The Rank Xerox Experience: Benchmarking Ten Years On

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1. INTRODUCTION

1994 represents the tenth anniversary of the introduction of Leadership Through Quality to Rank Xerox. Leadership Through Quality led to a fundamental change in the modus operandi of Rank Xerox. The Rank Xerox Quality journey, documented in the award winning submission to the European Foundation for Quality Management in 1992 is a compelling case study of how to achieve business excellence. As an international company, a joint venture between the Rank Organisation and Xerox Corporation, the company was originally a monopoly. There was a rags to riches rise to fame. Protected by patents, Rank Xerox was one of the fastest growing post war businesses in the sixties and seventies.

When the patents expired in the mid-seventies the Japanese challenged the supremacy of Rank Xerox. The company was introspective and like many monopolies bureaucratic. By the early 1980s as market share slumped survival was at stake. Our benchmarking initiative, pioneered in 1979 and further developed as part of the search for a recovery strategy, has been credited as a major contributor to the turnaround of Rank Xerox. However, success in one arena is not a recipe for success elsewhere. Benchmarking does not carry a total satisfaction guarantee. The Quality journey is paved with good intentions as well as fashionable concepts. This year's flavour in Europe appears to be benchmarking.

1.1 Aims

The aims of this paper are to provide a background context on benchmarking and to address the following two issues. Firstly, what are the core components of a very successful benchmarking exercise. Secondly, how can benchmarking efforts be best prioritised by an organisation. In this respect the paper will cite major lessons learned by Rank Xerox. Additionally there is a summary of some practical benefits gained by Rank Xerox, the company many observers cite as the founders of modern benchmarking.

The paper starts with a brief history of benchmarking in Rank Xerox, then there is a definition of terms, including a typology of benchmarking exercises and outline of the research undertaken. Following this is a review of the characteristics of very successful benchmark studies. Finally, there is a review of lessons learned and an overview of how Rank Xerox prioritises benchmarking activities along with a summary of some key benefits.

1.2 History

Benchmarking was a catalyst for change in Rank Xerox. Originally termed competitive benchmarking, the first efforts were in our Manufacturing Operations. The results from our early benchmarking exercises were like shock therapy for senior management. We discovered our unit manufacturing costs were the same as the competitors' selling price. The widespread belief prior to benchmarking was that the competitors' machines were poor quality. This was proved by benchmarking to be wrong. And to drive the point home they were making profit!

Following further study of the successes of our joint-venture Fuji Xerox in collaboration with Xerox, we used the information gained to develop our Leadership Through Quality strategy. Increasingly benchmarking became seen as a tool to assist the total company. Originally there had been a quantitative emphasis: a focus on targets or standards to achieve. As described in the seminal work on the subject by Bob Camp we realised that benchmarking could be applied to all aspects of our business, and comparing ourselves against companies outside our immediate competition or in some cases, industry, was also valid. Gradually the focus has changed from cost comparison with competitors to include best in class and the processes that lead to superior results. Now benchmarking has become a lifestyle and is applied across all aspects of our business - from environment, purchasing, human resources through to software design, the audit function and so on.

1.3 Definitions

The formal definition of benchmarking used by Rank Xerox is: "a continuous systematic process of evaluating companies recognised as industry leaders, to determine business and work processes that represent best practices and establish rational performance goals". In operational terms this is frequently condensed to "the search for industry best practices that lead to superior performance." By "best practices" is meant the methods used in work processes that best meet customer requirements. Benchmarking is then not simply about what we want to achieve; the benchmarks or the measurements of best performance, but also how they are achieved, the processes that are used.

2 RESEARCH APPROACH AND FINDINGS

It is important to stress that an underlying tenet of benchmarking is that it is a learning experience, an experience that has as its end product positive change. Given then that benchmarking is an organisational learning experience, what are the approaches used and what makes for success. These are two of the questions posed when on behalf of Xerox Quality Solutions, the Total Quality consultancy arm of Rank Xerox, a survey based on the Xerox Ten-step approach (shown in table 1 on the next page) was conducted. This survey was sent to one hundred and twenty of the top 1000 companies in the UK and the response rate was eighty-four per cent. Seventy-four per cent of these companies described themselves as using benchmarking. Twenty per cent stated their exercise was very successful, forty-two per cent stated the exercise was successful and thirty-eight per cent concluded their exercise was moderately successful. Incidentally none described their benchmarking as unsuccessful.

It goes without saying that it is good news that the benefits of benchmarking are such that there were no unsuccessful exercises. That being so, moderate success is insufficient in the current competitive environment. Benchmarking can be

resource intensive and takes time. It is critical to understand how to make benchmarking exercises very successful. As this was a pilot research project we are presented with a number of hypotheses for further exploration. That said, the findings confirm our experience and present a number of areas which in our view merit further exploration. At a more pragmatic level they present a checklist for success.

Table 1

THE RANK XEROX BENCHMARKING PROCESS**PLANNING**

1. Identify benchmark outputs

2. Identify best competitor

3. Determine data collection method

ANALYSIS

4. Determine current competitive gap

5. Project future performance levels

INTEGRATION

6. Establish functional goals

Communication
of dataAcceptance
of analysis

7. Develop functional action plans

ACTION

8. Implement specific actions

9. Monitor results/report progress

10. Recalibrate benchmarks

MATURITY

- Leadership position obtained
- Practices fully integrated into processes

2.1 Benchmarking types

Three main types of benchmarking were identified by the survey: competitive internal and functional. Within these types there tended to be a focus on metrics and targets (tending to be more strategic benchmarking) or processes. The approaches taken were identified as ranging from informal to formal. A formal approach is defined as use of a disciplined and structured methodology. Informal

is defined as "common sense" or in some cases muddling through. Based on the research findings and experience at Rank Xerox as hosts of and participants in numerous studies, a classification emerges. On the one hand there is the change-agent tour which uses a structured approach. These are strategic studies where top management of a company reviews issues of strategic significance. There are project plans developed as a consequence, and actions take place. Such tours generate teamwork and vision, a sense of what is possible and commitment to change. Then there are the process professionals, these are generally process owners. They are experts in their field, have an agreed approach, understand their subject and there is two-way sharing. These first two studies can be very successful. However not all formal studies are successful, there can be the unfinished doctorate. This team loses their way, perhaps obsessed in detail the project takes too long to complete. En route the reason for the benchmark study or sponsor disappears.

On the less structured side, with the more informal approach there are the Business tourists. This is a group that arrives, asks general questions and has not done their homework. At one extreme such tours can be characterised as shopping expeditions, at their worst the host organisation may perceive them to be shoplifting. Given that the above classification of benchmarking exists, the list by the way is not exhaustive. What makes for a very successful benchmarking exercise? Ten years on the challenge was to establish whether application of the ten-step process devised by Xerox was valid. Were there, for example, any steps in the process that were more significant for success. The next section reviews the key findings.

2.2 Phase 1 : Planning

This phase is frequently identified as the most important, as well as time-consuming phase in the process. The objective of this phase is to prepare the plan for benchmarking. And the first three steps are deceptively simple. The questions addressed are what is the subject to be benchmarked, who are the best "competitors", and what is the best data collection method?

The survey identified that from the outset very successful studies had a stronger focus to exceed best practices than others. But it wasn't just the initial focus of the study that appeared to be important. The guidelines to the first step refer to the need to review the subject of the study with the internal customer(s) and users of the study. The strength of this advice correlates with the finding that *one hundred per cent* of the very successful studies analysed to a large degree who the main users would be, and *the effects* it would have on a specific function within their organisation. Conversely fifteen per cent of the moderately successful studies had not done this at all and only thirty-five per cent identified to any great degree who the users would be. Related to this, on what is called the buy-in or commitment factor, *fifty-seven per cent* of the very successful studies had extensively consulted management and customers of the study - only fourteen per cent of the moderately successful studies had done so.

A further question was posed, relating to whether the study had a sponsor, a senior manager committed to the exercise. It is striking to note that *all* the very successful studies had a sponsor. By contrast, rather like characters in search of a play, forty-six per cent of the moderately successful studies had no sponsor. A *strong process orientation* was also evident and an attribute of the very successful studies. *Fifty-seven per cent* of the very successful studies documented their internal processes to a *very great degree* compared to only seventeen per cent of the moderately successful studies. It was also revealed that in the data preparation

phase the importance of reviewing questions beforehand was crucial. Sixty-two per cent of the very successful studies pretested questions to a very great extent, whereas only twenty six per cent of the moderately successful did so to the same degree. It should be axiomatic that documentation of processes and pretesting of questions are prerequisites for effective benchmarking. This step allows for a focus on what is to be benchmarked and subsequently facilitates comparison between organisations. Comparison is after all the essence of benchmarking. Again this reinforces the guidelines associated with the first step of the process. The guidelines state that when you consider what is to be benchmarked, before you look externally you need to *understand your internal process*. As the research suggests this advice is ignored at the peril of the benchmarker.

2.3 Phase 2: Analysis

This phase is concerned with understanding the competitors' strengths. When assessing a company against the strengths it is important to address two questions. Firstly, is the competition better and secondly, why? In this phase the process orientation of the very successful studies is once more underlined. Seventy per cent of the very successful studies ensured that processes were fully understood before concentrating on metrics. This was not the case for the moderately successful studies where instead thirty per cent concentrated on metrics.

2.4 Phase 3: Integration

During this phase functional goals and action plans are developed. The requirement is to communicate the data and gain acceptance to the analysis. The survey results indicate that the commitment to communicate the findings and win support was highest for the very successful exercises. One might hazard a guess that they had more to communicate! Major gaps will require significant efforts. Two enemies of change are encountered at this stage. There is the Not Invented Here syndrome and associated with this the *shoot the messenger* tactic. Bringers of bad news are not always welcome, even though they may have the facts and data. This reinforces the need to have sponsors involved at the planning stage of any study. Furthermore it suggests that emphasis on the planning step is in itself part of the unfreezing process which creates widespread acceptance and commitment to change. The resistance to change challenge has to be tackled at the outset of a study.

2.5 Phase 4: Planning

The extent to which change is achieved may be a key yardstick of a successful study. Twenty-one per cent of the very successful studies initiated change to a very great extent, sixty-four per cent to a great extent. In comparison all the moderately successful studies implemented change to some extent. More significantly *ninety two per cent* of the very successful studies incorporated benchmarks into the management process and found the study helpful in setting targets. This was not consistently the case for the moderately successful studies where *only* twenty-five per cent found the exercise helpful in setting targets. One additional finding was that the commitment to do something with the results was higher for the very successful studies: they *all* developed action plans.

2.6 Conclusions and the Rank Xerox experience

The picture which emerges from this external research tends to support our own experience from 1990. Then a multi-national team reviewed the effectiveness of benchmarking across the corporation. Combined with the findings from the above

Table 2 LESSONS LEARNED (1990 QUALITY ASSESSMENT)

- Inadequate understanding of benchmarking and the resource required
- Leadership an issue, variable knowledge and few champions
- Linkages to other Quality initiatives not understood
- Little evidence of strategic benchmarking
- Incomplete preparation for benchmarking studies
- Benchmarking conducted primarily for problem solving
- Results of benchmarking studies from the 'not invented here' syndrome
- Not integrated into the planning process

survey the lessons learned in table two demonstrate some of the key challenges for any organisation keen to maximise the utilisation of benchmarking as a management tool. Our experience is that these are some typical issues faced by many organisations in the early stages of benchmarking. The survey findings do not mean that an informal approach to benchmarking cannot work, rather the implication is that for optimum success a high degree of discipline and adherence to elements of the process is important. There is an educational challenge pertaining to the nature of benchmarking, the extent of preparation required and the skills to document processes. Allied to this the commitment of senior management is paramount. There must be champions or sponsors of studies. Benchmarking is not a quick fix and there need to be realistic expectations before embarking on any exercise. Finally there has to be a link between benchmarking and a company's planning process. To maximise effectiveness benchmarking should not be planned in isolation of corporate priorities.

3 IMPROVEMENT ACTIONS AND IMPLEMENTATION OF BENCHMARKING

As a consequence of the 1990 internal assessment two decisions were made at top level in Rank Xerox. Firstly there was an integration of policy deployment with benchmarking, secondly intensive training workshops were developed and targeted to groups who were implementing benchmark studies. Subsequently in 1992 as part of our own Business Excellence Certification process (where each unit assesses itself against the attributes of a world class company) benchmarking was highlighted as an item for special attention. The actions taken may not be appropriate to all organisations but in our case we have evidence to prove that they have worked.

3.1 Policy Deployment

Policy Deployment is designed to link the four corporate priorities of Customer Satisfaction, Employee Motivation and Satisfaction, Market Share, and Return on Assets with those of all employees. Launched in 1989 Policy Deployment is used as the annual process for turning strategic direction into operational business plans. Implementation of Policy Deployment provides a framework for identifying and implementing the key improvement actions (*called the vital few*) necessary to achieve the strategic intent relative to the four corporate priorities. Starting from the top of the organisation a hierarchy of priorities, objectives and vital few actions is cascaded through each Operating unit, where it becomes the framework for development of their objectives and activities. In each unit, functional, departmental, and individual objectives are negotiated and agreed. A diagnostic tool as well as a process for setting objectives, Policy Deployment is bottom-up as well as top-down. It has helped focus on the vital few actions.

As an outcome of the internal assessment the decision was made to formalise the link between benchmarking and Policy Deployment. Now benchmarking supports Policy Deployment at a strategic level, where benchmarks are established for the four corporate priorities. At a tactical level once vital few actions have been agreed there is examination of the benefits available from benchmarking in the context of the business priorities and the allocation of resources against these priorities. Through the Policy Deployment process benchmarking, where deemed appropriate, forms an integral part of the improvement plans to deliver breakthroughs.

In this way a unit or function can apply knowledge of their own operations and market conditions in order to focus on resourcing the benchmarking exercises that will *yield the most significant business impact*. This linking of benchmarking to policy deployment has refocused the nature of benchmark studies and ensures that there is congruence with business priorities before a benchmark study is implemented. The organisation is now more selective in the choice of benchmarking studies. We are also able to agree pan-European studies on areas of common need.

3.2 Training Intensification

An application driven training programme for sponsors, project leaders and benchmarking study team members was also introduced. Sponsors of studies are taken through an exercise which highlights the key elements of successful benchmarking, the resources required and how to inspect the progress of benchmarking studies. Benchmarking project leaders and team members attend a one day workshop which trains them in detail on all steps of the benchmarking process. After the first workshop, the teams attend a half day start-up workshop where the study starts in real time with emphasis on the first step in the process. These training courses and workshops are designed and conducted by internal specialists from our own quality network or consultants from Xerox Quality Solutions (XQS).

3.3 Benchmarking and Business Excellence

The progress of benchmarking and its application throughout Rank Xerox is monitored and reviewed through the internal self-assessment process called Business Excellence Certification. The concept underpinning Business Excellence is that each unit self-assesses its progress against the attributes of a world class company. Each unit rates itself along a seven point scale from nil to world class on all thirty seven attributes. One of these attributes is benchmarking and it has been classified as an area where we want to ensure we are at world class standards. This

means that benchmarking receives senior management scrutiny on an ongoing basis. Each unit is aware of where benchmarking is utilised, the strengths and the areas for improvement. Accordingly we have evidence of where benchmarking has been applied effectively, and improvements made in use over the last three years.

4 CONCLUSION: BENCHMARKING APPLICATION AND BENEFITS

There are numerous examples of the application of benchmarking in all areas of the Rank Xerox business. A widely publicised success has been in the evolution of Just in Time. Over a period of ten years the Manufacturing and Logistics people in Rank Xerox have achieved major process changes which have raised customer satisfaction, reduced assets and costs. Benchmarked against the best in the field - IBM, DEC, Apple and others - the activity was run on Quality principles with cross functional project teams. This work started in 1983 and comprised of the introduction of JIT principles, reduction in the supplier base, quality certified suppliers, the elimination of waste creating activities and so on. Most importantly the following results were achieved: raw materials stocks went down eighty per cent, production lead times down forty-six per cent, and component defects down ninety-nine per cent.

As mentioned in the introduction benchmarking is part of our lifestyle rather than an esoteric tool. Most recently there has been a series of internal benchmarking programmes between the twenty different operating companies across Europe. In this work the process established to *transfer* the best practices is crucial to success and documentation of best practices mandatory. As an example, the Austrian operating unit currently has the highest customer retention rates in Rank Xerox. This is the result of a concerted programme on the part of senior managers and the sales force. The initiatives they use are now being adopted across all countries. The company also examined the role of information technology and a team of managers - cross-functional and cross-site - benchmarked different approaches internally. As a result, the cost of running the international data centre has been significantly reduced with associated improvements in process performance.

In conclusion there is a placebo-like quality to benchmarking. Rather like a therapy, the effectiveness and success of benchmarking has a lot to do with how ready and receptive a company is to change. Rank Xerox started benchmarking when the company was in a crisis. The success of our initial benchmarking has led us to believe in its curative power. However it must be stressed that it is not a panacea. To be very successful in benchmarking a combination of *commitment*, *critical self-analysis* and *discipline at key steps* in the process, are essential.

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