medium, adaptation not known. Limited information.	Applicability unknown. Report existence, release.	Requires BP confirmation. Should always be conducted.	Anecdotal evidence only. Topic scan.



# Mine Haul Truck

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# Best Practice Management

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## Dilemma:

- “ If we only knew what we know”
  - ☞ Jack Swindle, Director, Texas Instruments

## Solution:

- Leverage the organization’s Best Practice knowledge for maximum value

# Benchmarking Future

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- **Will be less formal, done faster, less cost.**
- **Done in distributed, networked environment.**
- **Use real time, interactive meeting technology.**
- **Fewer site visits, electronic with desktop video.**
- **Information sharing unique to competitive markets.**
- **Pre-packaged, best practice learning, case studies.**
- **Key strategic planning need for continuous innovation.**



# Benchmarking

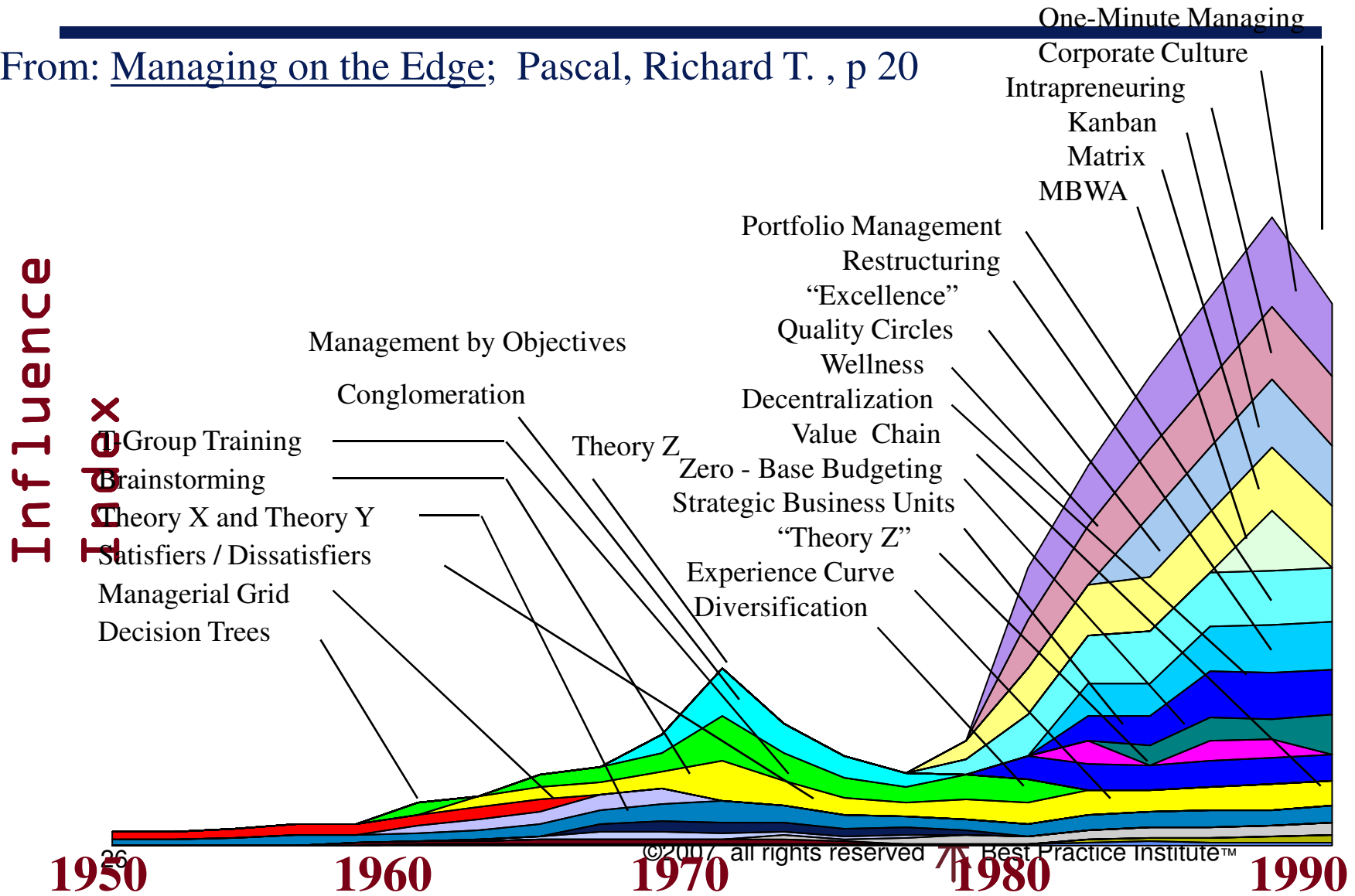
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***A CRITICAL TOOL FOR  
HOW YOU RUN YOUR BUSINESS***

***A Strategic Strength When Practiced  
A Fatal Weakness if not Pursued***

# THE RISE AND FALL OF FADS

From: Managing on the Edge; Pascal, Richard T. , p 20



# ***MESSAGE***

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The mean life of productivity improvement fads has been **8.3 years**.

**BEST PRACTICE BENCHMARKING** has been used for over **20 years**.

Why?.....because

**“It works”**



# A View of Benchmarking

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*“The prime objective of benchmarking is to understand those practices which will provide a competitive advantage in the market place; target setting is secondary.”*

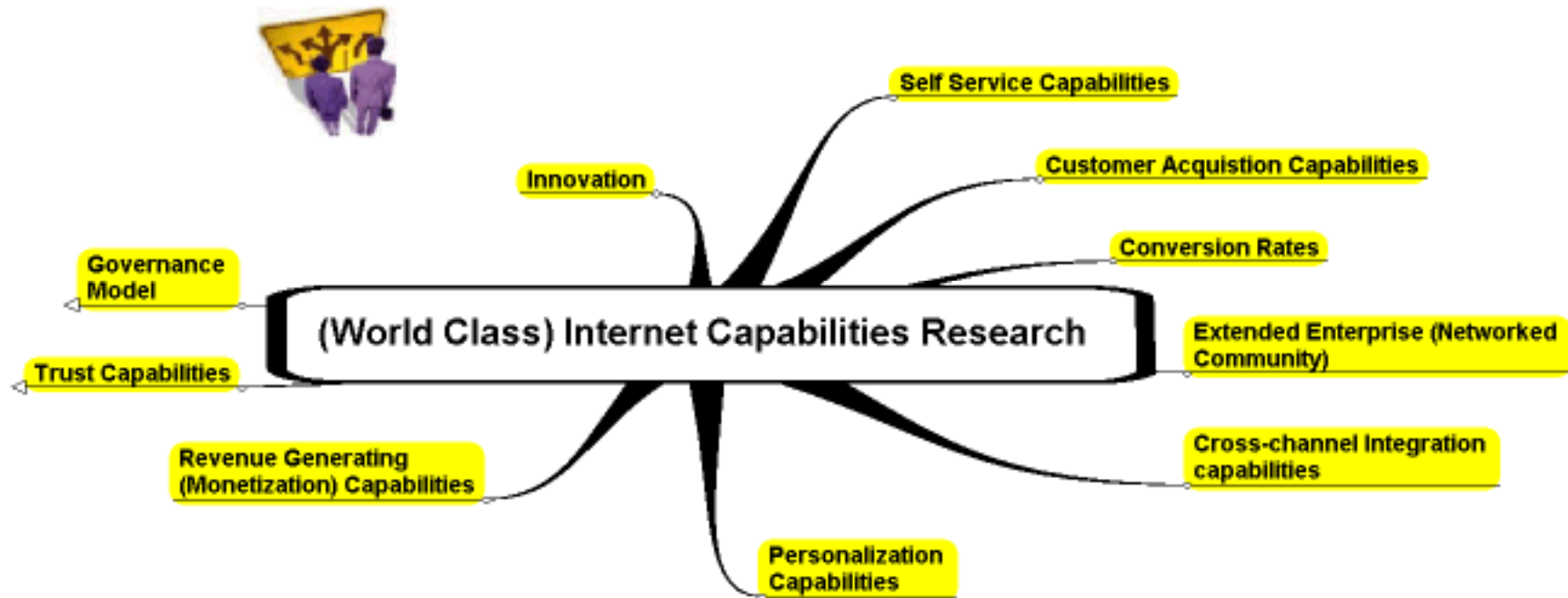
**Paul Allaire**  
**Chairman, Xerox Corporation**

# I Need You To “Benchmark!”

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# World Class Internet Capability



# World Class Internet Capability

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- **Obtain Company Sponsors (Fee Based)**
- **Third Party To Conduct Study**
- **Best Practice Benchmarking Focus**
- **Cross Industry, But Major Internet Users**
- **Include Lessons Learned**
- **Process Mapping**