Benchmarking and gap analysis: what is the next milestone?

Gerald J. Balm

IBM Application Business Systems, Rochester, Minnesota, USA

Introduction
Traditional benchmarking, the process of comparing oneself against the best competition, then setting goals such that your organization becomes and remains competitive, has been a valuable tool for many years. However, it has seen a rebirth in popularity because of its expanded definition during the 1980s. Companies such as Xerox, Motorola, Ford, IBM and others are finding that this old tool has recently reached new levels of use and popularity as described by the "expanded benchmarking" discussion below. Both traditional and expanded benchmarking analyse the gap between current practice (baseline) and "best" practice (benchmark). This paper introduces what might be the next great value-add in store for this quality improvement tool.

The benchmarking tool
The narrower focused forms of traditional benchmarking have been used for centuries. One early use was by military leaders when they used reconnaissance to size up the enemy. Later, artisans from guilds observed prices and workmanship of fellow craftsman. This observation was refined to become the competitive analysis that became a basic tool in the industrial age. The practice then broadened to analysing entire industries and countries (e.g., the Japanese electronics industry).

Expanded benchmarking evolved in the 1980s. It may be defined as "the ongoing activity of comparing one's own process, practice, product, or service against the best known similar activity so that challenging but attainable goals can be set and a realistic course of action implemented to efficiently become and remain best of the best in a reasonable time" [1]. This definition has several implications about benchmarking, as described in Balm[1]. The benchmarking tool is valuable for setting goals necessary to remain competitive and for learning new ideas. These fresh new ideas are important for continuous improvement and can greatly help any organization in its efforts towards its vision and goal of becoming best at everything it does.

Xerox Corporation[2] expanded benchmarking to its current level. Balm describes this level as "The New Big B" patterned after Juran's[3] expansion of...
the scope of “little q” quality to “Big Q”. The former “little b” benchmarking is the traditional competitive analysis and industry analysis referred to earlier, coupled with performance and function comparison benchmarking. The new “Big B” benchmarking compares not only products and services, but also processes and practices. It looks at standard performance factors (speed, timeliness, etc.) and at key customer satisfaction metrics. In addition, it targets for comparison not only direct competitors or others in the same industry segment, but also any organization that does what you do and does it very well. Finally, the new Big B benchmarking helps set challenging goals to achieve competitiveness, and it offers some ideas as to how to make substantial improvements.

However, the benchmarking tool has been criticized by detractors. They say that benchmarking is playing catch up and that benchmarkers become copycats. These criticisms are not true if the tool is used correctly. Proper benchmarking must set goals beyond the observed benchmark level if it intends to make you become best. The benchmark is not a catch-up target, but an indicator of the aggressiveness a team must use to assure competitiveness. Similarly, the term copycats is inappropriate because benchmarking and implementation teams should improve and adapt good ideas from outside and couple them with the improvement recommendations from inside the organization. This presents a balance of ideas which should efficiently produce a leadership position. It also challenges, stimulates and motivates the implementers to enthusiastically endorse the improvement changes which will leap-frog current best practices instead of always catching up.

Effective benchmarking, like any other useful tool, needs to be deployed widely and institutionalized deeply to reach its full potential. Only then can the user realize an acceptable return on investment. It should become an integral part of an overall total quality management (TQM) system, as evidenced by its increasing prominence in the criteria for winning the Malcolm Baldrige National Quality Award. The TQM definition of vision, mission, critical success factors, etc., helps prioritize what to benchmark first and which gap analysis metrics are more important for comparison than others. The benchmarking tool can then be used with other continuous improvement tools such as process analysis and project management to set establish strategic direction, set goals and efficiently achieve them.

Some benchmarking perspectives
Benchmarking can yield several valuable results. Finding out how well the best organizations are currently performing helps in goal setting. Finding out who the best are helps in determining productive benchmarking partner organizations. Finding out how the best became that way often provides improvement ideas, ideas that can help an organization improve more efficiently. Analysis of the gaps from baseline (your current performance level) to benchmark (current performance level of the best companies) helps in prioritizing resource allocation. Simply analysing baseline and benchmark
levels often helps an organization review and improve its system of measurements.

While doing all these benchmarking activities is helpful, analysis of the gap between the baseline and the benchmark normally helps keep us competitive. Being competitive should help hold or slightly improve a company’s position in the current market. But in a tight economy, even being competitive can result in lower sales when the entire market takes a downturn. Other gap analysis targets have also risen lately. Terms such as entitlement (the best performance we can achieve given our current level of resources applied) and Six Sigma (a statistical term to reduce defects to the insignificant level of less than 3.4 defects per million opportunities – as defined by Motorola Corporation) provide other goals for our attention. But can benchmarking help us dramatically to improve our market share no matter what the economic conditions?

**Benchmarking what is the next milestone?**

For decades benchmarking had set its sights on what our best competition was doing. Then, in the last two decades it broadened its sights to include what any best world-class organization that does what we do (or even has goals that are very similar to ours) is achieving. What then will be the next milestone – the next major enhancement for benchmarking and gap analysis? This author suggests that the next milestone is making our benchmark goal *total customer satisfaction*.

The “spider chart” of Figure 1 illustrates this proposal. It is a hypothetical gap analysis for software customer satisfaction metrics. It analyses key measurements or success indicators (eight are shown in this example) as radii of a circle or spokes in the wheel. In this spider chart (or star chart), representations of each key measurement become normalized to a length equal to the circle’s radius. At the centre of the circle, each measurement assumes its worst imaginable value. At the circle’s perimeter, each measurement assumes a value at which it would be deemed to achieve total customer satisfaction. Remember that every valuable output has a customer. Often that customer is another employee in the same company or organization.

The dark line segments from measurement to measurement indicate each measurement’s value for the currently known benchmark level. Similarly, the lighter line indicates each measurement’s value for our own baseline. Note that for the Figure 1 scenario, the measurement labelled A (for availability) shows the baseline as exceeding the external benchmark, thus we are the benchmark.

The graphic gap from baseline to benchmark is interesting and informative, and it helps us remain competitive. It has been the major focus of benchmarking in the past. But, note also the gap from baseline to total customer satisfaction (the circle’s outer edge). This is a very meaningful gap when used to set goals for expanding market share. Only in very rare cases has benchmark (or baseline) already exceeded total customer satisfaction. This newer gap should be considered carefully. Note that measurement I (for installability) in Figure 1 shows a relatively small gap to benchmark but a huge gap to total customer satisfaction. What should this tell us? And the gap for measurement...
D (for documentation) shows a large gap to both benchmark and total customer satisfaction. This shouts to us that we have a long way to go to achieve total customer satisfaction, and that somebody out there is already doing much better than we are.

One might naturally ask “How do we estimate the value of our key measurements needed to achieve total customer satisfaction?” There are several possibilities to do this. For some metrics, the answer could be obvious. As an example, if the process being benchmarked is surgery to remove a malignant cancerous growth and the customer (patient) is currently able to function normally, their expectation (and thus their satisfaction level) would probably demand the ability to function normally after surgery recuperation. Thus, a frequent satisfaction level is to achieve at least 100 per cent of current capability in a relatively short time.

However, under other circumstances, customers may be satisfied with less than 100 per cent results. Take the example of the cancer patient of the previous paragraph, who is a parent of young children and has been diagnosed by a trusted expert as having only six months to live. The surgery has a high probability of prolonging life expectancy indefinitely but at a slightly reduced level of mobility. Then the 100 per cent recovery requirement for customer satisfaction would probably be reduced.
Thus, levels of measurement needed to achieve customer satisfaction may sometimes be known or estimated easily. In other cases, questionnaires may be sent to customers or potential customers to determine their expectations for satisfaction. In still other cases, talking to our customers directly can be very enlightening. By talking with customers, we can not only determine customer expectations, but we can also help to set realistic expectations by clearly communicating the performance and function of our products and services, and how it can add value for them. The bottom line is that there are ways to determine or estimate achievement levels of measurements which will produce customer satisfaction.

Another question one might logically ask is “What does all this talk about ‘customer satisfaction’ and related terms really mean?” Figure 2 is one explanation. For each of the five customer satisfaction levels in column 1, there is a compatible column 3 description and two levels of description for columns 2 and 4. From column 4 one can see that your customer satisfaction level can cause your customer’s actions to range from being your advocate (they talk favourably about you to their friends and colleagues, and thus become a valuable extension of your salesforce), to being your nemesis (they talk negatively about you and reduce your sales).

There are ample data to show that it is much less expensive to keep a current (satisfied) customer than to obtain a new one. Data also tell us that dissatisfied customers complain about you to over twice as many people as satisfied customers will tell good things about you. In addition, typically half or less of your dissatisfied customers take the initiative to express their dissatisfaction to you without your asking them. But if you find out about their problems and fix

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<th>They will feel:</th>
<th>Because you have met their:</th>
<th>And they will be:</th>
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<tr>
<td>Very satisfied</td>
<td>Delighted</td>
<td>Dreams</td>
<td>Your advocate</td>
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<td>Enthused</td>
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<td>Expectations/wishes</td>
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<td>Dissatisfied</td>
<td>Concerned</td>
<td>Minimum requirements</td>
<td>Questioning</td>
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<td>Upset</td>
<td>Bare essentials</td>
<td>Looking around</td>
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<td>Very dissatisfied</td>
<td>Angry</td>
<td>Worst fears</td>
<td>Gone</td>
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<td>Hostile</td>
<td>Nightmares</td>
<td>Your nemesis</td>
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them in a very timely and courteous manner, data tell us that they will usually again become satisfied and loyal customers. Thus, customer satisfaction can and will have a significant impact on the success or failure of your organization.

The Figure 1 spider chart analysis has three other subtle implications. First, we have thoroughly considered the value of our key measurements to achieve total customer satisfaction. That alone is valuable. Second, the measurements we chose as key must have a total customer satisfaction view. This forces us to set aside (for benchmarking purposes) any measurements that our customers do not really care about. While those measurements may be valuable to our own small group, if the customer (or potential customer) does not care, it is not a strong determiner in helping our company gain market share. And third, we may someday need to extend our measurement radii beyond the customer satisfaction value at the circle’s perimeter. This is because we are already starting to talk of customer delight, which would almost certainly imply measurement values beyond customer satisfaction. We delight our customers by not just meeting their expectations, but by exceeding them. Satisfied customers are usually loyal; delighted customers frequently help sell our products and services to others by speaking favourably about us.

Finally, note that this spider chart graphic could include other goal-setting measurement values as well. Among them commonly used metrics like entitlement and Six Sigma. Most of those goals are, unfortunately, moving targets. Using total customer satisfaction as our goal does not solve that problem. Customer expectations (and thus their satisfaction) change over time just as benchmark performance changes. This simply necessitates periodic updates of the data. While other targets may be valuable in some cases, total customer satisfaction is a key criterion at this time.

Conclusions
The benchmarking tool has gained prominence in recent years. Gap analyses of key measurements from baseline to benchmark have served us well in the past. This article proposes that benchmarking gap analysis be extended by estimating the measurement value needed to achieve total customer satisfaction for key metrics. We can then analyse gaps from baseline to total customer satisfaction in order to provide needed insights. This helps in prioritizing resource allocation to maximize our change improvement return on investment. And, of course, it sets our goals where we really want them – on satisfied and loyal customers (or even on delighted customers).

References