

# Management

COMMENT

## MANAGEMENT BY EMULATION



By SUGATO LAHIRY

*Emulating outstanding performers is nothing new or unique. But its application as a strategy for continuous organisational improvement is a recent phenomenon*

The members of the high level committee had deliberated on the proposal for an unusually long time. Small wonder, for the proposal itself had been rather unusual. The issue had been discussed threadbare, leaving nothing to chance. The questions of ethics and image, time scale and cost and above all chances of success of the operation had been raised and dealt with. At one point, the committee had also called in the initiator of the strange proposal. His logic had been simple and facts impressive. Finally it was time to take a decision and the committee decided to give the proposal a try. The decision, like the proposal, was unusually simple in appearance. It read "Let's benchmark." The meaning was even simpler. "Let's identify the best performers and do what they are doing."

Emulating outstanding performers is nothing new or unique. We all do it at individual levels. But the application of this everyday common sense approach as a strategy for continuous organisational improvement is extremely ingenious and a recent management phenomenon. It all started at Xerox Corp in the mid-seventies when a few Japanese companies invaded the American copier market with compact high-quality and low-priced machines. Following closely on the heels of the Japanese, IBM and Eastman Kodak brought in competing high-end copiers. At about the same time, Xerox had to open international access to its key patents as a result of a federal trade commission decision. Xerox, which had created the copier industry by introducing the world's first plain paper copier - the 914 - in 1959 and had ruled the copier/duplicator market ever since, suddenly went into a tailspin as a result of the multiple attack. The Xerox management began certain emergency manoeuvres around 1983, which not only averted a crash but gave the company back its dominant status. In 1989, the company bagged corporate America's most coveted trophy - the Malcolm Baldrige National Quality Award.

The Xerox manoeuvre was very simple: find out and replicate the world's best business practices. And it went around -looking for the best practices in all kinds of organisations. For example, the company turned to Ford Motors for improving its plant layout, American Express for efficient billing, a catalogue sales firm for removing

bottlenecks in shipping and warehousing operations and Florida Power & Light for quality improvement. The Xerox management christened this new management strategy 'Benchmarking.'

Ever since its phenomenal success at Xerox, benchmarking has taken the management world by storm. Forward looking companies all over the world are adopting the benchmarking strategy in ever increasing numbers. After 'strategic planning' and 'total quality management' (TQM), benchmarking has emerged as the newest management tool of the nineties.

Though the central theme underlying the benchmarking concept is very simple - identify the best business practices in other organisations and implement them in yours - it is certainly not mindless plagiarism or a step-by-step approach to merely playing the copy cat. It involves the process of continuously evaluating an organisation's management practices and business operations against the best in the world. The information gained from the evaluation is then applied to build practices that are even superior to the best practices against which the evaluation was made.

Benchmarking offers two major advantages over conventional organisational improvement strategies. It uses proven successes as reference standards and hence drastically reduces the incubation period, and the chances of failure, involved in the typical trial-and-error approach of systems improvement. And by improving upon an industry's best practices, it helps a company to 'leap-frog' the competitors rather than merely 'playing catch-up.'

An increasing number of organisations are joining the benchmarking club because of the method's sure-fire appeal as a performance improvement strategy. Though it had its origin in the manufacturing sector, benchmarking today is being applied in the services industry with as much zeal. Even the Internal Revenue Service of the US government has done a benchmarking of its billing system against that of American Express and has partnered with the giant chip manufacturer Motorola - for benchmarking the accounting practices.

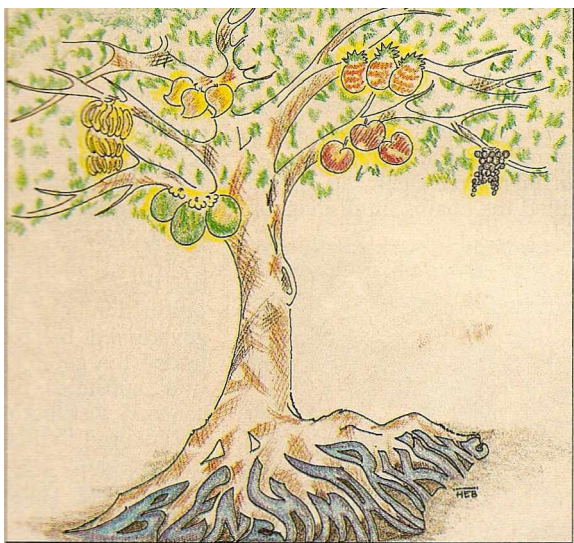
The benchmarking process involves a minimum of six broad steps:

- What to benchmark. Like any other improvement strategy, the benchmarking

process starts with identifying the trouble spots and bottlenecks. The known devils as well as the doubtful ones are likely candidates for benchmarking.

- **How to benchmark.** This involves collection of preliminary data on the areas set up for benchmarking, and data analysis for deciding the performance variables and how to measure them. In the absence of clearly defined ways to evaluate the target practices, benchmarking will most likely be reduced to an industrial tour.

- **Who to benchmark.** Selecting the benchmarking partner is a very critical step in the benchmarking process and not without the dilemma associated with track-



ing world class practices. Looking for best in-house practices is a good point to start with, especially in multi-unit, multi-technology organisations. Competitors with outstanding performances are also sometimes targeted for benchmarking studies. However, competitive rivalry may often come in the way of sharing relevant information. It can be a potential barrier to effective benchmarking when a competitor is chosen as the benchmarking target. As one benchmarking consultant put it: "If Coke calls Pepsi and starts asking a lot of questions, they'll likely get a dial tone."

The best strategy, therefore, is to look for the best-in-class performance in any industry, anywhere in the world. The focus here is on the best practice and not on the industry. After all, the world's best practices in all the targeted benchmarking areas can hardly be expected to be found in a single organisation. Apart from the classic example of Xerox, Motorola partnered with

Domino's Pizza and Federal Express to improve its product delivery system. And Convex Computer went to Disney World for learning a thing or two about facilities management. Tracking world class performance is not easy. But if it is to be done, one must not restrict oneself to the national scene alone and be prepared to look for it in the global business community.

- **Best practice data collection.** This is the actual encounter with the benchmarking partner. Discussions, systems study, plant visits and every other conceivable means of data collection can be employed to collect information on the already defined performance variables. Data collection, however, is a two-way traffic and one must also be ready to give information while seeking it.

- **Analysis and adaptation.** When properly carried out, the preceding step can generate a wealth of information which need to be analysed for identifying the areas of performance gap in the target areas. Once this is done, the stage is set for adapting the best practices to suit the organisation's specific operating environment and projecting the performance targets on a time scale.

- **Recalibration.** Benchmarking is not a one-time exercise. It is a continuous process. To remain sensitive to ever changing market forces and dynamic factors of business operation the benchmarks need to be periodically evaluated and recalibrated.

What started as a brilliantly conceived emergency manoeuvre by a flagging corporate giant some nine years ago slowly gathered momentum and is now a full scale movement. According to a current estimate, about 60-70% of America's corporate giants are already engaged in benchmarking. At Xerox alone, more than 5,000 benchmarking teams are currently at work, involving about 75% of its total employees in the process. Other companies like AT&T have institutionalised the process by providing for dedicated benchmarking groups in their organisational structure. Several benchmarking clearing houses have been established to provide information, education and consultancy in various aspects of the benchmarking process. Clearly, the brainwave of Xerox's Robert C. Camp - the universally acclaimed benchmarking guru - about replicating the best practices is here to stay.

So, if you have your top management on your side, if you are open to change and new ideas, and above all if you are not very bothered about the stamp "not invented here," hop aboard the benchmarking bandwagon. It will most likely take your organisation to the 21st century.