

BENCHMARKING AS A TOOL FOR ENHANCING PRODUCTIVITY

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In my presentation I would like to introduce a project to enhance productivity by using benchmarking. I don't speak about the principles of benchmarking and measuring productivity. They are well-known and in general use world-wide. Because some European studies show benchmarking methods are mainly used by large companies the European Union started a series of activities in order to enable also SMEs to use such methods. Also WFI set up various programs harmonized with the special need of SMEs.

First - you allow - some general remarks.

Productivity - and consequently also the "success" of an enterprise -, its economic profit, and the safeguarding of its future existence are of major importance in an economy which is becoming more and more interconnected and where competition is increasing steadily. This applies to small enterprises as well.

It is therefore logical to take advantage of well-proven concepts of control and continuous productivity improvement. Benchmarking is such a concept. Benchmarking in general is a managerial tool used to compare the performance of a firm against a specified level of performance, the performance of its competitors, or the industry as a whole.

Though this concept is not necessarily new, it is novel to a certain degree in the methods it uses: In contrast to previous approaches in this direction, figures are compared not only with average values of enterprises in one industry, such as is the case with inter-firm comparisons. Rather, benchmarking orients itself towards the success techniques of enterprises, also going beyond the own industry. This method introduces innovation and entrepreneurial creativeness into the game - two factors that are essential for today's economy.

Therefore it is not the question "How do my competitors do it?" that is in the foreground of observations, but rather the need and desire to learn from the successful enterprises, also those active in other industries. It is above all process-oriented benchmarking which is suited perfectly being an extremely practice-related method of productivity improvement in small enterprises.

Up to now benchmarking was almost implemented in large companies as mentioned before. The applied method in large companies contains difficulties for SMEs with respect to
the project duration about 6 to 12 month,
the relatively high expenditures,
the tying up of employees for the project duration and
the expensive partner-search.

Further difficulties of SMEs with benchmarking are resulting from

- the limited resources
- limited financial capabilities and
- limited human resources,
- knowledge of methods
- non-existent benchmarking know-how,
- mostly not familiar with tools for the visualization of processes
- techniques with questionnaires and common benchmarking problems
- data availability,
- high competitive pressure,
- scepticism to open the books,
- missing support from management
- mind barriers, etc..

Otherwise SMEs have a lot of potentials to improve their processes with benchmarking. Such potentials are:

- The processes are more transparent than in large companies (information flow, decision-making-process)
- More flexibility than large companies
- Fast implementation of "Best Practices" is possible.

Therefore it was necessary to set up a benchmarking program which meet the requirements of SMEs.

This program is based on the co-operation between several SMEs and by the knowledge transfer of our benchmarking centre. The benchmarking model itself is based on three factors which are decisive for success - the market, the employees and the enterprises. In order to safeguard the demand for a sustainable improvement of success and productivity, these factors are analysed.

The model for the measurement of customer satisfaction is used to analyse the relationship customer and enterprise. This relationship is most important for the success on the market. To analyse the enterprise itself, we use the traditional tools of business ratios, which are common in business administration. In both a relation to the employees is given.

Even in SMEs customer satisfaction is an essential point and plays therefore an important role in our projects. Reliable measures of customer satisfaction indicate potential future trouble and lead often to surprising information.

Customer satisfaction is the result of a comparative process of the customers between their expectations and the perceived performance.

Examples of expectations are:

- Individual level of demand
- Image of the supplier
- Promises made by the supplier to provide specific services and quality

- Knowledge of alternatives
- And so on

This expectations are confronted with the perceived performance, for instance

- Current experiences
- Individual solutions to problems
- Subjective perception of services and quality
- And so on

Nowadays additional services and the quality of services play a considerably more important role than the core services.

A good complaint management is a first aid to come to an improvement of products and processes, but merely it is a first step. We see only the top of an iceberg. Most dissatisfied customers do not complain. Reasons are :

- The problem is not perceived as serious (yet!)
- It is not clear whether the complaint is justified. Whose fault was it?
- It is not clear what caused the problem
- Bad experiences in the past

We need to know why we receive complaints so we can solve the underlying problems prevent future complaints and our customers will become convinced customers.

Since several years measurement of customer satisfaction is done in different countries. The most famous of this benchmarks is the American Customer Satisfaction Index ACSI. Also exists a similar German and Austrian version. This customer orientated benchmarks give general information in respect to tendencies in different trade sectors as well as in some selected companies. This benchmarks do not fit for detecting possibilities to improve the situation in an individual company. For that tailor made benchmarks are necessary. Therefore we developed a model fitting to the special needs of our SMEs.

The model used by WIFI was developed by the European Customer Satisfaction Association, one of our partners. It identifies an index (= benchmark) that reflects the overall satisfaction of the customers. This index is the result of five core dimensions which give an insight into the various specificities of customer satisfaction, thus offering possibilities to approach improvement measures. These five core dimensions are:

- outward appearance
- reliability
- friendliness and helpfulness
- sovereignty of the employees
- customer orientation

For analysing all recorded data a series of graphics are available. Starting with an overview of all dimensions (all results at a glance) you can benchmark all core dimensions and find out how is your position compared with the competitors. Measures

to improve the individual situation have to deduced. In order to find out priorities we use a so called "Action Portfolio". In this portfolio we visualize customer satisfaction in relation to the significance for the customers for all collected aspects. So it can find out what is to be done first. In the example are this the aspects number 6 and 20.

Where do I stand? The most asked question. To give an answer we compare the data of the individual company with those of the best index find out. The following chart shows an example how is it done. The bars symbolize the values of the company to analyze, the right line shows the values of "best in class". The left line stands for the values with improvement potential.

Such a benchmarking gives in short way information where an enterprise stands compared with other partners.

Besides the analyses of customer satisfaction in our model it is also essential to measure productivity, company efficiency and company success.

In this step there are key ratios calculated in a traditional way as it is done in case of interfirm comparisons. Examples for the area of this key ratios are profitability, productivity, financial management and personnel related figures. They are compared with the value of the best in class respectively brought into a relation to the indices of customer satisfaction. For better understanding they are visualized similar as in the examples shown before.

Measures of improvement can be deducted from the combination and the related comparison with other company data and a ranking of this data - this also allows to identify areas with an improvement potential and the best in class.

Such benchmarking projects are carried with one or even more groups of interested enterprises in predefined procedures. This procedures, our benchmarking circle, are: Establishing targets and planning of the project:

- The project targets and the planning of the different steps are determined jointly in the working groups.
- The content of the different questionnaires and the key ratios are fixed

Data collection and analyses:

- Each participating company sends the questionnaire to its important customers
- Consultants visit all participating companies for data collection and first individual analyses
- WIFI checks the data, bring it together and visualize all information

Information, optimisation, evaluation:

- Each participating company gets a report and information about the individual situation with areas having improvement potential identified.

- Best practices and measures for their implementation are discussed and evaluated in workshops.
- For realization of detected measures additional consultancy service is offered.

The used concept of working groups in combination with individual consultancy support gives additional possibilities to start cooperations between the SMEs. Further we can realise the following benefits for the SMEs with this concept:

- Cost-advantage
- Accessible human-resource-input
- Knowledge-transfer - learning from other SMEs
- Creation of transparency
- Assistance by benchmarking-experts
- Motivation for deducing cost-efficient and realisable concepts
- Promotion of benchmarking-partnerships
- Measurable success
- Definition of best performances
- Identification of performance deficits.

In respect to the philosophy of benchmarking we can say it is a concept in the sense of LEARNING FROM THE BEST.