

BENCHMARKING IN SUPPLY CHAIN MANAGEMENT: A PROCESS TO FIND A BETTER WAY, RATHER THAN AN ATTEMPT TO REINVENT THE PROVERBIAL WHEEL

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Abstract: In searching for “best practices” in Supply Chain Management, the Asian Benchmarking Clearinghouse (ABC) of Hong Kong Productivity Council (HKPC), jointly with Hong Kong Article Numbering Association (HKANA), conducted a consortium benchmarking study. Through systematic data collection and site visit processes, the consortium group gained critical insights into key issues, challenges and solutions. More importantly, the participated companies were able to identify their positions in the marketplace that were essential for goal setting and attaining superior performance.

The Hong Kong Productivity Council shares a same benchmarking methodology with its global alliance partner, American Productivity and Quality Center (APQC). The approach was developed in 1993 and has been serving as one of the premier methods for successful benchmarking in the world.

I INTRODUCTION

Benchmarking is a process of improving performance by continuously identifying, understanding, and adapting outstanding practices and processes found inside and outside the organization. Many Fortune 500 companies and other large organizations have embraced benchmarking as an important, systematic methodology for achieving the organization's strategic objectives.

A 1995 research study conducted by the American Productivity & Quality Center's (APQC) International Benchmarking Clearinghouse demonstrated benchmarking's tremendous leverage. More than 30 organizations reported an average US\$76 million first-year payback from their most successful benchmarking project. Among the most experienced benchmarkers, the average payback soared to US\$189 million.

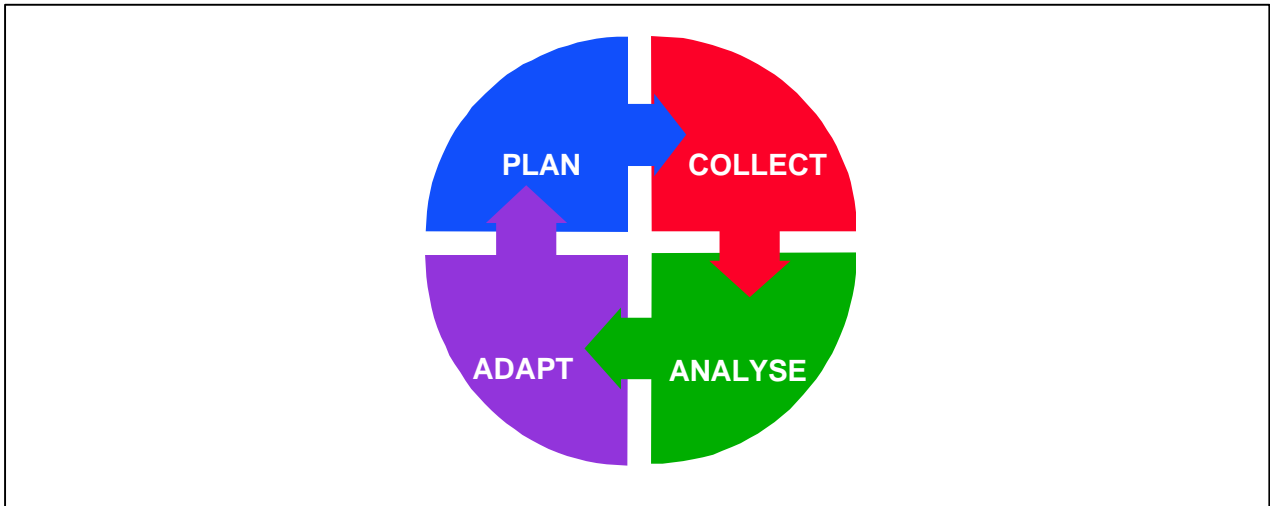
Benchmarking's positive influence extends beyond improving a particular business process. It also promotes the emergence and evolution of a "learning culture" throughout the enterprise—a key to continuous improvement, total quality, and competitiveness over the long term.

II BENCHMARKING METHODOLOGY

The Hong Kong Productivity Council shares a same benchmarking methodology with its global alliance partner, American Productivity and Quality Center (APQC). The approach was developed in 1993 and has been serving as one of the premier methods for successful benchmarking in the world.

HKPC uses a four-phased approach in conducting consortium benchmarking study, i.e. planning, data collection, data analysis and reporting, and adaptations of study findings.

Figure 1: HKPC's consortium benchmarking studies use a four-phased approach: study planning,



data collection, data analysis and reporting, and adaptations of study findings

Plan

During this phase the specific study focus area, key measures and definitions are established and clearly documented. Additionally, the data collection tools are refined and finalized, and research is conducted to identify the best-practice organizations to study.

Collect

This phase has two distinct objectives: 1) collect qualitative data, and 2) learn from the best. The study questionnaire is administered to all participants, and the site visits are conducted at selected best-practice organizations.

For site visits, best practice partners receive the list of questions to be asked prior to the site visit to ensure a smooth, productive, and efficient learning experience. Participants can send a representative to at least two site visits, where both qualitative and quantitative information is collected. Participants receive a report from each site visit, whether they attend or not.

Analyse

Key activities during this phase include analyzing trends and identifying practices that enable and hinder superior performance. The study team presents a final report containing key findings and insights at a Knowledge Transfer Session. At this concluding meeting of the study, the sponsors discuss the key findings in depth and have an opportunity to interact with each other and the best-practice organizations through systematic networking activities and presentations. The study team facilitates participants' initial action plan development to adapt and implement what they have learned.

Adapt

Adaptation and improvement resulting from the best practices identified throughout a consortium study occur after the study participants take the learnings back to their organizations.

III BENCHMARKING INTO ACTION

Due to the emergence of new information technologies, globalization of operations and markets, increasing pressure from customers on responsiveness and reliability, Supply Chain Management (SCM) has become at once a challenge and an opportunity. In view of Supply Chain Management has become one of the core competitive advantages for many companies, the Asian Benchmarking Clearinghouse (ABC) of the Hong Kong Productivity Council (HKPC) jointly with the Hong Kong Article Numbering Association (HKANA) conducted a Supply Chain Management benchmarking consortium study in 1999.

`. This process resulted in the compilation of a list of site visit candidates. Each site visit candidate was contacted and asked to participate in a screening interview. Based on the results of the interview,

as well as company availability, the HKPC study team confirmed site visits with eight candidates.

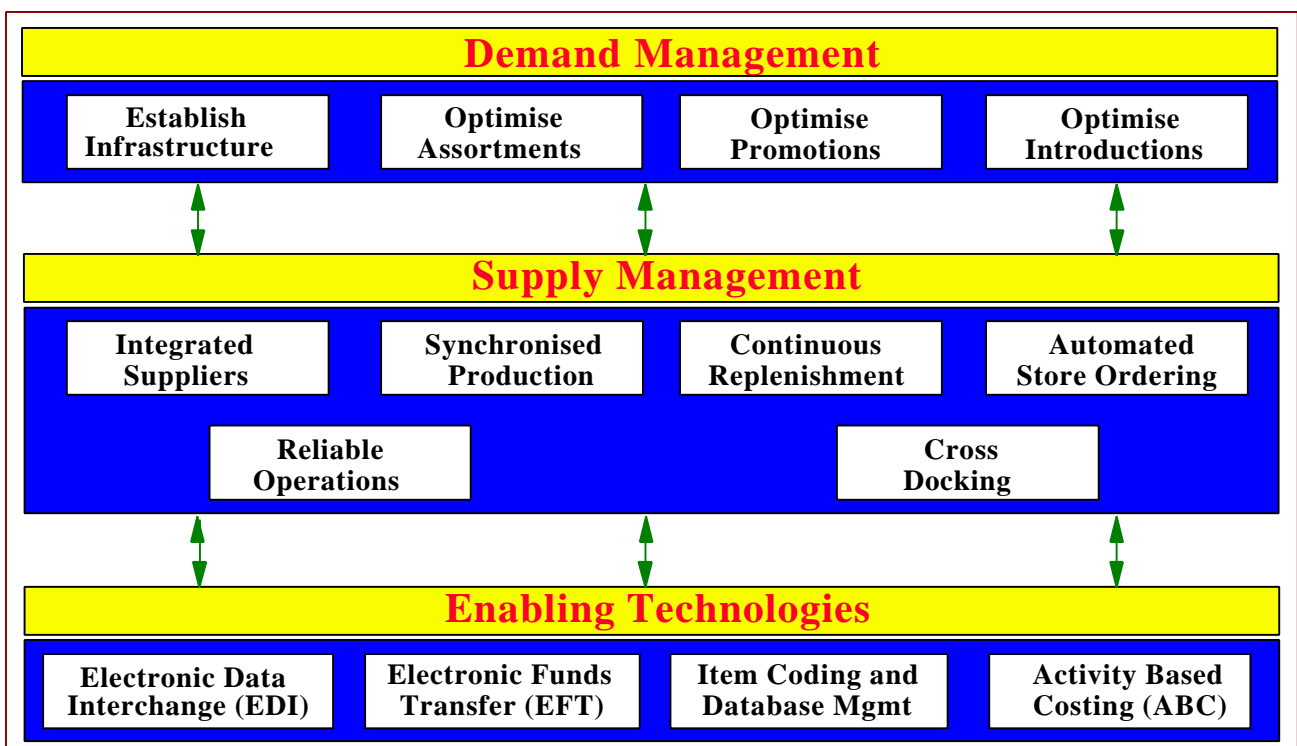
Phase 2: Collect

The HKPC study team collected data from the “best practice partners” and participating companies via two separate data collection tools:

i) *Detailed Questionnaire*: quantitative questions designed to collect objective and quantitative data.

The first part of the detailed questionnaire was based on the questionnaire used in the Global Logistic Research Project of the Michigan State University. The second part of the questionnaire was structured around 10 supply chain improvement concepts which were grouped under 2 focus areas: Supply Management and Enabling Technologies.

Figure 2: Supply chain improvement concepts (Source: *The Official Supply Chain Management*

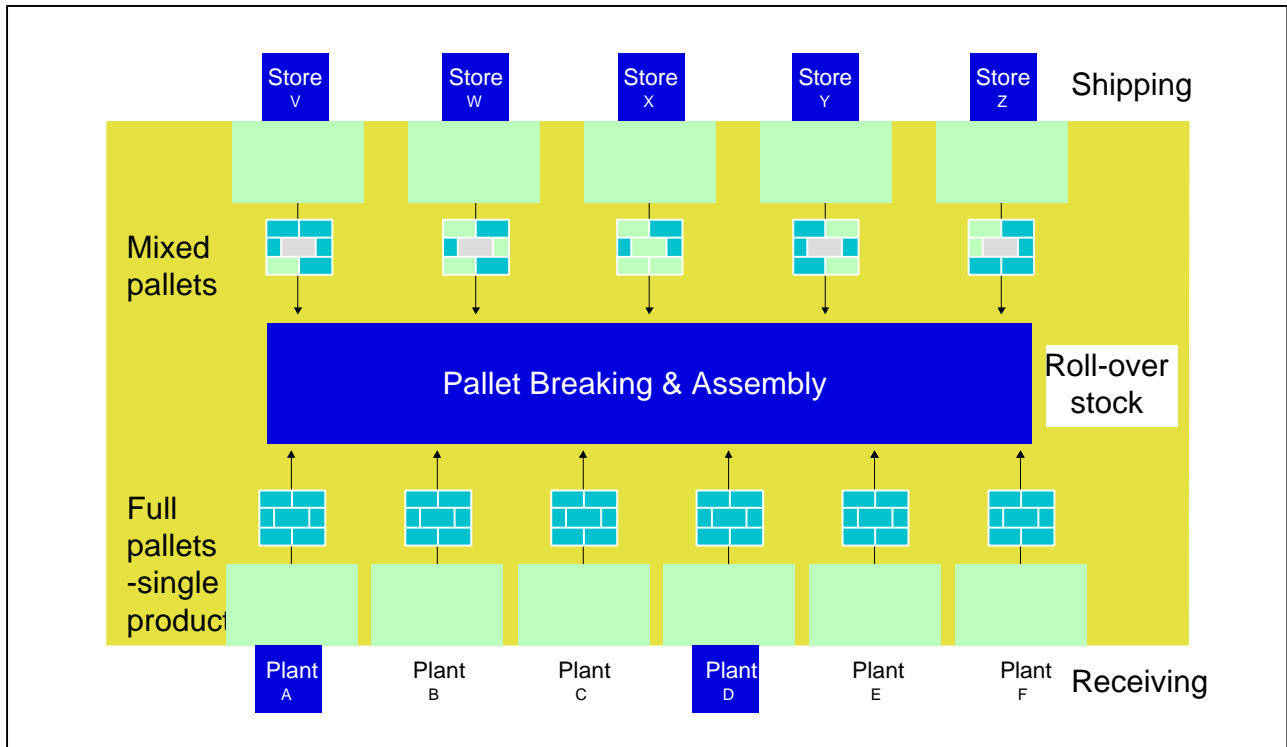


Scorecard, HKANA 1998)

For each improvement concept, participants were asked to self assess their current practices by using a scorecard.

For example, the target of Cross Docking is to eliminate non-productive inventory held at retailer and wholesaler Distribution Centres (DCs). By eliminating storing of products at retailer DCs, the merchandise received at the warehouse or DC is not put away, but turned around for shipment to retail stores, typically with 24 hours. Benefits stem from reducing time and cost to move products into and out of warehouse locations, including associated data entries into inventory management information systems.

Figure 3: The concept of Cross Docking (Source: The Official Supply Chain Management Scorecard,



HKANA 1998)

By using the scorecard, the participants assessed their maturity level on two aspects: (1) Assessment, i.e. the ability determine whether cross docking/flow through should be carried out and if so which sort of cross docking/flow through is appropriate for the category and supply chain under consideration); (2) Implementation, i.e. the transfer of inward deliveries of any kind from the zone of reception directly to the zone of delivery with only limited or no interim storage at all).

The results of this study revealed that the consortium group made significant efforts on both self-evaluation and trial implementation, with at least few selected suppliers. However, a large-scale implementation was limited in Hong Kong.

ii) *Site Visit Discussion Guide*: qualitative questions designed to collect qualitative information about targeted aspects of supply chain management. To collect these data, the best practice partners offered half-day “site visits,” allowing participants to meet with them and share their implementation practices.

Figure 4: Cross Docking in a US best practice partner's site



Phase 3: Analyse

The HKPC study team analysed both the quantitative and qualitative information gained from using the data collection tools. The analysis focused on identifying innovative practices and methodologies for Supply Chain Management implementation. Analysis of participants' data formed the basis of the final report.

Phase 4: Adapt

In January 2000, the HKPC and HKANA study team presented key findings of the study to both sponsors and partners of this initiative. All participating organizations received a copy of the final report, which showcased critical success factors identified through the research and site visit processes. Participants use this report to begin adapting the use of successful implementation strategies within their organizations.

IV CONCLUDING REMARKS

Through a systematic data collection process and site visits, the SCM consortium group in Hong Kong gained critical insights into key issues, challenges and solutions. More importantly, they were able to identify their positions in the marketplace that were essential for goal setting and attaining superior performance.

The project has clearly demonstrated Benchmarking is a powerful tool for identifying best and innovative practices and for facilitating the actual transfer of these practices. It also shows that Benchmarking is a positive, proactive, structured process that leads to changing operations and eventually attaining superior performance and a competitive advantage.

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