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BENCHMARKING AGILITY —WHY OTHERS MOVE FASTER?

Today benchmarking—regular comparison of business performance with a company's closest competitors—is a standard practice, with any shortfall a call for swift action. Experience shows that once the figures have been matched up, the focus usually shifts to a comparison of structures and organization on the one hand, and resources on the other. This despite the fact that these are not the key factors responsible for gaps in performance.

Structures—not the full story

In most cases, benchmarking is limited to a company's two or three main rivals. Comparisons tend to be structured by business function, with figures representing costs and—in the case of commercial operations—sales and growth.

Such comparisons reveal either minimum differences or major gaps. In the latter case, analysts citing fundamental differences in market segmentation, geographical presence and spread, etc. This can generate a useful flow of information for strategic analysis, but where differences in structure are minimal, the level of resources is held responsible. Self-criticism being notoriously difficult, businesses often find good reason to justify higher level of resources.

And yet both structures and resources are only the tip of the iceberg. The true explanation of gaps in performance

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often lies instead in what can be called a business's "metabolism".

Dynamics

When a competitor's operation is faster moving, benchmarking is not an easy way to assess the results. Given comparable structures and resource allocation, superior management style and skills—leadership, the ability to stimulate individual performance or break down internal silos—generate more efficient action plans. For example, for top scorers, cost-cutting programs progress more quickly and go further: measures to cut time to market are achieved in eighteen months as opposed to thirty. Likewise, a plan for operating production facilities at capacity will

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incorporate more innovative solutions and generate higher returns. And so on.

Yet benchmarking will not be able to identify a difference in such dynamics from one contender to the next, and more particularly the number and quality of action plans.

In addition, detailed comparisons have frequently confirmed that differences in performance are due not only to a larger number of initiatives launched over a given period, but also to a more demanding approach in terms of results.

Action plans—no template

It happens that a business—even one with appropriate structures and resources—suffers from a credibility gap. For example, a major manufacturer of sports equipment

with a host of divisions sought to underpin a cross-divisional sales and marketing program by calling in several dozen leaders from different divisions. Yet so many new

initiatives were required for success—many also hampered by an ill-conceived incentive system—that the plan was scrapped after a single year.

Often intense periods of generating action plans and related analyses take a similar course for major businesses in the same sector.

Yet businesses will show decisive differences in:

- planning: laggards are vague, whereas their more efficient rivals define clear steps to progress
- goals: weak performers show little ambition, whereas successful competitors not only identify their aims up front but also determine how these fit into their overall approach
- hands-on initiatives: less successful companies are often not explicit enough in defining the forces that must be brought on board to make the action plan a success, whereas their successful rivals adopt demanding plans to ensure that key individuals remain committed and active.

The result is a virtuous circle, with the efficient competitor's smoother operations enabling it to deploy more action plans each year. Thus one hi-tech consumer goods company has more than 20 action plans in sales alone, whereas the "metabolism" of its rivals can sustain only a dozen.

In short, top performers demonstrate an ability to sustain dynamic operations, which is why the more efficient players progress each year through renewed, ever more ambitious action plans.

Today benchmarks are a field of study in their own right. But they do not suffice for an understanding of the non-visible base of the iceberg represented by the market dynamics at work in the companies. For that, a more informed analysis is needed. While a snapshot of the structure and a comparison of resources has its uses, it is not, on its own, sufficient, and may even result in a flawed analysis.



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