

# **Benchmarking and sharing best practice**

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## Introduction

Baldrigeplus.com *exhibits* are single-topic publications designed to illustrate and explain key Baldrige concepts. Used with the associated workshops, worksheets, case studies and Baldrige-sourced material, exhibits are intended to add value to your performance excellence activities. Return to the [Welcome](#) page for links to the other resources.

This exhibit is based on material from a number of sources (acknowledged where used), but it's predominantly from two 1998 Raytheon Systems Company publications (used with permission), and on material gathered during the site editor's visit to Raytheon's Lewisville TX headquarters in March 1999.

## Benchmarking and sharing best practice

"What makes a company great? . . . Great companies are quick; they're nimble. They are wide open to new ideas and new ways to do things. We need to be externally biased in our benchmarking and search for best practices."

*Dan Burnham, CEO, Raytheon Company, 1998*

## Out-of-the-box benchmarking

*by Carla O'Dell, American Productivity & Quality Center*

"Why would a leading medical center want to study Marriott's hotel guest registration process? Avis Rental Car's staffing system? Why would an airline spend time comparing notes with — of all things — an Indianapolis 500 pit crew?"

"These organizations are using benchmarking to break out of their industry paradigms to reach new, world-class levels of performance. The medical center's patients judged their hospital experience not only on the quality of care, but also on how much time, hassle, and paperwork was involved in the admissions process. So, the medical center asked, "Who does 'admitting' better than we do?"

"The airline needed faster maintenance turnaround than anyone in the airline industry currently provided. Who better than a race car pit crew to shed a whole new way of looking at the process?"

This is "benchmarking outside-the-box." Learning from processes in other industries to improve your own.

"At the American Productivity & Quality Center's International Benchmarking Clearinghouse, we constantly see evidence of the power of out-of-the-box benchmarking," she wrote.

"For those who are used to thinking of benchmarking as a secret process of comparing one's performance to competitors, this shift in thinking requires new levels of openness and creativity. We define benchmarking as: " *the process of identifying, understanding, and adapting outstanding practices and processes from organizations anywhere in the world to help your organization improve its performance.*"

“Practices and processes range from customer service to human resources, from warehousing and distribution to leadership. Even industry-specific processes, such as claims processing in insurance, are candidates for learning from any organization that processes orders rapidly, including mail order houses and banks.

Benchmarking is not just competitive analysis (number crunching), nor is it spying, espionage, or stealing, Carla O’Dell says, it’s a legitimate process of organizational learning. And it’s not just comparing yourself with your competitors. If that’s all you do, she says, you’ll be eating dust, not making dust.

Many organizations, from manufacturing to government agencies to telephone companies, join the Center’s Clearinghouse so they can safely and easily network and learn from other industries.

Why and when should you benchmark outside your industry? Here are Carla’s six reasons:

1. To avoid reinventing existing solutions
2. To achieve breakthrough improvements ...not 5%, but 50% or maybe 500%.  
Firms that are already behind are going to need such breakthrough gains to catch up, then continuous improvement to stay ahead. Speed is critical, to overcome the inertia of the *status quo*. As Jack Welch at GE has said, “Incremental change doesn’t work very well... If your change isn’t big enough, or revolutionary enough, the bureaucracy can beat you.”
3. To drive and direct reengineering. “We strongly urge our ... members and clients to benchmark at least twice during any major reengineering project .... at the beginning ... smart managers use competitive analysis, customer information, operating performance, and benchmarking to identify key processes to reengineer. Then, when creative redesign begins, they benchmark world-class examples to create the new design.”
4. To set stretch goals. Without external stimulation the goals for improvement are likely to be ‘last year... plus 5%.’ “Xerox once though it was doing well in one of its divisions with gains of 8% annually. They benchmarked and found it would take 18% to merely catch up, much more to stay ahead. Benchmarking outside the industry can legitimize stretch goals. Goals picked out of thin air and from off-the-wall guesses rarely inspire anyone. Numbers from competitors analyzed in a black box are ... suspect, and ignored by most managers ... stretch goals based on believable external evidence, not only of results but the process that produced those results, are believable and give people a model from which to work.
5. To overcome the NIH (Not Invented Here) syndrome. Benchmarking offers evidence, not theory, that NIH ideas can work. This helps to convince skeptics, overcome resisters, and convert fence sitters — increasing the odds of making new and large changes.
6. To anticipate and head off new competitors. If goals are based on current industry standards, a virtual competitor may move in and change the rules. Like Dell in the computer industry, Amazon.com in book retailing and IBM in e-commerce infrastructure and on-line service. “In the past, writes Carla, “one could identify easily who competitors were and monitor them. Today, industry lines are growing fuzzy. Competitors come from other industries, from other technologies, and certainly from other nations. For example, the Swiss watchmakers were overwhelmed by competitors that weren’t even in the same business. The Swiss didn’t even see them coming!”

### **Cross-industry benchmarking**

Many of the Clearinghouse's members make cross-industry benchmarking easier, faster, and cheaper by joining benchmarking groups. Consortia companies benchmark themselves and against firms that have world-class best practices.

Participants share the costs in time and money. Target companies are delighted to deal with only one group, rather than ten separate companies all wanting to benchmark the same process.

"One Clearinghouse consortium study relates to 'processes to translate customer information into product and service improvements.' The 10 participating companies include two telephone companies, a chemical firm, an insurance company, and a leading food manufacturer. Another consortium on new product development includes 19 member companies from a wide variety of industries."

"Other recent hot processes that Clearinghouse members are benchmarking are internal communication systems, strategic planning, customer satisfaction, new accounting and decision tools, human resource strategic planning, purchasing, self-managed work teams, innovative reward systems ..."

"One of the barriers to sharing across industries is finding a common language that describes processes regardless of industry. For example, the medical center had to equate its admissions process with hotel registration in order to see the analogy and potential transfer. With our members' assistance, we have developed a Process Classification Scheme that identifies generic processes from other industries and contexts.

"Finally, true breakthroughs require a different mindset. The Clearinghouse has a second definition of benchmarking that captures the psychology and willingness to learn that is necessary to benchmark outside your industry and make breakthroughs:

*"Benchmarking is the practice of being humble enough to admit that someone else is better ... and wise enough to learn how to match and even surpass them at it."*

### **Exploding the myths of benchmarking**

*Having trouble justifying a benchmarking project? Be proactive, be like a rugby player, get your retribution in first: Here's five talking points by Anne Feltus, from the April 1994 issue of Continuous Journey, published by the American Productivity & Quality Center.*

#### **1 Benchmarking is too expensive**

Medrad, a manufacturer of diagnostic imaging devices for the health care industry, had employee quality teams traveling around the US for four years, says Feltus, visiting Malcolm Baldrige National Quality Award-winning organizations and other quality champions, gaining firsthand insight and information in areas like employee empowerment, evaluation processes, cash flow management, customer order entry, and information systems. "We've stolen ideas shamelessly and have adapted many of their practices to our own operations," Robert Graham, vice president, corporate quality process, for the Pittsburgh-based company, pointed out. "And in some instances, we have been comforted by the knowledge that our processes are on target or are even more advanced than theirs."

Benchmarking comes at a price, Graham admits, but it's not as expensive as some people believe. "With careful planning," he explains, "benchmarking costs can be kept to a minimum."

One way to control costs is to tackle benchmarking one step at a time. "Some people think benchmarking is an extremely difficult and complex process, but that's not necessarily the case," Graham contends. "You can benchmark without making it a big ordeal. You don't have to examine all processes at once. You can keep costs down by doing benchmarking in degrees and by defining very narrow areas to explore."

To minimize costly travel and meeting time, work efficiently and communicate effectively. "First, you have to do your homework," he explains. "Before you visit other companies, you must know specifically what your own problems are. You must clearly define what you intend to accomplish and what you need to look for during your trip. Then you must make that information known to the people you are planning to visit. And since benchmarking is a two-way street, you also must understand what the other companies want from you and what you are willing to share with them."

"Some people say there is a cost associated with giving away ... information ... [that they don't] feel comfortable providing," he adds. "But you can reveal information judiciously. You don't have to give away the heart and soul of your company. And sharing data and processes will help us as a country become more competitive in the global marketplace."

Benchmarking can be done without breaking your company's budget, Graham concludes. "And remember this: The knowledge you gain is well worth the investment you make."

## **2 Management does not understand/support benchmarking**

"Managers are by nature competitive, and anyone who is competitive is looking at what other companies are doing," Turk Enustun, director of corporate benchmarking for Eastman Kodak in Rochester, New York, maintains. "Therefore, most managers are benchmarkers at heart. They understand the need to compare other companies' performances with their own, and they're very adept at doing competitive analyses because that's what is expected of them by Wall Street and by securities analysts all the time."

After making these comparisons, he adds, it's only natural for managers to begin asking some critical questions: How do other companies achieve their good results? What can we learn from them? Can we implement some of their good ideas? Will this lead us to be as good as they are? "If a company's annual sales are up 2% and its competitors' sales are up 10%, the managers want to know why," he explains.

"Part of management's role," he says, "is to enable their companies to emulate leaders. They can put the resources in place their organizations need to effect change, and benchmarking is one tool that can be used to accomplish this goal. "Management understands and supports benchmarking," Enustun concludes, "because it's the component that leads to the results management wants."

### **3 You can only benchmark with the best**

Benchmarking has played a role in Pacific Bell's progress for three years.

"We benchmarked a tremendous variety of topics ranging from affirmative action to auditing to business planning to cable damage prevention," said Al Pozos, former benchmarking manager for Pacific Bell's corporate quality center in San Ramon, California. Pozos worked as director of the Houston-based International Benchmarking Clearinghouse at the time contributor Feltus wrote her article.

Pacific Bell doesn't always benchmark with companies whose practices are considered superior. There are sometimes benefits to be gained from working with organizations that aren't quite the best. 'Fashionable' organisations may be overwhelmed, and have to turn some partners down. "Furthermore, there often is a tremendous gap between your own company's practices and those that represent the absolute best," Pozos believes. "It would take a quantum leap to reach their level, which can be quite discouraging. Sometimes it's better to make incremental changes."

There's an inference that you obtain inferior information when you benchmark with companies that are less than the best. But as Pozos points out, that's not necessarily the case. "It's just that companies that qualify as the leaders have applied their practices over longer periods and with more consistency," he explains. "It's a matter of fine tuning."

In fact, benchmarking with companies that are less than the best has brought positive results for Pacific Bell. "In measures of customer satisfaction, for example, we worked with companies that were not necessarily the absolute best in this area," Pozos says. "Yet, we gathered enough useful information to enable us to reduce our expenditures by \$9 million. And when we benchmarked with other companies to determine how they handle employee suggestions, we were able to obtain data that saved us about \$12 million."

Pozos puts it this way: "You can learn from an Olympic athlete. But you also can learn from the local tennis pro."

#### **4 There is no analogous process to benchmark in my industry**

Brian Andes, director of business process improvement at Tenneco, received an inquiry from a benchmarker who was looking for ways to protect a telephone company's underground cable network. Why did the caller pick Tenneco as a partner?

To Andes, the analogy was obvious. "We don't have under-ground cables, but we do have underground pipelines ... our processes may not be the same, but our approaches to resolving problems may be similar. It's a matter of mind set ... of understanding that even companies or industries that are different can have similar core processes or common characteristics."

An example: "Tenneco has six operating companies that sell to each other, and we wanted to learn more about other companies' processes for billing between companies ... but when we began gathering information on intercompany billing, it's such an esoteric practice that very little information has been published on it."

So, the Tenneco team broadened its search. It identified companies that do billing and then isolated those who have excelled at it. "We asked if any of these organizations had several companies that did business with each other." This approach led to a successful benchmarking effort.

Another example: "We were benchmarking on innovation ... Very few companies have discrete innovation processes, but in the course of calling people, we found companies that have introduced initiatives to encourage innovation, and we focused on these."

#### **5 Benchmarking is only for big companies**

Ken Dooley, quality manager for Syntron Inc., a maker of marine electronics for the seismic and exploratory drilling industries, says that benchmarking can benefit smaller companies, too. Syntron has about 300 employees situated around the world. And it's actively involved in benchmarking.

Syntron traditionally has teamed up with companies its own size, because according to Dooley, companies of different sizes approach processes in different ways ... 'best in class' for a big company might not be ... for a smaller one. Dooley admits the myth that benchmarking is only for big companies has discouraged some small organizations...

"I wanted to benchmark the ISO certification process ..." he recalls. "But when I approached companies of similar size in our area, they saw little value at first in comparing processes. They considered what they were doing to be unique, because they had consolidated processes within their organization that would have been conducted separately in bigger companies. But after we talked about their processes and how they documented and audited and prepared for certification, they changed their minds.

"Benchmarking is a learning process, and the success of your efforts depends heavily on how well you get to know the processes you're studying," he concludes. "The more companies you talk to — regardless of their size — the better."

## **Avoiding benchmarking traps**

*From an article by Richard Wargo, on the June/July 1994 issue of Continuous Journey, a publication of the American Productivity and Quality Center*

Wargo says that everyone wants to be customer-focused, and most people know that benchmarking is how you discover best practices. So, why not benchmark customer satisfaction?

Many organizations are doing exactly that, but they make three common errors:

1. Inadequate study definition
2. Failure to take a process orientation
3. Inability to define appropriate performance measures

### **1 Inadequate study definition**

Start by scoping the study to a realistic size. For example, one study facilitated by the APQC's clearinghouse, an effort to uncover best practices for hospitals' admitting processes, concentrated on the elective acute care inpatient admitting process. Only with such a focus were the participants able to gain detailed knowledge of effective admitting practices.

Keeping projects to a reasonable size is never easy. Project leaders often have a number of internal customers, all with their own ideas about what the project is about. The internal customer with budgetary authority probably wants to know how the partner links customer satisfaction to strategic planning. The director of customer service wants you to focus on complaint resolution. The director of market research wants to know what questions are asked, sample size, and statistical validity. The director of human resources wants to know who is linking customer satisfaction to reward and recognition programs, and brand managers want competitive information on other brands.

And a straightforward exercise becomes a major undertaking. Suddenly, the entire organization has a stake in the study and the final report winds up shedding a little light on a multitude of topics, but in-depth actionable information on none.

Wargo says that "... the first step to wellness is admitting there is a problem ... scenarios like the one above do happen. In fact, at the start of your project, tell others it will happen. Then, when others begin to expand your scope you can say, 'Remember how we discussed this and how you agreed that a specific, defined scope was necessary?'

Having alerted others of this phenomenon at the start of the study makes them far more likely to compromise at this juncture.

### **2 Not taking a process orientation**

Benchmarking is not about comparing numbers. It's not about asking "We're 4.2 (on a 5-point scale); where are our competitors ... where is 'best-in-class'?"

By just looking at numbers, organisations ignore two things:

1. The information needed to achieve superior levels of performance, and
2. The differences between your organization and the benchmark organization.

So you discover that on a 5-point scale you're a 4.2, and best-in-class is 5, what do you do? Work harder? What if you actually need to work smarter. By focusing on processes, benchmarkers not only answer 'where am I versus the rest?; but the much more valuable question; 'how can I get better?

Wargo offers a quick sports analogy to illustrate his point. "As an athlete trying to gauge your performance in the long jump, you may find that you are jumping one foot less than the world record (best-in-class). But how can you improve? What does the best jumper do differently than you? It may be that while you are eating corn flakes, your competitor eats wheat flakes. The top performer may devote all her time to practice, while you must work a full-time job. There may be differences in infrastructure (shoes worn) or training (coaches' knowledge). Or, you may be jumping off of one foot, while the competitor jumps with both feet."

Only by looking beyond the numbers (distance jumped) can you ever hope to achieve the superior level of performance, Wargo says. The same goes for benchmarking customer satisfaction.

What is the 'right' level of customer satisfaction, Wargo asks? Is it 100% very satisfied or satisfied customers? Maybe not. Figure out your own optimum level: Maybe to achieve 100% you have to give your products and services away for free. This would clearly not make sense (unless, perhaps, you're an Internet operation). So a financial decision has to be made.

Ask what the true costs of customer dissatisfaction are. How much would it cost to avoid these costs? If it makes financial sense for you to increase your customer satisfaction score, Wargo says, just do it! Rather than assuming your organization is exactly like the others you seek to benchmark, look at the process by which other organizations make their investment decisions. How do they listen to their customers, prioritize issues, action-plan resolutions, and evaluate costs versus benefits?

### **3 Appropriate performance measures**

Benchmarking customer satisfaction: the theory, is not like benchmarking customer satisfaction in reality, says Wargo.

"Benchmarking theory says that you should define a set of performance measures that will indicate top performers, then follow-up with those top performers to better understand the process used to achieve superior performance," he says.

"Performance measures for customer satisfaction are kind of tricky. A look at basic measures of overall performance such as profitability may not make the best of indicators since the financial impact of customer satisfaction is often a long-term effect.

"Likewise, other measures such as customer retention quickly lose their appeal as one begins to realize the inability to compare retention rates across industries. And, as mentioned earlier, customer satisfaction scores themselves may not lead you to best companies. So, what's the answer?"

You may decide to rely on reputation, he suggests. You get around, you know who is doing a good job at customer satisfaction.

“A more complete answer lies in breaking down the process of customer satisfaction management and picking measures that indicate best in that particular sub-process. For example, commitment to customer satisfaction improvement may best be indicated by whether or not an organization specifically mentions customer satisfaction goals in its mission/vision statements or corporate objectives. Still, issues of prioritizing customer satisfaction data may be best addressed by questions that ask for information on if or how the organization prioritizes the customer data it receives. And other areas that you wish to emphasize in particular will have their own indicators.

“Keep in mind, throughout your endeavors, what objectives and goals you are trying to accomplish. Realize the limitation of how much information can be collected and assimilated at one time. Think through what information you will need in order to make the best changes for your organization. Finally, don't be fooled into relying on performance measures that won't lead you to the right companies.

“It's a fast-paced world with people demanding results at ever increasing speeds. However, this is one case where the extra time is well worth the investment.”

### **Raytheon's Bill Baker on benchmarking**

There are two concepts involved — *bench marks* (metrics) and *benchmarking* (how did they do that process?). Bill Baker says that when looking for benchmark partners look for organisations or processes that are significantly better than the process you want to achieve ... and remember that 'world-class' can be here today, gone tomorrow:

- Benchmarking gets people out of their comfort zones and generates closed loop change processes
- When choosing a benchmark partner, look for an organisation for which the process under consideration is critical for survival, something that really matters for that organisation's success.

Raytheon is a best-practice champion of the use of benchmarking and the sharing of best practices as a key business tool, and has won a number of prestigious awards marking its expertise, including:

1. The American Productivity and Quality Center (APQC) presented the 1997 Benchmarking Team Study Award to Raytheon's Austin Material Lab benchmarking study as a great example of the bench-marking process and its results. By using what was learned, the lab made major improvements in:
  - Tracking customer satisfaction
  - Tracking quality through statistical process control
  - Cycle time and cost indices.
2. Raytheon's Asset Management benchmarking team and the Procurement Reengineering team also received an APQC Benchmarking Study Award. Both teams presented their benchmarking stories at the APQC 20th Anniversary Member Meeting in Houston.

Raytheon's Part Selection Engineering team took part in a bench-marking forum made up of representatives from the aerospace and defense industries and leading commercial companies. The team used information learned at that forum and from individual benchmarking studies to improve the company's Part Selection Process, part standardisation efforts, and part commercialisation activities. Some of those improvements are:

- Standardized metrics and goals
- A new part selection engineering team
- A validated approach to standardization
- A policy for the use of nonmilitary parts in military systems
- The naming of industry benchmarks for standard parts lists and part selection processes
- A method for mitigating risks associated with nonmilitary parts
- Part obsolescence strategy and process
- Establishment of incentives for the part standardization program
- An infrastructure that supports part selection processes.

The team has also done benchmarking studies to enhance the company's reputation as a leader in standardization and commercialization.

Another benchmarking study which looked at supply chain relationships in the missile industry, including key suppliers, focused on process steps that were non-value-added or driven by Department of Defense regulations. Participation in the study satisfied a customer requirement and produced several benefits for the customer:

- It provided key process and metric comparisons
- It resulted in better understanding of supply chain management
- It provided a way to share best practices among prime contractors and key suppliers.

Before the sale of Texas Instruments' (TI) defense business to Raytheon, three TI business groups participated in a *Capital Management Process* benchmarking exchange. Nortel was the benchmarking partner.

A collection of aerospace and defense industry best practices known as the *Lean Enterprise Model* has been developed through the *Lean Aircraft Initiative* consortium. The model is available to the relevant people in Raytheon from a common server and can be downloaded to all PCs. Employees received a broadcast message encouraging them to use the model. Of LAI's 19 industry members, Raytheon was the only one to provide access to the model for all employees.

Raytheon's Advanced Technology & Components group have undertaken and completed a *Production Support (Sustaining) Benchmarking Study*. This study resulted in a collection of production sustaining metrics for all shops and factories that organisationally report to AT&C Operations. The AT&C group also collected best practices from the shop managers who have successfully reduced production support.

The *Supply Process Early Supplier Integration (ESI) Team* conducted a study of how successful aerospace, defense, and commercial companies use their suppliers' expertise in new product development. The 12 companies studied included Boeing, HP, Chrysler, Sun, and Ford. Key lessons learned were included in a process tailored

for Raytheon. The process has been used for supply management strategy and the new Raytheon Advanced Purchasing Team. The ESI practices are an important part of the Supplier Development effort to lower the cost of purchased parts and materials.

The US Foreign Agricultural Service saw a wide variation in performance within its departments around the world and decided to use knowledge sharing and best practices to minimize that variation. The Service contacted Raytheon's benchmarking and best practice sharing office and received the help needed to set up and maintain a best practice sharing network within the service.

The American Productivity and Quality Center (APQC) Institute for Educational Best Practices promotes best practices in US educational process from kindergarten through 12th grade. Institute team members visited Raytheon in April 1997 and have since initiated programs in Texas and Georgia to create best practice networks and continuous improvement initiatives to encourage the setting of stretch goals at the state and local levels.

Raytheon's benchmarking/best practice sharing core team helped the company's Finance Transition Team establish a common language for evaluating existing finance processes and helped identify best practices. These best practices will be used to design the finance processes for the new company. By applying lessons learned from a 1996 financial benchmarking study, the finance team was able to baseline performance and determine best practices to meet its goals in April and May 1997.

#### **Best practice information on the Internet**

*Finding the Right Partners by Carol Smith, Ameritech, at The Benchmarking Exchange's Internet site*

Here's the preamble from the Benchmarking Exchange Internet site:

"Gain access to thousands of best or superior practice citations from hundreds of the world's leading authorities on business performance such as Industry Week, Malcolm Baldrige National Foundation for Quality Management and Deming Prize. This database helps you identify organizations currently holding best practices in the processes you are researching. Some records contain measurements of performance levels (metrics), but the general focus is on qualitative data. Many records contain contact information for the organizations cited, but if a contact is not listed, try searching in the Member Directory."

Establish benchmark programs by following this checklist:

- searching libraries (on line and conventional), including trade journals and business publications
- seeking the input of process owners and experts, internal and external customers
- networking through seminars and professional organizations
- networking with industry leaders
- engaging or consulting professional consultations
- developing benchmark partner selection criteria
- creating a matrix of needs and candidates
- selecting several partners - selecting appropriate companies as partners is critical to the success of the benchmarking process.

Important criteria to consider during the search for appropriate partners:

- quality/service/business award winners
- top-rated firms in industry
- publications and surveys
- feedback from internal and external experts, customers, suppliers, and business partners
- financial performance, market share, technology base, sales margins, product innovation, organization size

Making sense of it all:

- Develop a matrix of the important criteria for your study
- Remember no company is 'best' in all areas
- Select several partners and take the best elements from each
- Back-up your selections with fact

### **And here's an alternative view ...**

In the best traditions of informed debate, and to help make this site as interesting as possible, we like to offer alternative views, especially when they challenge what seems to be well-established conventional wisdom.

According to Michael Schrage, a FORTUNE feature writer, "Blackmail is such an ugly word. But it's the best description of what happens when the passionate cooings of knowledge-management gurus get translated into the harsh realpolitik of today's corporate networks.

"At world-class organizations like General Electric and Asea Brown Boveri, intranets that once carried urgent e-mails and turgid PowerPoint presentations now store databases enumerating the performance standards and process practices deemed 'best.' In theory, such immaculately networked cultures are supposed to 'empower' people to be better employees. In practice, these knowledge-management networks and 'best practice' databases create brave new infostructures that effectively enforce employee compliance with organizational norms."

Schrage says you ignore checking in with these databases at your peril. Do so and "... you may lose your promotion, your job, or your employment lawsuit — whether you're suing because you've been fired, or being sued for firing."

"The simple reality is that cherished business ideals like best practice are as much about creating cultures of compliance as building processes for profitable productivity," Schrage wrote, implying that some so-called best practices may simply be a whim of "Your wannabe Jack Welch CEO."

And what about health care best practices? Schrage sees ethical problems with the adoption of disease-management databases used to model therapies, wonders how new information gets integrated into such practice models, and questions whether patients should somehow be steered toward a median best practice if the data reveal "that certain physicians are consistently aggressive or passive with particular therapies," for example. Does the database or the physician make treatment decisions? "Obviously," he writes, "it would be a foolish physician who tried to modify a cancer therapy without running it by this internal best-practice database."

“Does the best practice of putting best practices on the intranet force everyone into conformance with some arbitrarily defined best practice at the expense of innovation? It's unclear whether better insights into best practices make a culture more innovative or more conservative. It might even make more sense to publicize the “worst practices,” punishable by dismissal and to be avoided at all costs.

“Just how sustainable are best practices in a world built on the premise that change is the one constant? Thanks to the irresistible rise of networks, the distance between making a virtue of necessity to making a necessity of virtue is vanishingly small.”

*Source - THE NIGHTMARE OF NETWORKS. When Best Practices Meet The Intranet, Innovation Takes a Holiday, by Michael Schrage, FORTUNE March 29, 1999*

**Benchmarking and best practice sharing ... they work.**

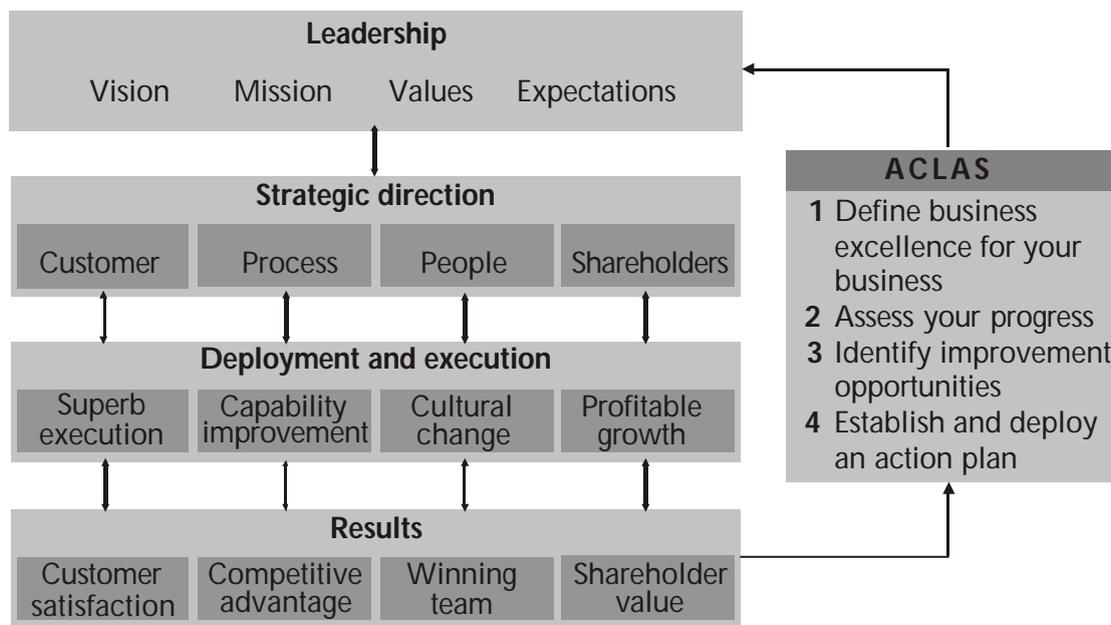
Raytheon Company brochure, 1998

**Raytheon's ACLAS vision and strategy**

"Our accomplishments in benchmarking and best practice sharing, including a Benchmarking/Best Practice Office and a powerful Best Practice Knowledgebase set an industry standard that other companies work to emulate. This Best Practice Knowledgebase will be very helpful to us as we begin the process of sharing the "best-of-the-best" across the company."

*Dave Welp, GM Raytheon Systems Company  
Sensors and Electronic Systems, 1998*

Raytheon's Annual Closed-Loop Assessment System (ACLAS) is a four-step improvement process that encourages business system assessment within the company, "using world-class quality criteria, such as those used by the US Malcolm Baldrige National Quality Award and the European Foundation for Quality Management or other applicable international quality award criteria."



Raytheon's Six Sigma strategy and its ACLAS process both include benchmarking and best practice sharing as key enablers. Benchmarking is employed to find best practices in other companies and throughout Raytheon, encouraging an external focus. Best practice sharing is used get best value from existing knowledge.

By finding and sharing best practices the company avoids 're-inventing the wheel' and reduces learning cycle times, freeing resources that can be used to develop the innovative products and processes which are key to future growth.

“Benchmarking enables us to measure our products, services, and processes against those of our toughest competitors and best-in-class companies. By answering the question, *Who is the Best?*, we set a stretch goal or vision of business excellence. BPS gives us a systematic way to find and re-use existing knowledge throughout the company and to make our own knowledge available to others,” says a company handbook on this subject.

### Definitions

“When we benchmark, we search for best methods, practices, and processes. Our goal is to *adopt* or *adapt* the best features of a process or practice and to implement those best features in our own process to produce the best of the best.”

- A **benchmark** is the best performer in a particular process or activity. It serves as a reference point for setting targets and stretch goals
- Benchmarking is:
  - (1) a process of measuring products, services, and practices against best-in-class companies and world-class practices
  - (2) Learning from others. . . fast! (*Everyone has one definition for benchmarking. Raytheon is the **only** company recognizing the value of having two!*, claims the handbook)
- Benchmarking is a management process that encourages ongoing validation against the best in the world and the integration of competitive information, practices, and performance
- Benchmarking is a way to use internal and external best practices to close business gaps.

A **best practice** is a technique, tool, enabler, process, or part of a process that works best to improve your situation. It's any practice that works best for you! Best practice sharing is:

- A concentrated effort on *internal* benchmarking
- A transaction that requires a supply of available best practices and a demand for those practices
- Creating and sharing *re-usable solutions*
- The identification, documentation, and communication of those re-usable solutions
- People understanding and communicating their business strengths and gaps
- A series of techniques and tools, including forums, databases, presentations, and communications
- A willingness to share knowledge with others and to accept the solutions of others.

Benchmarking provides a way to achieve business excellence by identifying the best and by using best practices by helping to answer key questions, including:

1. Who is best at what I do? If you know how to measure excellence for your business, and can identify the best for that business, that's your benchmark
2. How well am I doing? Once you understand your processes and know how to measure progress, you'll be able to specify baselines that you can compare to your benchmark. This will help define stretch goals.
3. What are my strengths and areas for improvement? Identify strengths (areas that approach or exceed your goals) and areas for improvement, or gaps (areas that are far from those goals), and present this information to your leaders and workgroup members for discussion and prioritization.

4. How will I close gaps and share strengths? Given approval to proceed, identify the best way to achieve your goals. Use information from benchmarking studies to identify which best practices work for you and then incorporate them into your process.
5. The study is complete when you *implement* these best practices.

<b>Raytheon's 10-step benchmarking process</b>		
Answer these questions ...	... by performing these activities ...	... to obtain these results.
<b>How well am I doing</b>	<b>PLAN</b> <b>1</b> - Gather information, funding, and people - Identify critical business process - Define stakeholders and sponsor - Identify team members - Flowchart current processes - Identify key metrics of the process - Modify process as required	<b>Establish your current baseline performance</b>
<b>Who is best at what I do</b>	<b>2</b> Identify comparative processes (either in other companies or internally) <b>3</b> Determine data collection method and collect data	<b>Find benchmarks for what you do</b>
<b>What are my top gaps and strengths</b>	<b>ANALYSE</b> <b>4</b> Determine current performance gap <b>5</b> Project future performance levels <b>INTEGRATE</b> <b>6</b> Communicate benchmark findings and gain acceptance by stakeholders	<b>Develop a case for action and prioritise your improvement opportunities</b>
<b>How will I close gaps and share strengths</b>	<b>ACT</b> <b>7</b> Establish functional goals <b>8</b> Develop action plans <b>9</b> Implement actions and monitor progress <b>10</b> Recalibrate benchmarks	<b>Set your stretch goals and create a detailed plan for continuous improvement</b>

## Raytheon's Fast Track benchmarking model

### 10-step process detail

	This activity .....	... Takes this long.
On day 1	Determine scope of study	1 day
On day 2	Identify team and leader	1 day
By day 5	Agree on current map and process	1-3 days <i>First team meeting</i>
By day 8	Brainstorm up to 25 partners; draft up to 15 screening questions	1-3 days <i>Second team meeting</i>
By day 11	Draft 2-page survey and cover letter; identify phone contacts for partners	1-3 days <i>Third team meeting</i>
By day 16	Prepare final copy of letter and survey; finalize phone contacts; team splits up contacts (request response in 2-3 weeks)	1-5 days <i>Fourth team meeting</i>
By day 21	Make contact, get agreement to partner, fax letter and survey to those agreeing	1-5 days
By day 22	First review of contacts, successes, and new approaches	1 day <i>Fifth team meeting</i>
By day 29	Second review of contacts, successes, and new approaches	1-7 days <i>Sixth team meeting</i>
By day 36	Third review of contacts, successes, and new approaches	1-7 days <i>Seventh team meeting</i>
By day 43	Fourth review of contacts, successes, and new approaches	1-7 days <i>Eighth team meeting</i>
By day 50	Summarize responses; identify 3 to 4 best practice partners	1-7 days <i>Ninth team meeting</i>
By day 80	Complete a detailed half-day meeting with best practice partners (can be via a site visit or a teleconference)	30 days
By day 90	Generate process improvement plan by adapting best practices, gain acceptance from process owners and begin implementation	1-10 days

### The four types of benchmarking

1. **Internal Benchmarking**  $\frac{3}{4}$  comparing yourself to similar operations within your own organization. At Raytheon, best practice sharing is the major process for internal benchmarking.
2. **Competitive Benchmarking**  $\frac{3}{4}$  specific competitor-to-competitor comparisons for a product or process. Competitive benchmarking helps identify industry best practice. It is useful for planning business activities and setting stretch goals.

3. **Functional Benchmarking**  $\frac{3}{4}$  is a comparison to process leaders outside your industry. It's an important source of best-in-class processes and practices and helps identify, understand, and close business gaps.
4. **Generic Benchmarking**  $\frac{3}{4}$  compares work practices or processes across industries and products and is most useful for identifying innovations and importing them, to close gaps and achieve step-function improvements.

### **Contacting a benchmarking partner**

After a benchmarking team has identified a list of companies as potential benchmarking partners, the team should research those companies. Before contacting the chosen companies, prepare the following information for your initial discussion:

- Who you are
- Why you are calling
- What the purpose of your benchmarking project is
- What you want to accomplish with this project
- How you identified the contact as a potential partner
- Why you want to survey or visit the contact
- What the process map of your current process is
- Who will attend the sharing session
- How much time will be required (usually half a day).

During this first discussion, you should also be prepared to:

- Offer information on your processes
- State that you intend to share blind results with your partners
- Offer to send a proposed agenda in advance of the meeting or phone survey.

Initial surveys should be short, friendly and look professional.

Successful initial surveys consist of:

- Fifteen or fewer questions
- Objective, multiple-choice questions
- Your answers to the survey questions
- A statement of the study's purpose
- A map of your process
- An explanation of how the information obtained will be used and shared
- A query about the willingness of the company to host a site visit, if selected as a Best Practice partner.

Helpful hints:

- Telephone to get permission to fax or e-mail the initial survey
- Know the answers to the survey for your own process
- Offer to help your partners complete the survey.

## **Benchmarking do's and don'ts**

### **Do:**

- get management commitment before starting a benchmarking study
- use research to learn about the companies you plan to contact
- know your own process thoroughly before contacting other companies to benchmark
- identify and involve everyone who might be affected by your study
- keep communication flowing during the study, especially with team members and the process owner
- identify important metrics relating to the process being studied
- implement improvements identified by your study
- identify savings
- benchmark to learn. You can learn something from everyone!

### **Don't:**

- benchmark for the sake of benchmarking
- start a benchmarking study without management support
- plan a benchmarking study unless you thoroughly understand your current process and have flowcharted it
- confuse *industrial tourism* with benchmarking (industrial tourists claim to be benchmarking, while actually they are just sightseeing at another's place of business)
- ask for information you would not be willing to share
- forget to research public-domain information
- delay a debrief more than 3 days after a site visit
- benchmark to prove that you are better than they are
- forget the primary reason for benchmarking: Implementing best practices to improve your process and to gain competitive advantage.

## **Benchmarking protocol**

When performed properly, benchmarking enhances competition, spurs continuous improvement, safeguards trade secrets, and inspires innovation and excellence.

### **Exchange of Information**

- Ask only for the kinds of information that you would provide under the same circumstances
- Be honest and complete
- Respect confidentiality. Do not communicate results externally without first obtaining permission.

### **Use of information**

- Use information obtained through benchmarking only for process improvement within the companies participating in the study
- Do not use benchmarking information resulting from a benchmarking exchange as a means to market or sell
- Follow through with each commitment made to your benchmarking partner in a timely manner.

## Best practice sharing - the Raytheon model



### Best practice sharing questions

During the ACLAS step in the left column ...  
... ask yourself the question in the right column

- |  |  |
|--|--|
| 1. Define business excellence          | Who is best at what I do?                  |
| 2. Assess your progress                | How well am I doing?                       |
| 3. Identify improvement opportunities  | What are the gaps?                         |
| 4. Establish and deploy an action plan | How will I close gaps and share strengths? |