

Defining World-Class Practices

**An Alternative to Traditional Benchmarking that
Achieves Leadership Consensus and Alignment**

A Kaufman Global White Paper

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Introduction

Benchmarking was a hot topic in the early 1980s and again in the early 1990s as the business world focused on absolute quality levels and process, respectively. While some organizations leveraged benchmarking to drive significant improvements, the majority gave up after unsuccessful struggles to make it worthwhile. These organizations quickly consigned benchmarking to their “elephants' graveyard” of enthusiastically embraced but quickly abandoned initiatives (where the bones of their QFD, customer response, commodity groups and employee empowerment programs still bleach in the sun).

Today's rapidly developing worldwide economy is pushing management to achieve higher output, better quality, and increased market share using less labor, money and inventory – and that's before lunch! Searching for answers, industry pundits and leaders are once again breathing new life into benchmarking. As with any concept or approach that is enthusiastically embraced during a time of intense competitive pressure, there are many pitfalls for the unwary or the desperate.

This paper outlines some of the limitations of benchmarking as it is often practiced, and describes the Survey of World-Class Practices (SWCP) methodology. The SWCP uses well-defined, intuitive descriptors of world-class performance and capabilities. It enables leaders from every functional area within an organization to look inward and compare their organization's performance to known standards, while saving the time and money that would be consumed by traditional benchmarking studies. Most importantly, the process of applying the SWCP helps create consensus and alignment among leaders.

What Is Benchmarking?

The term "benchmarking" is a derivative of the expression “bench mark.” From the times of the medieval guilds, a bench mark was, literally, a mark on a workbench that was used as a template for a “perfect” part. Modern benchmarking tries to use this same comparison approach with much more complex aspects of business performance. This complexity, which is not an issue when comparing physical dimensions against a template, contributes to a majority of today's benchmarking failures. Successful benchmarking demands an understanding of the complex cause-and-effect relationships among world-class results, the processes that create them, and the behaviors that drive the processes. There is no “free lunch” with any tool used to attain world-class performance. You get great results only if you know what you are doing, and you are prepared to embrace new and fundamentally different ways of doing things at the micro-process, or most basic, level. The major deficiency of benchmarking as it is used today is that the benchmark is not a fixed point on a workbench, but rather it is a subjective description of events in the past.

The Two Parts of a Benchmark

There are two parts to a useful business benchmark. The first element is the most obvious: the benchmark value itself. It is the answer to the question, “What does excellence in ‘X’ look like?” For example, the New Haven, Indiana plant of Aeroquip performs at a level of 505 work-in-process inventory turns per year. For manufacturing and operations managers, this single number conveys almost unparalleled excellence in inventory management and all that it implies:

fast cycle times, work leveling, flexibility, etc. As such, “505 inventory turns per year” does its job well. It provides an unequivocal indicator that there may be something critical to competitiveness *behind* the number.

The second, more complex and exponentially more important element of a benchmark is the detailed information about the processes used to produce the benchmark number. This information is the answer to the question, “How do they do ‘X’?” In the case of Aeroquip’s plant, this process information would be voluminous and complicated. The process data would be described from different perspectives by maintenance, engineering, production, finance, management and line personnel. Within Aeroquip’s New Haven plant, each of these groups is performing highly integrated and complementary (but distinct) roles in a single, world-class system. Their process would not be easy to describe quickly, especially if the audience is not knowledgeable about the principles of a Lean environment, teamwork, machine or system technologies and so on. Because of these difficulties in obtaining, deciphering and / or interpreting benchmarking data, managers often neglect or conduct only cursory investigations of the critical information behind attractive and compelling benchmark numbers.

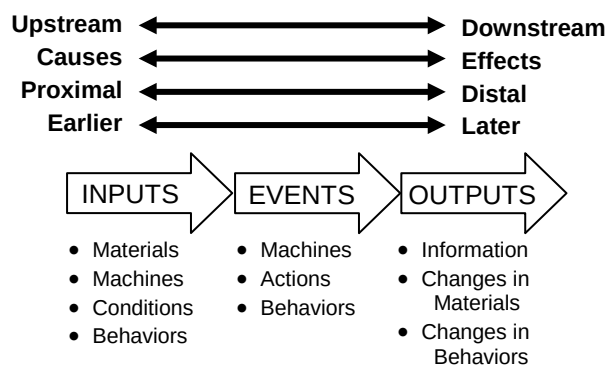
Why Do Benchmarking?

At first glance, the answer may seem obvious: to compare process A (or organization A, or product A) with a superior entity B. Then, possible improvement opportunities can be identified in B and applied to A. In other words, benchmarking is used to identify good to outstanding performance in B and to then choose useful elements and practices of B for application to A. If this is the intent of benchmarking, many organizations are wasting a lot of time, money and opportunities by benchmarking the wrong things, the wrong way, at the wrong time. There is a better method.

A Few Words about Mega, Macro, and Micro-processes

A perspective on process is key to understanding benchmarking. A process is a string of inputs and events that produces an output. Figure 1 shows a conceptual diagram of a process and related terms.

Figure 1 – A Micro-process and Various Process Concepts



Inputs are upstream, or earlier in the process, and outputs are downstream, or later in the process. Inputs and events are causes, and outputs and results are effects. The fixed reference point in dealing with processes is always the cause, because causes are the “handles” that permit manipulation of process results.

There are various levels of processes, from micro to macro to mega. The relationships between these levels are illustrated in Figure 2.

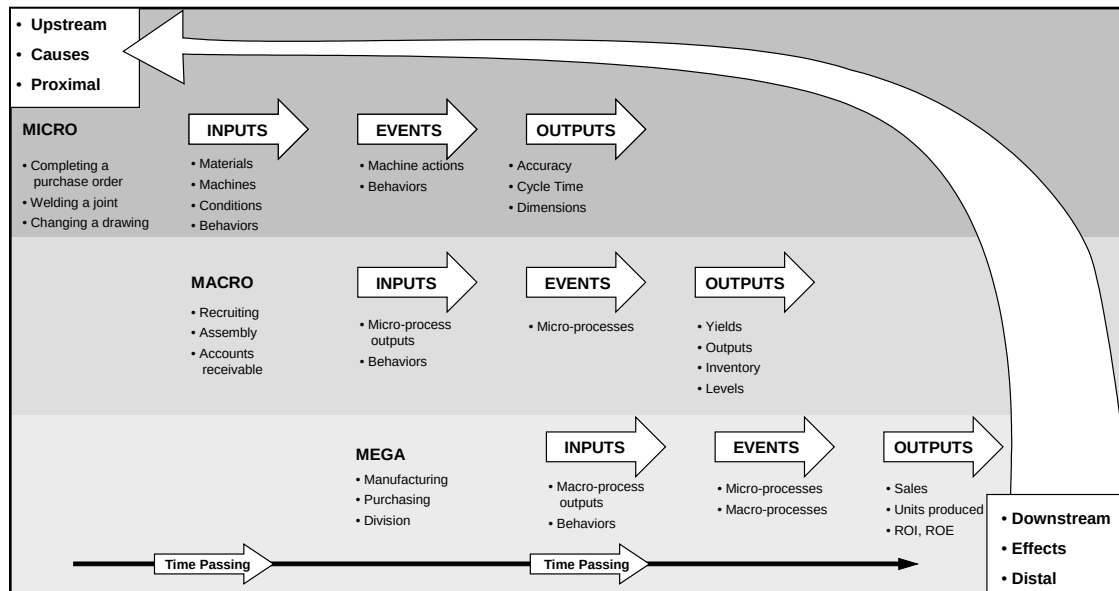


Figure 2 – The Relationships between Different Process Levels

A **micro-process** is a short chain of inputs, events and outputs where it is relatively easy to understand what is or should be happening. Some examples of common micro-processes include a worker completing a purchase order, welding a joint or typing a letter. There are not many steps and the process is fairly straightforward. Measurements of micro-processes include such things as: number of signatures required, number of errors made, cycle time, percent of non-value-added work and so on.

A **macro-process** is a collection of micro-processes that may also receive inputs from other micro and macro-processes. Final assembly, accounts payable, and recruiting are macro-processes. Each is comprised of several or even hundreds of micro-processes. If a problem exists with a macro-process output (such as high costs, employee turnover or lengthy cycle time), it is often impossible to know (without special insights and a lot of investigation) exactly which of the hundreds of micro-process inputs, events and / or outputs are responsible. For practical purposes, macro-processes are not as much processes as they are labels for large groupings of micro-processes.

A **mega-process** is a combination of many macro-processes. Typical mega-processes are manufacturing, marketing, engineering or even organizations, divisions and plants. Mega-process results are measured by metrics such as sales, profit, return-on-net-assets, and so on. If something is right or wrong with a mega-process output, it is nearly impossible (even for insiders) to understand exactly which micro and macro-processes are responsible.

As you move back (in time) along a process chain from mega to macro to micro-process, the inputs and events of the process are more directly related to the root causes of the outputs. Macro and mega-processes are progressively farther from the root causes of outputs. In other words, micro-processes are further upstream (earlier and thus more influential causes) than downstream, or “more global” macro and mega-processes.

Why Doesn't Benchmarking Work as Well as It Should?

With the above perspectives in mind, let's examine a few of the reasons why benchmarking efforts often run into trouble.

Discovery Freeze – The most common benchmarking error is to stop the investigation once the benchmark number is found. Upon discovery of an impressive benchmark, managers immediately throw down the “numerical gauntlet” to their organizations. This is often worse than no benchmarking at all. You cannot get positive, lasting, systematic change in an organization by introducing confusion and helter-skelter activity.

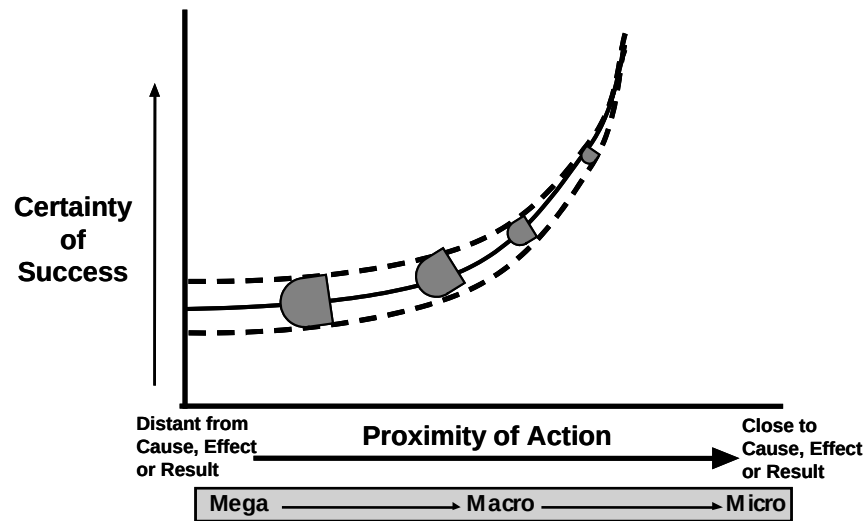
A plant or department manager presented with a “Get me 505 inventory turns!” mandate from higher-up is liable to do all sorts of things—almost all of them harmful. He / she might demand the same of startled and confused subordinates (“505 inventory turns? Here? You have to be kidding!”), who in turn might compromise delivery, quality, and supplier and customer relationships by making unrealistic demands on the system (i.e., inventory cuts without appropriate process changes). Without connecting 505 inventory turns to specific causes, there is little hope of obtaining positive, sustainable results.

Benchmarking at the Incorrect Process Level – Too often, benchmarking efforts concentrate on the wrong part of the process. All you have to do is open *The Wall Street Journal* to see what fuels this topsy-turvy focus. Much of the business media and a great deal of executive attention center upon in-depth discussions of short-term changes in the most mega outputs of mega-processes: profit, stock price, and sales. While these numbers are critically important for executive oversight, they tell nothing about the detailed activities that created them, especially in the short-term. Stock price and profit are far too distant from causal events and follow much too much later to provide any clues as to what actually caused them. Attempting to run a business (or improve it) by reacting to changes in sales or stock price is extremely dangerous. It is similar to attempting to steer a car on the freeway today by covering the windows and viewing a video tape shot from the back window of the car during a trip taken three months earlier. You had better call the insurance company, the paramedics and the tow truck before you leave the driveway.

If mega-processes are benchmarked, the likelihood of obtaining results is low, and the margin of error is large. It is possible to study an organization's mega-process outputs and attempt to infer causes (in fact, it's done all the time). But it is much like flying over green farm fields at 30,000 feet and attempting to determine what fertilization and weed control practices are being used so you can apply the same practices on your farm.

Figure 3 demonstrates the relationship between the proximity (to micro-processes) of benchmarking focus and the certainty of obtaining desired results (and assumes that the benchmarking data is used effectively).

Figure 3 – Proximity of Benchmarking Focus and Certainty of Success



As investors can attest, many organizations show great mega-process results six months to a year before they announce disastrous problems. After-the-fact analysis almost always demonstrates that there was ample evidence of impending trouble at the micro and macro-process levels, but the problems were invisible at the mega-process levels viewed by most executives and nearly all investors.

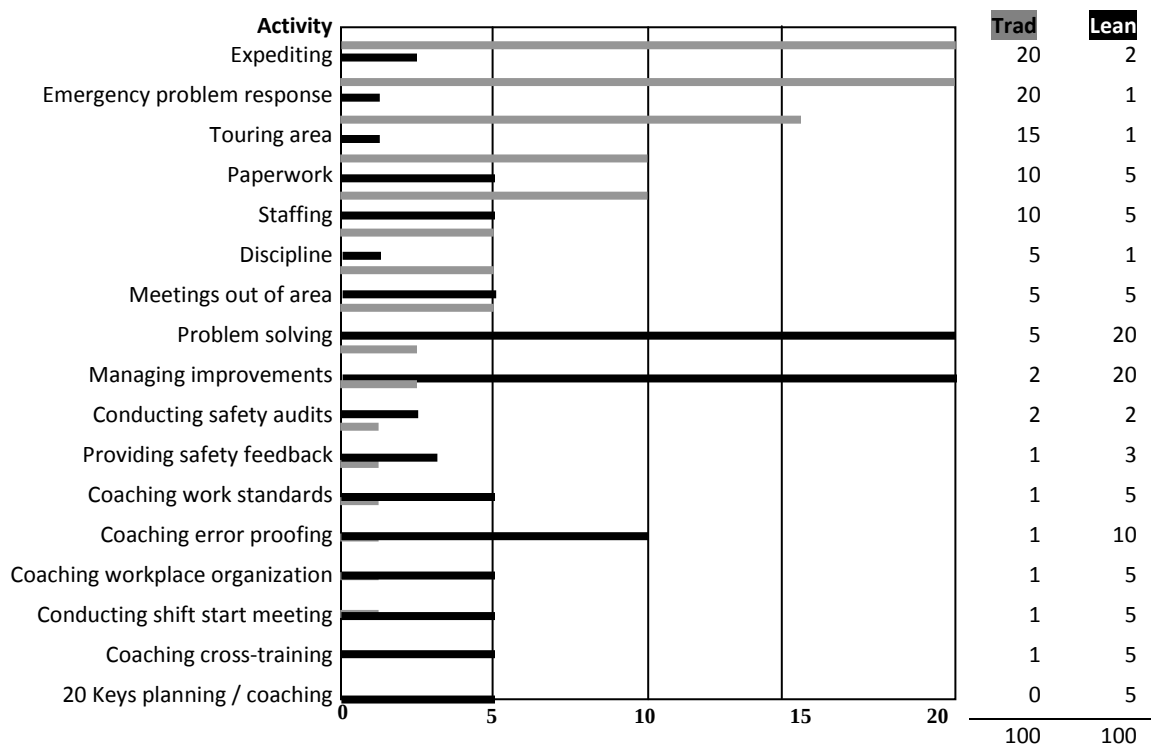
As benchmarking focus moves closer to causal events, two things occur: 1) the leverage to manipulate success increases, and 2) the margin of error decreases. When micro- processes are benchmarked, the certainty of success is very high and variation in the results is low. If you visit a thriving farm and study the farmer applying fertilizer and weed control chemicals, (including equipment settings, amounts, timing of applications), planting seeds and gathering soil-analysis data, you can expect similar success if you carefully recreate the same micro-process conditions on your farm. This is why all world-class organizations devote considerable resources to measuring, tracking and responding to micro-process inputs, events and outputs on a daily basis at the small work group level.

Outcomes, Rather than Behaviors, Are Benchmarked – Up to this point, we have been discussing results. Results, even when they are proximal to the micro-processes in which we are interested, are far from the behaviors needed for improved performance. Results often do not show what new behaviors are necessary. For example, if you tell a supervisor that in a world-class work group every worker should have a 0.85 to 0.90 ratio of value-added work to total work, what will he / she do? This is an outstanding micro-process benchmark (in that a group with such a ratio is a good place to look for world-class practices). However, a supervisor who is not knowledgeable in Lean operations will not know what behaviors to reinforce in order to produce the desired number. The only purpose of benchmarking is to move to a higher level of performance by doing things differently. Desired benchmark results will not be obtained unless new behaviors that create results are substituted for old behaviors that have not done the job.

Some actual data helps to clarify this point. Figure 4 presents a comparison chart that resulted from hundreds of day-in-the-life-of (DILo) studies of supervisory activities before and after Lean

practices implementations in both administrative and manufacturing areas. A DILO study is conducted by observing a subject during several days of work. The grey lines show the percentages of time that supervisors spent in various activities before the Lean implementations. The emphasis of “traditional” supervisors was (and always is) on expediting materials / information and dealing with emergencies. The solid lines represent the supervisors’ behavior patterns after they and their work groups were trained and coached in Lean methods. Note that the emphasis changed from reactive behaviors to process improvement and other proactive activities.

Figure 4 – Comparison Chart of Supervisors’ Behaviors Before (Traditional) and After (Lean) Implementation



The most valuable insight to be gained from this chart is realizing that behavior, (not executive decisions, policy development, restructuring, outsourcing, changes in the working environment, or any single element alone), drives all world-class results. Behavior is where benchmarking efforts should first be applied. If you follow any process trail upstream (back in time) towards micro-process causes and events, you will discover that behaviors (often a great many of them) create the macro or mega-process outputs. Why benchmark anything else? Nothing else is as certain to lead you to the real keys of world-class success.

Traveling to Other Organizations to Conduct Benchmarking Studies Before Taking Care of the Basics at Home – Organizations continue to spend great amounts of money and time sending teams of managers and executives to “benchmark” other organizations. Seldom do these visits result in anything positive. It is much the same as taking a group of desert-dwelling nomads to a forest in Hawaii and expecting them to determine which trees are indigenous and which were

introduced by early settlers. As W. Edwards Deming was fond of saying, “How could they know?”

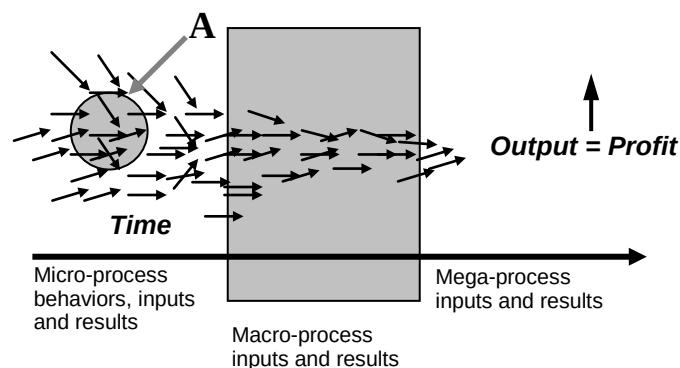
Often, those conducting these premature benchmarking visits seek macro-output answers to questions that have many, micro-process answers, each of which is only a small piece of the puzzle. For example, the benchmarking visitors may ask their hosts, “What kind of incentive systems do you use?” They are hoping to receive a “systems” answer that can be quickly implemented by executive fiat back at their organization to generate improved productivity. Such an answer does not exist. A usable answer to this very question always involves a description of the formal compensation system, work teams, cell-based information systems, supervisors who lead and coach workers, and worker involvement in procedure development.

The moral of this story is, do not go visiting until you know exactly what you expect to see and why it is important to see it. In effect, you should not go on a benchmarking trip until you really do not need to go! You have to do a lot of applied work at the micro-process level in your own organization before you learn enough to know what to look for in another organization. In other words, save the money and use it to learn, teach and coach within your own organization.

The only valid uses of benchmarking trips are political, such as taking a resistant management or union leader from your organization to meet an enlightened counterpart in a world-class facility. While the odds of a “burning bush” flash of enlightenment in your resistor are slim, he / she may be sufficiently influenced by the visit to risk dipping a toe or two into the world-class practices “lap pool” back at your facility.

Expecting There to Be a One-to-One Correspondence Between Causes and Results – One of the common diseases of improper benchmarking is expecting to find single, simple factors (events or behaviors) that can be quickly and easily applied. It can not happen. As you travel any process chain “back in time,” the number of inputs and the interactions between them multiply rapidly. Figure 5 illustrates this phenomenon.

Figure 5 – Process Chain Relationships between Micro-process Inputs and Mega-process Outputs



Let’s say the mega-process output arrow at the right of Figure 5 is the profit earned by an organization. Some of the organization’s intermediate macro-process outputs that drive profit include sales, worker efficiency (value added work divided by total work) and customer retention. These macro-process outputs “happen” somewhere in the middle of Figure 5 (in the gray area). They are driven by a myriad of micro and macro-process inputs, including worker attendance, skills-versatility, effectiveness of shift start-up meetings, phone courtesy, supervisor

/ lead coaching, engineering design efficiency, daily improvement action plans and hundreds of others.

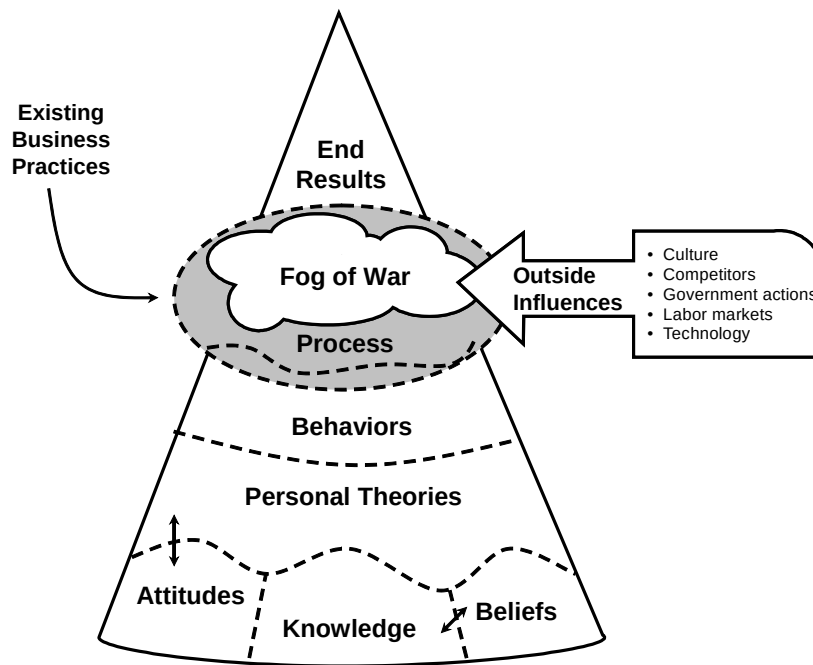
An absolutely critical leadership insight is to realize that for any particular micro-process input (behavior, event, cause or result), there is usually no one single correct approach or answer. The micro-process behaviors or outputs (shown in the circled area A of Figure 5) could be accomplished in any number of ways or not done at all. For example, shift start-up meetings or pay-for-skills-versatility could be employed or omitted and desirable macro and mega-process outputs could still be obtained (or missed). It is the overall pattern of practices that is important. That is, if sufficient micro-process behaviors are done in a “world-class” manner, world-class macro and mega-process outputs will be obtained, even if there are occasional lapses.

The good news in this circumstance is that a leader does not have to be everywhere and do everything correctly all the time to create or maintain a world-class organization. The bad news is that there are no “magic bullet” answers. There is no unique process chain(s) running from left to right in Figure 5 that, if duplicated, will guarantee world-class results. World-class leaders create and sustain an environment where world-class practices are aggressively applied, reinforced and rewarded at the micro-process level across the organization. This requires continual, daily prodding and coaching by all levels of management.

The “Fog of War” – Alas, there is one further complication, illustrated in Figure 6 (shown on page 9). Organizations do not function in isolation. The impact of outside influences creates a “fog of war.” This fog of war (FOW), dreaded by all combat commanders, is the distortion of cause and effect chains created by unexpected inputs that cannot be accurately predicted. Outside influences such as competitors’ mergers, stock market fluctuations, customers’ problems / demands, technology changes, government actions, international events and labor availability can wreak havoc on the most carefully designed processes. Internal events, such as union squabbles, the departure of key people, and sudden quality problems further increase the distortion caused by the FOW.

The largest inherent danger in the FOW is not primarily the uncertainty itself. Dealing with uncertainty is the central challenge of leadership in war and in business. That is why good (or lucky) leaders are well rewarded. It is said that Napoleon’s first question about a general officer candidate was always, “Is he lucky?” What he meant was, “Does he have an intuition that allows him to anticipate important uncertain inputs.” The leadership problem relative to benchmarking is that the FOW creates a large rational and temporal distortion in the cause and effect chain that leaders perceive. That is, because unexpected inputs are continually whip-sawing the organization, often it is not easy to discern the impacts of world-class micro-process inputs and outputs over the short-term.

Figure 6 – The “Fog of War”



It is much like observing the season batting average of a .250 baseball player who has suddenly discovered the “secret” of hitting .325 in the middle of August. Improvement will only slowly become apparent, given the moving average calculation, “slumps,” pitcher faced, opponents, and so forth. And, as the earlier discussion demonstrated, this distortion increases when the observation is done from the macro and mega-process perspective – such as trying to infer improvement in a single batter’s performance by examining changes in overall team batting averages.

It is useless to look at individual behaviors for benchmark cause and effect insights when you are attempting to move an entire organization toward world-class performance. Every single world-class behavior contributes to a “good” result downstream, but the FOW may distort the impact over the short-term. A leader cannot afford to be misled or depressed by this distortion. I actually encountered a Fortune 50 CEO who disparaged a \$200,000 per unit cost-saving improvement implemented by a manufacturing worker because, “We can’t afford to emphasize small stuff like that when we have bigger problems to worry about.” At the same time, a world-class leader is not distracted by a meaningless home run, just because it generates a lot of attention (such as a new product that increases sales and helps cover cost problems in the short-term). Instead, an enlightened leader must support practices (general sets of guidelines that outline classes of acceptable micro-process behavior) that will continually increase the probability that world-class behaviors and results will appear. An enlightened leader must reinforce these benchmark practices long enough for the new behaviors to erode existing inefficient practices and statistically erode the distortion caused by the FOW.

An Alternative to Ineffective Benchmarking

One of the first steps on the journey towards world-class performance is to benchmark your organization's general practices against those of world-class organizations. You can not plan a journey to any destination, unless you know where the trip starts. The leadership team must, as a group, develop a consensus understanding as to how good or bad things are within the organization. If this common ground is not established prior to serious implementation activities, support for tough changes will not be forthcoming and the change effort is likely to fail. Reality must be faced and accepted by management before it can be changed.

As the previous discussions have demonstrated, benchmarking cannot be conducted effectively by visiting other organizations. Yet, a comparative assessment must be made in order to demonstrate the breadth of the challenge that lies ahead. One approach would be to ask your management team to learn everything they can about world-class practices, and then develop a set of common benchmarks against which your organization could be measured. This approach, while being a tremendous learning experience, would take at least a year and would have to be done by the same executives and managers whose "plates are already full."

The alternative is to use an established set of benchmarking guidelines. One is the Survey of World-Class Practices, (SWCP). The SWCP provides benchmarks for 21 non-orthogonal dimensions. These 21 dimensions, and the general categories in which they fall, are represented in Figure 7.

Figure 7 – Twenty-one Dimensions of World-Class Practices

Vision & Leadership • Leadership • Change Management • Understanding Customers The Product Pipeline • Product Development • Supplier Relations • Logistics / Supply Chain Management	The Nervous System • Process Management • Information Systems • Financial Systems • Organization & Work Structure Planning • Planning • Market Management • Research	Lean Operations • Demand Philosophy • Problem Response • Work Standards • Set-ups & Changeovers • Preventive Maintenance • Safety & Housekeeping Touching the Customer • Customer Service • Sales
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Each dimension is presented on a 10-point scale, ranging from a high of 10 to a low of one. Each of the 10 scale levels has also been given a descriptive name as shown in Figure 8.

Figure 8 – Scale Level Names

10	Currently Invincible
9	Best In The World
8	World-Class
7	Leading
6	Competitive
5	Focusing
4	Learning
3	Awakening
2	Traditional
1	Laissez-faire

The detailed criteria for the levels of each scale were developed using a technique called psychometrics, or “behavioral anchoring.” A behaviorally anchored scale, or BAC, is one in which specific behaviors are used to define or “anchor” the points of the scale. For example, the following is a 10-point scale for evaluating a speech.

1	2	3	4	5	6	7	8	9	10
Bad									Good

As is, this scale could be used to evaluate any speech. There are, however, two serious problems with it. First, some evaluators might never assign a rating of one or ten, regardless of how bad or good a speaker might be. This bias, as well as others (such as some evaluators’ tendencies to always assign ratings in the middle), would distort the inherent significance of overall rating averages.

The second, and more serious problem from a benchmarking perspective, is that such an evaluation provides no guidance as to how the speaker might improve. Just knowing that his / her speech received an average rating of 3.3 out of 10 does not help the speaker improve anything specific. On the other hand, when the rating scale provides behavioral anchors, it compels more accurate assessments from evaluators, and it provides speakers with feedback they can use to work on improvements. Examples of behavioral anchors for ends of the speaker evaluation scale are shown in Figure 9.

Figure 9 – Possible Behavioral Anchors for the Extremes of a Speaker Evaluation Scale

1	2	3	4	5	6	7	8	9	10
Confused									Confident
Disorganized									Organized
Long pauses									Smooth delivery
Shuffles papers									Did not use notes

In Figure 9, the scale's two extremes are clearly defined. An even more definitive scale would be one that provides a behavioral anchor at each of the 10 levels of the scale. This is the approach that was used in the construction of the SWCP.

Based on thousands of observations in hundreds of companies, the SWCP contains detailed behavioral anchors for all 10 levels of each of the 21 dimensions. The anchors are based upon in-depth analysis of the practices increasingly observed in organizations as they move toward world-class performance (as they ascend the scale levels from one to 10).

An important consideration is that the anchors in the SWCP are not based upon results. That is, a quarter or two of good financial results or disproportionately high inventory turns has no bearing on where an organization “falls” on any dimension. Such mega and macro-process outputs were deliberately excluded from the SWCP. Performance on the SWCP is established solely by the presence or absence of enlightened, world-class behaviors and practices. It is assumed, as an act of “Lean faith,” that continued performance of enlightened, world-class practices will create world-class results over time.

With behavioral anchors, it is relatively simple to place an organization at the correct level of a dimension by determining whether or not it routinely and consistently demonstrates the behaviors required of that level. Let’s look at an example:

Figure 10 – Level Descriptions for the Leadership Dimension of the SWCP

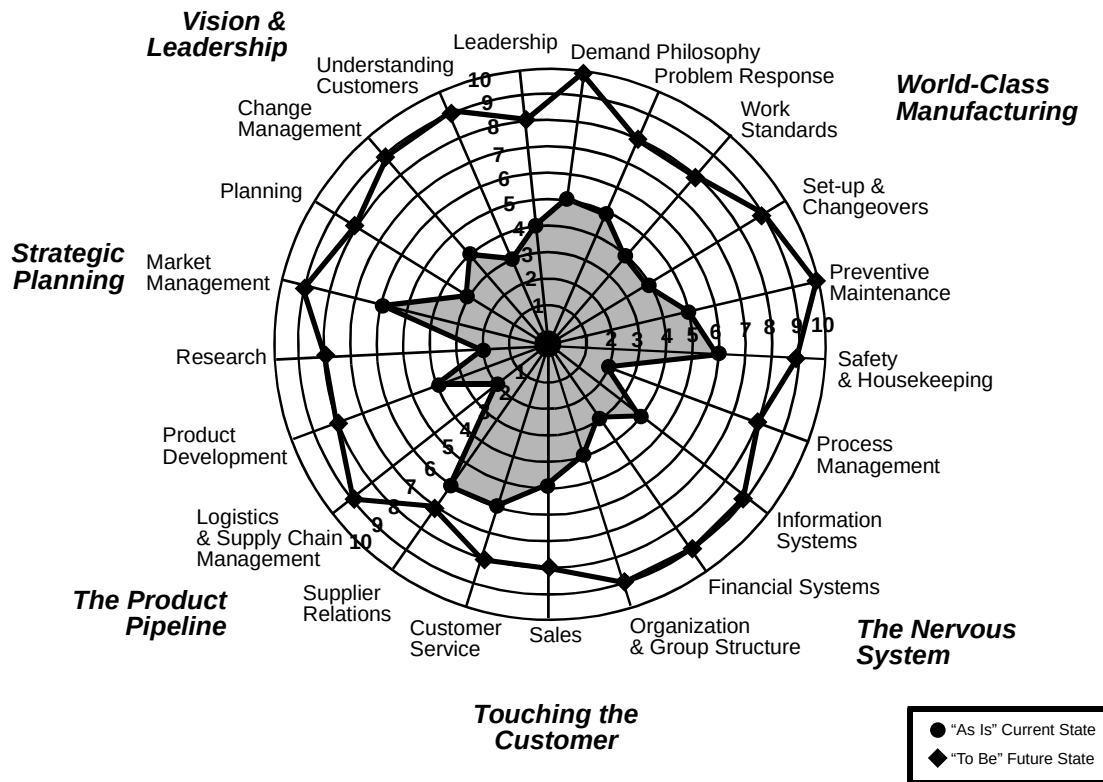
Level	Level Name	Level Description for Leadership
10	Currently Invincible	All management viewed as coaches and teachers; executives viewed as true visionaries; no emphasis on rank or titles required to get things done.
9	Best In The World	Day-to-day managers function effortlessly as coaches and planners; they give direction only when it’s required and when they do, teams and individuals welcome it.
8	World-Class	Senior executives have little day-to-day involvement in operations; management coaches day-to-day leaders only as needed; there is little emphasis on titles and rank.
7	Leading	Important projects routinely entrusted to fully independent teams; primary mission of management is changing from controlling to teaching and helping.
6	Competitive	There is a clear system of objectives and process management that all managers accept and understand; managers and supervisors are selected on the basis of their skills as coaches and teachers.
5	Focusing	There are numerous bold pilot projects which are led by the most knowledgeable personnel, regardless of rank or level; emphasis on teamwork and process focus as a key leadership skill.
4	Learning	Upper management is beginning to require supervisors to improve teamwork and to develop a structured system for managing their area’s processes.
3	Awakening	Management allocating some formally recognized decision-making to supervisors and hands-on employees.
2	Traditional	All authority based upon titles and position; all decisions are approved on the basis of title and rank.
1	Laissez-faire	No clear responsibilities / authority exist for getting things done.

The 10 levels of the Leadership Dimension are shown in Figure 10. In order to attain level 6, Competitive, on the Leadership Dimension, the following practices must be observed: “There is a clear system of objectives and process management that all managers accept and understand; managers and supervisors are selected on the basis of their skills as coaches and teachers.” (The key words for purposes of evaluation are underlined). These practices are either present or not; they are not value judgments. Be advised, however, that in many organizations, management personnel give themselves higher leadership scores than do their subordinates. Thus, it is always

critical, in any self-assessment, to involve a broad sampling of personnel from various functions, areas and levels.

Figure 11 displays the results of a SWCP administration in a large manufacturing organization. The SWCP asks each respondent for two types of information on each dimension: 1) “as-is,” or the current state of the organization, and 2) “to-be,” or the level the organization needs to attain in four years to assure itself of continued (or increasing) success. The displayed averages shown in Figure 11 were obtained from several hundred non-hourly personnel—mostly management people.

Figure 11 – Survey of World-Class Practices – From a Large Manufacturing Organization



The “to-be” scores serve as a general litmus test as to how much the respondents know about world-class practices. It is typical for management teams that have had a good deal of exposure to world-class practices (either through direct observation, experience, study or education) to generate “to-be” averages in the eight to 10 point range. Even in organizations that dominate their markets and perceive no requirement for improvement, the “to-be” averages are often near nine or above, even if the “as-is” averages are only fours and fives. It seems as if everybody knows the “buzzwords,” even if they have no intention of doing anything about them.

The “as-is” averages in this example are typical of an organization just beginning to be concerned about Lean operations and other world-class methodologies. For example, it is common for *Safety & Housekeeping* to receive the highest “as-is” average. Most organizations are compelled to attend to this area at least minimally by insurance, union involvement and government interests. Also typical was this management team’s rating of their *Market Management*, *Customer Service* and *Sales* performances at a higher level than most other areas.

This type of profile is often more a result of good public relations on the part of these areas (and the company as a whole) than as a result of accurate assessment. Only a portion of the respondents actually knows what is really going on in these areas (and only their honest input is accurate).

In the vital dimensions of *Leadership*, *Process Management*, *Understanding Customers*, *Financial Systems*, and *Information Systems*, performance was barely above traditional levels. In short, this organization, if facing any challenges, had better begin working quickly and effectively on making changes.

What Are the Leverage Points?

The leverage points for improvement are not always intuitively clear. For example, many executives assume that *Leadership* and *Change Management* in their organizations must be improved first. They begin to think about management training and seminars. This is a problem. Although *Leadership*, *Change Management* and *Planning* can be assessed as discrete dimensions, they do not occur in isolation. You cannot lead or manage change unless you lead and change something.

Other management teams would look at Figure 11 and assume it is a “no-brainer” to begin work on their information and financial systems in order to “build a solid foundation for a world-class operation.” After all, that is the purported motivation behind the recent frenzy for enterprise-wide information systems (EIS) such as SAP™ R-3, Peoplesoft™ and so on. Wrong again. Until an organization is well along on its quest towards world-class (most SWCP dimensions in the six to eight range), it makes no sense to pour concrete around the footings of current systems. Before spending millions, it is far wiser to wait until performances began to trend aggressively in the direction of world-class level performance.

Many of the remaining scales are long-term improvement ventures that are difficult to leverage quickly. *Research*, *Market Management*, *Product Development*, *Sales* and *Supply Chain Management* all require either significant investment or significant preceding improvements in other dimensions (or both) before major benefits are realized. It is possible to obtain reasonably large, short-term improvements in customer service with an aggressive training program and solid leadership, however, a world-class customer service function cannot “hold the fort” without major improvements elsewhere.

The world-class operations dimensions are “where the rubber meets the road” in a product or service producing enterprise. The practices underlying these dimensions should be the first and foremost focus for leaders seeking to create a world-class environment. These are areas where most workers touch the product or service and operate the processes. By making changes here, the culture of the organization can be changed. By being the architects of such changes, the management team learns to lead, manage change and plan. As the basic engine of the organization evolves, required modification in other areas, such as *Logistics*, *Financial Systems* and the like, become obvious.

Conclusion

It is often difficult to discern exactly where, why, and how to take action to improve competitiveness, especially with new technology and innovation evolving at lightning speed. Leadership teams must not only know what successful results look like, they must understand specifically what practices and behaviors drive them. Traditional benchmarking often provides too much in the way of “general” results definition (“low inventory”) and too little of the specifics needed to obtain the results.

This shortcoming of traditional benchmarking is compounded by the fact that every individual on every leadership team has an opinion as to what action is most appropriate. While a successful organization must have a bias for action, it is also essential that all of its management oars be pulling in the same direction. The creation of a single leadership consensus as to where an organization stands (“as-is”) and where it needs to go (“to-be”) cannot be created informally or casually. It must be achieved through focused, organized and overt action. Without such a consensus, most of an organization’s energy for improvement is frittered away on conflicts, struggles for resources, and political maneuvering to support partisan initiatives.

The SWCP methodology provides an avenue to bypass the above highway to disaster. It is an all-in-one lexicon, structure, model and rating system for evaluating world-class performance. Any management team can quickly and easily agree both where they stand and where they must go. Once consensus on the current and future states is established, the focus for leaders can then quickly turn from what and why, to how and when. And each of them will understand exactly what the how and when mean.

About Kaufman Global

Kaufman Global is a proven implementation partner that focuses on accelerating performance. For 20 years we have worked with clients around the world to drive enterprise-wide change initiatives and cultural transformations. Leveraging Lean, Six Sigma and proprietary change management techniques, Kaufman Global delivers structured implementation and transformation projects that enable sustainable operational and financial results.

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