
Benchmarking as a part of a Total Quality Programme

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Aim

This paper presents principles, results and conclusions concerning the application of benchmarking, driven by performance measurement, within a TEC which aims to achieve a self sustaining culture of continual improvement. The paper highlights the benefits as well as many of the more common pitfalls. It presents a structured approach to transformation and shows how benchmarking and performance measurements are parts of the whole. It is based on four years experience within WESTEC, formerly Avon TEC, and on support given to other TECs.

Introduction to WESTEC

WESTEC's vision is of collective prosperity and individual success throughout Avon. From its formation in 1991 it has recognised that the only way to achieve the vision is by forging strong, meaningful partnerships. In line with the strategy the TEC has created Operating Companies with its Partners and has re-evaluated its own role.

Business support services, particularly for growing small and medium sized enterprises, are provided through Business Link West. This is a new venture between the TEC, Chamber of Commerce, WDP, Enterprise Agencies and Local Government.

The Western Development Partnership is an umbrella organisation linking local initiatives to maximise the opportunities for new investment and jobs. WDP reviews economic strategy and objectives, co-ordinates support for incoming businesses, positions the county internationally and supports the new regional development agency. The WDP is a company controlled by local business, local authorities, universities, trade unions and other key stakeholders.

The third operating company is the Western Education and Training Partnership. This is a strategic, business education organisation formed between WESTEC and the Local Education Authority to further develop the frameworks linking business, education and training for individuals.

What of the role for the TEC? WESTEC is a "strategic convenor". Its job is to add value by avoiding fragmentation, obtaining funds, aligning objectives to the Avon wide strategy and to ensure effective evaluation, along with continual improvement and assurance.

WESTEC started its Total Quality journey on its formation, in 1991. Over the last four years the philosophy and tools of Total Quality have been embedded within the organisation. This has resulted in steady improvements in performance, including increased customer satisfaction and improved financial results. The concepts have been particularly important in developing close working partnerships, the development of new products and services and cost effective quality assurance.

The TEC's approach is based on the philosophy of quality as developed by Dr Deming, although it has become quite eclectic. The framework for implementation was originally adapted from the US Baldrige Award but the European Quality Award is now used to guide and evaluate progress.

WESTEC has established a reputation for its innovative approaches to continual improvement. These approaches have not only been applied within the TEC but in all types of organisation throughout the County of Avon. They are based on defining customers wants and needs, creating shared vision, understanding community-wide processes, building teams and breaking down barriers. It is both a people and process centred approach. Measurement and benchmarking have been used within this framework.

Benchmarking - What is it?

Benchmarking is a structured approach for comparing the products, services and processes of an organisation against the world's best.

Benchmarking can be competitive or non-competitive. For example TEC League Tables promote the concept of competitive benchmarking between TECs. Another approach would be for a TEC to benchmark against a non-competitor that is highly regarded in the service or process being investigated. Examples would include world class private sector organisations and the best practitioners in the public sector. The choice will depend on what is being benchmarked.

Non-competitive benchmarking tends to be collaborative. Some competitors are even starting to introduce this style of approach, realising the limitations of outright competition and the potential benefits to all parties of sharing certain information.

Competitive benchmarking should be based on direct and indirect competition. In a very dynamic environment new competitors may emerge from non traditional areas. Narrowly focused competitive analysis can lead to an organisation being caught unawares.

An organisation can benchmark a product, a service, a process or the whole organisation. The term benchmark originates from bench tests that were done with computer products to compare their performance. Benchmarking is now used by manufacturers to compare the processes which produce the products.

A TEC may wish to benchmark a service such as external IIP. Measures will include recognitions, commitments and levels of customer satisfaction. The product, IIP, is designed and monitored by IIP UK Ltd. The TEC is most concerned about ensuring the delivery process is performing well.

In many cases the TEC has little direct influence over the product but is very concerned about the services supporting the delivery of the product and the delivery process itself.

All organisations comprise processes that cut across the organisation structure. An organisation should design the process first and then the structure to support it. Generally processes fall into one of two categories; delivery processes or support processes. Delivery processes convert the customers' requirements into the products / services which fulfil these requirements. Support processes exist to ensure that the delivery processes are directed and supported. Typical support processes include strategic planning, recruitment, development of resources, etc.

Both delivery and support processes can be benchmarked. A TEC might benchmark against Gloucestershire TEC for external IIP, or even BSI, but they might benchmark against ICL or the Royal Mail concerning strategic planning. The key is to find out who is best in class regardless of whether they are in direct competition.

With the development of National and International Award frameworks there has emerged the possibility of benchmarking whole organisations. Often this is done through self assessment and collaborative benchmarking. Using the European / UK Quality Award Framework WESTEC has been able to assess its own progress and compare itself to very different types of organisation in order to gain ideas for improvement.

Potential Pitfalls

There are many potential pitfalls in using Benchmarking. The most serious come from not understanding measurement theory. Measurement is a widely abused tool and some basic principles have to be understood.

Firstly some of the most important information for management is unknown or unknowable and managers should not just manage on visible figures alone. Lost business due to poor reputation is impossible to predict precisely but because it is not measured many organisations fail to consider it in their decision making process. One of the main distinguishing factors between Western and Eastern management is the long term, holistic view often taken by our Eastern competitors.

In benchmarking the aim is to compare the critical measures not just the easy ones to calculate. This should always be driven by what is important to the customer first.

All measures are based on definitions that result in numerical values. If the measure's definition is shared between a customer and a supplier it is referred to as an Operational Definition.

Consider unemployment figures. There is no true measure of unemployment. Some measures might be more just, but that is a value statement. Labour are right when they say unemployment is 5 million and the Tories are right when they say it is 2.5 million. They are using different definitions.

The real danger occurs when arbitrary targets are set. One of the easiest things to do to achieve a target is to tamper with the definition. Another is to manipulate the process so that the measure reflects an 'improvement'. In this case this may well be at the expense of customer satisfaction. Examples of these 'games' are legion throughout the public and private sectors. The problem is not with targets but with the process of setting targets. This process must be based on sound quality philosophy and principles.

In competitive benchmarking it is often very difficult to know whether similar definitions have been used for measurement and whether competitors are playing 'games'. This information must be used with care and should be used with other information such as customer satisfaction indicators.

Another problem occurs when senior managers, in particular, cannot distinguish between special and common causes of variation. This causes no end of waste throughout the organisation.

However, with all of these constraints, benchmarking is still a useful tool when applied in an environment of sound principles and knowledge.

The European Quality Award Framework

The European Quality Award was launched by the European Foundation for Quality Management in 1992. It has subsequently been adopted by the British Quality Foundation as the UK Quality Award, with DTI backing. The Deming Prize had been established in Japan as long ago as the nineteen fifties. The Americans introduced the Baldrige Award in 1988.

These awards have been very successful at raising national and international awareness of the importance of Quality. The real benefit has not been the Award itself, but rather the adoption of the Award frameworks for self assessment and benchmarking. For the first time in the UK we have a nationally accepted framework for Total Quality or best practice.

The EQA Framework is very broad, embracing all aspects of an organisation, including 'for profit' and 'not for profit' ones.

Benefits of EQA Framework;

- Provides pan European understanding of Total Quality or best practice.
- Enables Self Assessment thus;
 - recognising progress made.
 - identifying improvement opportunities.
 - providing momentum to flagging initiatives.
 - linking actions to business results.
- Enables more reliable Benchmarking.
- Integrates quality initiatives such as ISO9000, IIP, MCI, etc.

Two enablers in the EQA Framework are Strategy & Policy and Processes. It is important for any organisation to have a clear sense of purpose and direction. The strategy can only be achieved by implementing new processes or improving existing ones. There are a small number of processes in any organisation which have the greatest potential to assist achievement of strategy. These are critical processes.

WESTEC has developed a rigorous strategic planning process which assists stakeholders in identifying critical processes.

Strategy and Critical Processes

Since its foundation WESTEC has been using a strategic planning process (1) which helps identify critical processes. Each year the TEC has been more sophisticated in its use. Many stakeholders are directly, or indirectly, involved in the process, including all staff. The process is facilitated by the Chief Operating Officer, Martin Sandbrook.

The strategic planning process can be seen in the copies of the overheads. The customers are the most important part of the process and when the cycle is being used for the first time, it starts with 'Who are the customers?'. This is not an easy question for TECs to answer. WESTEC has developed a model to help deal with this complexity.

Primary customers are those for whom the services or products of the processes are ultimately designed, developed and supplied. WESTEC has seven primary customers including employers, young people, disadvantaged people, etc.

Secondary customers are those who receive the services or products indirectly, usually through the primary customers. Secondary customers include the wider community and employees.

Controller customers define and / or regulate the delivery processes of the organisation. For WESTEC these are predominantly Government Office South West and the DTI.

Finally Partners are stakeholders through whom part or all of the service is provided to primary customers. WESTEC has over 50 major partners.

The exact relationship will depend on the service being considered.

Tensions exist when the wants and needs of different customers fail to align. For example a young person might want a job in the motor trade, the parents may hope for their child to go to University and the TEC might want an NVQ in a skill shortage area. In these situations it is essential to understand the different view points and to try to arrive at overall consensus.

Controller customers have to have their minimum requirements met otherwise funds and contracts may be withdrawn, but TECs should aim to delight primary and secondary customers through their partners.

In short anyone who lives and works in an area might be a primary or secondary customer of the TEC.

Once the customers have been identified, their wants and needs have to be documented. There are many ways of getting the voice of the customer into the organisation, from market research, through liaison panels, to direct involvement in strategic planning.

These wants and needs should be converted to performance indicators, taking into account all the potential pitfalls concerning measurement. At this stage WESTEC had over one hundred indicators. These had to be rationalised and structured.

WESTEC's vision and mission have been honed by the Directors, staff, partners and customers over four years. This has been to achieve a degree of constancy of purpose.

The customer wants and needs and vision are broken down into Strategic Objectives. Some of these are specific and some general. Matrices are used to show how TEC processes impact these objectives. All TEC staff are taught the latest principles and tools of process management. TQA:SM is completely process based and all core processes are documented on computer. Process owners are clearly identified and through the matrices each owner can identify the objectives that they impact and hence the value they add. This helps improve staff motivation and morale.

Several years ago the Performance Indicators were structured using Department of Employment guidelines. There are indicators of impact on the Avon community and TEC performance indicators. The WESTEC Overview diagram shows how the indicators and the strategy fit together. This one diagram contains a wealth of information, although at first it may appear overwhelming.

The impact indicators are shared with many other partners throughout Avon. Consider the profitability of businesses. Many factors influence this and it is impossible to work out precise cause and effect links. However statements of belief are made incorporating the Secretary of State's views as well as those of TEC Directors and staff. A matrix links TEC performance indicators such as number of NVQs and number of business support services to impact indicators such as profitability. Linkages, if they exist, are rated strong, medium or weak. This is relatively subjective but very useful in clarify understanding.

It is easier to identify how TEC delivery processes will impact the TEC performance indicators. Matrices are used once again. In this way processes can be prioritised according to their potential impact on TEC indicators. This is facilitated by process owners and other stakeholders. In this way critical processes, and requirements for new processes, are identified.

In a similar way support processes are analysed according to their potential impact on common objectives like improving the quality of management. This is a powerful way of aligning activities and assists in the process of evaluation.

In self assessment WESTEC scores high on Strategy & Policy and Processes.

Process Improvement

WESTEC uses a comprehensive method for process improvement (2). This comprises three key stages;

- ★ Defining the Process and Planning Improvement.
- ★ Analysing the Process.
- ★ Improving the Process.

These stages are broken down into sub-stages and a comprehensive set of tools and techniques are used to assist. The same set of tools are used in a slightly different method for New Product / Service Development.

Process Improvement is designed to break down the barriers between departments and organisations. In establishing a Process Improvement Team WESTEC aims to have every stakeholder represented, including customers where possible. Many of these Teams have involved the whole community.

Process Definition includes defining customers wants and needs. These are converted into sensible measures where possible.

Performance of the process can then be analysed using Statistical Process Control, if suitable. Root cause issues are identified, sometimes using qualitative techniques. At this stage benchmarking may be used in order to find out what is best practice

Process Improvement can be corrective, preventive or opportunate. Opportunate improvement may be gradual (Kaizen) or dramatic (Reengineering). Benchmarking may prompt process improvement but so should strategic planning, customer satisfaction monitoring, staff suggestions and new opportunities such as new technologies.

WESTEC has run Process Improvement Teams on Youth Training Programmes, Special Needs Provision, Investors in People, Business Link and many other processes. All new services and processes are developed using the principles and tools of Total Quality. There have been many direct benefits as well as less tangible ones.

Conclusions

Benchmarking has a benefit for Training and Enterprise Councils but only as a component of more holistic approaches to improvement. The most relevant approach, based on best practice, is that defined by the European and UK Quality Awards. This embraces all aspects of transformation such as strategic planning, people development, resource deployment, process improvement (Kaizen and Reengineering) and leadership. Benchmarking is another useful tool to identify improvement opportunities.

There already exist many vehicles for TEC benchmarking. Formal methods include League Tables and other performance indicators. Less formal methods include conferences, networks such as the SE Quality Network and personal contacts. Collaborative, informal, non competitive ways of benchmarking have been found most useful. League tables are not a sound indicator of best practice especially when considering local customers' wants and needs. Competitive benchmarking encourages 'games playing' and reduces the incentive to share information. Benchmarking must be based on a sound understanding of measurement and variation. If not it can be damaging.

Areas for further work could include how TEC's can share best practice using frameworks such as the European Quality Award. This framework enables TECs to integrate improvement initiatives such as ISO9000 and IIP as well as TEC proprietary initiatives such as TQA:SM and Licensing. Seminars and workshops on this subject could be useful.

References

- (1) Marsh, J., *The Strategic Toolkit*, IFS International, 1993.
- (2) Marsh, J., *The Quality Toolkit - an A to Z of tools and techniques*
IFS International, 1993.