Caribbean Tourism Organisation and the National Initiative for Service Excellence workshop on

Management of Service Quality

Visit to Banks Brewery
7 October 2008
Benchmarking To World Class Manufacturing

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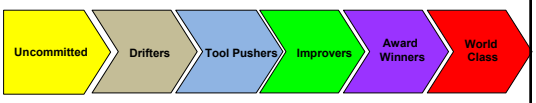
WHAT IS WORLD CLASS?

- Ultimate Accolade for a company
  - Six stages of development of TQM to World Class
  - Process takes 5 to 10 years
- Manufacturing goals for World Class Performance
  - Working together
  - Winning together
  - Finishing first every time
- Key to success is long term commitment
- Ever striving to outstandingly satisfy the company's stakeholders (customers, shareholders, employees, and suppliers)

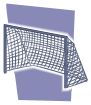
WCM – 6 STAGES TO WORLD CLASS DEVELOPMENT

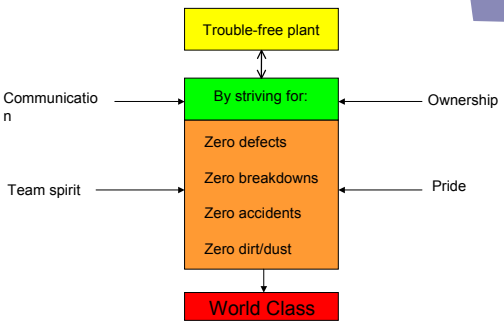
Six stages of development of TQM to World Class Status



- **Most Companies are in first 3 stages**
- **To move into stage 4, need long term TQM and problem-solving in place**
- **BENCHMARKING becomes a "Distinctive Competency" and way of life.**

GOALS FOR WORLD CLASS PERFORMANCE





THE JOURNEY TO WORLD CLASS

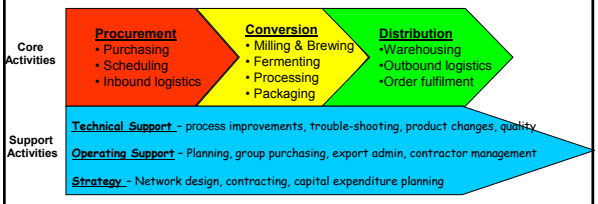
- Crisis to crisis
- No focus
- Conflicting priorities
- No management support

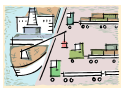
- Integrated systems
- Crisis management
- Management focus

- Compliance
- Behavioural change
- Problems fixed at root cause
- **BENCHMARKING**

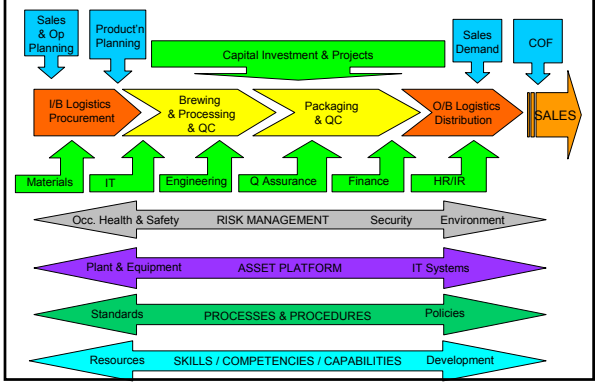
- Process
- Customer-focused organisation
- Enabling technology

TYPICAL SUPPLY CHAIN SCOPE

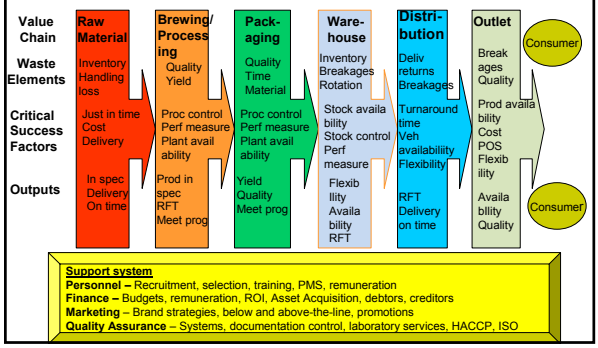




TYPICAL SUPPLY CHAIN PROCESSES

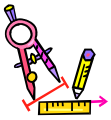


THE VALUE CHAIN



BENCHMARKING DEFINED

- **A process for rigourously examining and comparing business practices with the "Best-in-Class" with the object of creating and sustaining excellence.**



BENCHMARKING IS A TOOL FOR ASSESSING PERFORMANCE AND ACCELERATING LEARNING

The goal is excellence if not dominance, achieved by:

- Linking challenges and opportunities to the necessary strategic responses
- Determining the required competencies
- Identifying those processes which provide maximum leverage
- Benchmarking resultant practices against "Best-in-Class"

BENCHMARKING FOCUS

- Benchmarking is costly and time consuming it must be focused:
  - What are the critical competencies needed?
  - What are the supporting infrastructure requirements?
  - What are the key processes?
  - Who are the process owners?

BENCHMARKING PRINCIPLES

- The Concept
  - Enterprise excellence
  - Doing the best things – not just doing things better
  - Stretch goals and objectives
    - What is enterprise excellence?
    - What is necessary to achieve it?
    - How do we actually achieve it?
  - Project Team approach
    - Cross-functional and multi-level
    - Leadership by current process owners

HISTORY OF BENCHMARKING

- Always has been an implicit function of any business activity
- But benchmarking as a rigourous part of the strategy process is a recent technique
  - Beginning in 1979/80
  - Significant growth in recent times
  - Much more than intercompany numerical comparisons
- Numerous success stories
  - Xerox, in overcoming their cost challenge
  - Toyota , in developing the Lexus and its after-sales service
  - 80% of America's 500 largest corporations

BENCHMARKING VALUES

The Value of Benchmarking

Rigour

- **Making sure the targets are set high enough**

Overcoming Disbelief

- **Convincing ourselves that we can do it better**

Accountability

- **An ongoing process for measuring performance and ensuring improvement**

Culture Change

- **An outward-looking company, rather than one which is internally focused**

THE "RIGHT" VIEW OF BENCHMARKING IS CRITICAL

BENCHMARKING IS NOT

- Our competitor is 15% lower cost than we are

↓

- We must reduce our costs 15% (or more)

BENCHMARKING IS

- The Best in Class company is 15% lower cost than we are
- The reasons their costs are lower are … ,… ,…
- The processes they use are …, ..., ...
- An appropriate target for our performance is …
- … and we will accomplish that performance through the

THE "RIGHT" VIEW OF BENCHMARKING IS CRITICAL

BENCHMARKING IS NOT

- Expose our weaknesses
- And punish those responsible

BENCHMARKING IS

- Find areas to improve
- Determine how to improve them
- And reward those who create World Class operations

THREE TYPES OF BENCHMARKING

1. **Financial** : What should financial targets be?

↓

2. **Strategic** : What Strategy must we implement to achieve financial success?

↓

3. **Functional** : How does our operational performance support our strategy?

→

- True Market place success requires **both** the right strategy **and** operational performance to support that strategy

SEVEN-STAGE PROCESS FOR BENCHMARKING

Determine which functions to benchmark

↓

Identify key performance variables to measure

↓

Identify the Best-in-Class Companies

↓

Measure performance of Best-in-Class Companies

Measure your own performance

↓

Specify programmes and actions to "meet & surpass"

↓

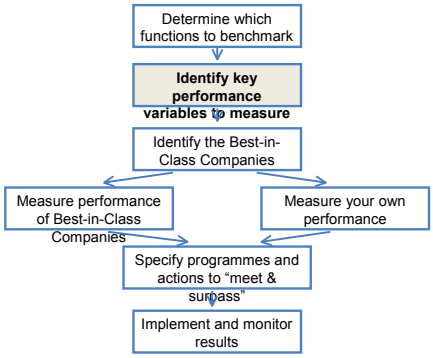
Implement and monitor results

DETERMINING WHICH FUNCTIONS TO BENCHMARK

Criteria for Selecting Functions to Benchmark

- **Suspect that there is room for improvement**
- **Big impact on competitive performance**
  - **Success in the market place**
  - **Cost**
  - **Core competencies**

BENCHMARKING STAGES



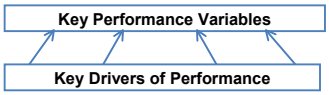
IDENTIFYING WHICH VARIABLES TO MEASURE

- Per customer
- per unit
- per $ of turnover

- Service level
- Customer satisfaction
- Reliability
- Cycle time

- Organisational structure
- Work systems
- Corporate culture
- Hiring / training

KEY PERFORMANCE DRIVERS

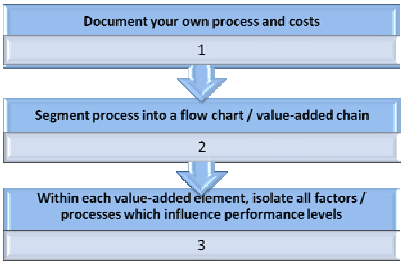


- Any variable in a process which exerts substantial influence on the key performance variables,
  -- e.g. labour rates, efficiency, organisational issues, etc.
- Each cost driver typically relates to only one performance variable …
- …while process drivers often influence multiple performance variables

Typical Brewery Kpis
Caribbean Brewery v. Best in Class

Benchmarking Brewery kpis		
KPI	**Caribbean Brewery**	**Best in Class**
Output per employee hl/yr	750 - 3,000	15,000 - 22,000
Packaging Efficiency %	45 - 55	75 - 85
Brewing Extract Efficiency %	95 - 97	99 - 103
Total Extract loss across plant	7 - 10	4 - 5
Liquid losses %	8 - 12	2 - 4
Packaging Material Losses	2 - 4.5	0.5 - 1.5
Capacity utilisation %	30 - 60	90+
BOD in wastewater kg/hl	> 1,000	1 - 1.5
Water usage hl/hl	12 - 35	2.5 - 4.0
Thermal Energy usage MJ/hl	100 - 400	70 - 150
Electricity Usage Mj/hl	50 - 150	18 - 25
Capex Greenfield cost $/hl	80 - 120	40 - 70
Quality Conformance to plan %	65 - 80	100!
Consumer complaints %	0.5 - 1.5	Zero
Safety lost time frequency	2.5 - 5	Zero

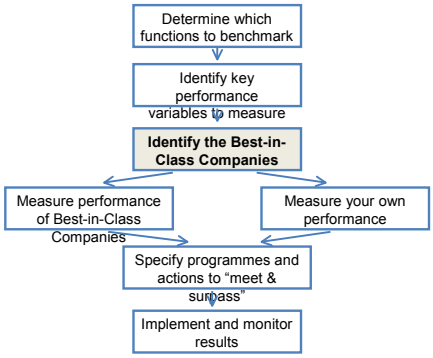
IDENTIFYING KEY DRIVERS OF PERFORMANCE



THE BENCHMARKING "VALUE-ADDED CHAIN"

	Structuring the Process	Data gathering	Analysis	Insights	Commun-ication	Convincing the Audience
Typical Percentage of Effort	20%	60%	10%	5%	<5%	<5%
Optimal Percentage of Effort	15%	25%	15%	15%	15%	15%

BENCHMARKING STAGES

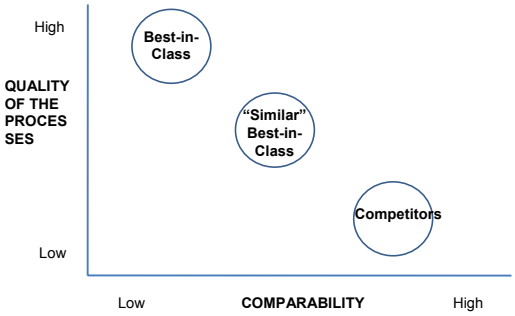


BEST-IN-CLASS COMPANIES

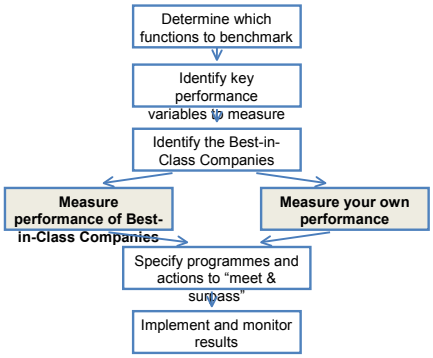
Direct Competitors	Same industry but not direct competitors	Latent Competitors	Best-in-Class
Sainsbury vs. Tesco	British bank vs. French bank	John Deere vs. Honda	Motorola vs. Domino's Pizza

- **4 – 6 companies**
- **Diverse set of companies**

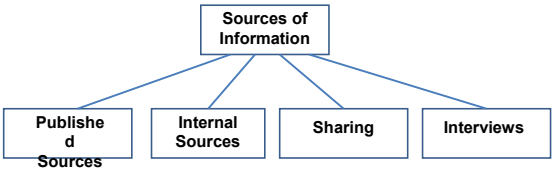
CHOOSING COMPANIES TO BENCHMARK



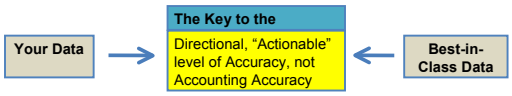
BENCHMARKING STAGES



SOURCES OF INFORMATION



COMPARING THE DATA



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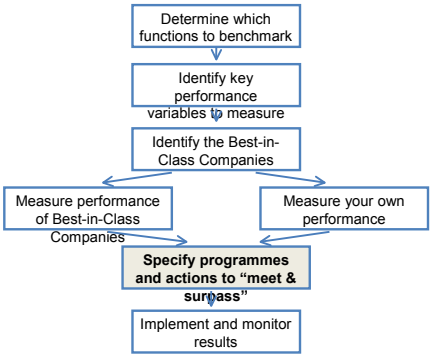
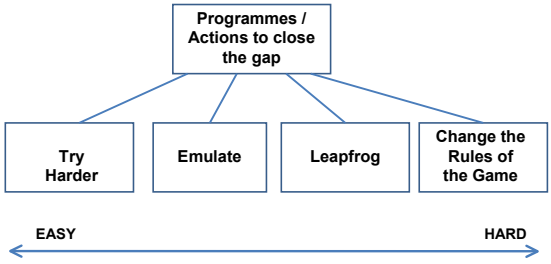
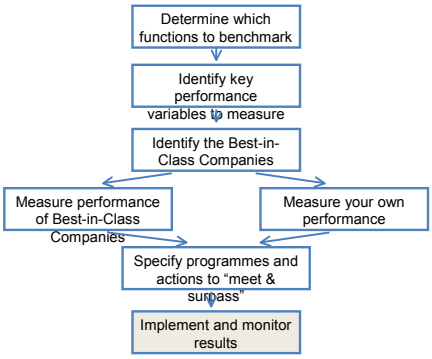


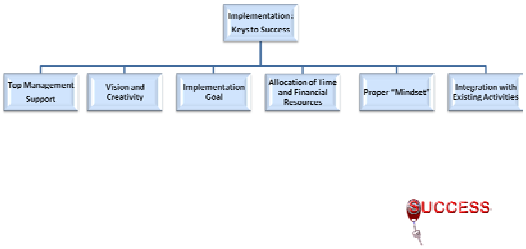
ACTIONS TO CLOSE THE GAP



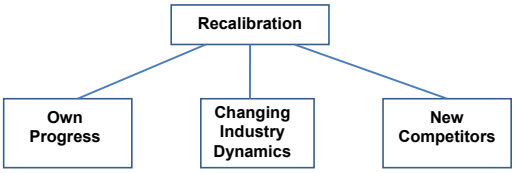
BENCHMARKING STAGES



IMPLEMENTATION - KEYS TO SUCCESS



RECALIBRATION OF BUSINESS MEASURES

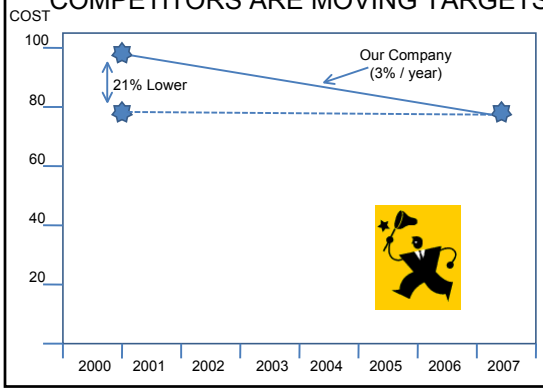


- Was our approach correct?
- Did we execute?

- Have the appropriate measures changed?

- Has the Best-in-Class changed?

COMPETITORS ARE MOVING TARGETS



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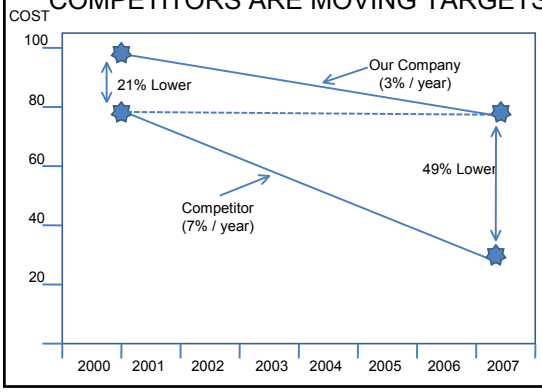

BENCHMARKING FOR WORLD CLASS PERFORMANCE

- Performance improvement to World Class status takes time, (10 yrs)
- "Success is 99% failure" – Soichiro Honda
- "The only place you find success before work is in the dictionary" – May Smith
- The road is not an easy one – it requires commitment from everyone in the company from top to bottom
- What type of company do we want to work for?
  - Companies that make things happen
  - Companies that watch things happen
  - Companies that wondered what happened.
- **We have a choice**

BENCHMARKING FOR WORLD CLASS PERFORMANCE