A Role for Management Accountants in Best Practice Benchmarking

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A ROLE FOR MANAGEMENT ACCOUNTANTS IN BEST PRACTICE BENCHMARKING

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ABSTRACT

Best practice benchmarking (benchmarking for short) generally refers to the pursuit by organisations of enhanced performance by learning from the successful practices of others. Comparisons of processes which contribute to strategic success are made with other parts of the same organisation; competitors; or organisations operating comparable processes in a context which is in some way relevant. Benchmarking continues to grow in popularity in both private and public sector organisations – but does it always produce the desired outcomes? Although spectacular gains from benchmarking are claimed particularly in practitioner literature, there is also growing evidence of disappointment with the effectiveness of benchmarking. It can be very time-consuming to undertake and manage, and ensuring that sharing information with competitors is to the mutual advantage of partner organisations is difficult. With this in mind, it is important to recognise that management accountants play pivotal roles at organisational interfaces and therefore could play a (more) significant part in successful benchmarking activities.

This paper will report on an ongoing research project at the Open University Business School, funded by the Chartered Institute of Management Accountants, aimed at understanding, in depth, the processes which are undertaken by Management Accountants, in the name of benchmarking. The project team are using postal questionnaires and case studies to identify the features of successful benchmarking practice, and the characteristics of benchmarking organisations or benchmarking processes which are considered to be problematic. This research centres on an extensive survey of Management Accountants.

This research has begun to identify the contribution which Management Accountants can make to successful benchmarking and the factors which have led organisations to abandon benchmarking activities. This study is also facilitating better understanding of the relationship between organisational size and level of benchmarking activity, the impact of benchmarking clubs, and the perceived costs and benefits of benchmarking to stakeholders. The final phase

of this research will focus on providing innovative ways to make the findings available to management accounting practitioners.

1. Introduction: the aims and nature of this research

Since the 1980s benchmarking has occupied the energy and time of managers and staff in many UK organisations. Undertaking benchmarking activities, and acting on the findings, has led to not-inconsiderable resource commitments. However, the balance of benefits in return for these costs appear to have been weighed up comparatively rarely. Benchmarking is recommended as ‘a good thing’ by practitioner journals, consultants, statutory and professional bodies – indeed, it is an explicit requirement for many organisations – yet there is evidence that in some circumstances the costs may outweigh the benefits (see Lincoln and Price, 1996 and Sheridan 1993). An alternative question might be, can similar benefits be achieved more cost effectively?

The research reported here, which is part of a series of linked longer-term projects, aims to review what management accountants are actually doing in the name of benchmarking; to examine the real and dynamic processes involved in carrying out this activity; to understand how organisations assimilate lessons from benchmarking; and to identify ‘best practice’ lessons about the processes of benchmarking itself. Primarily our interest is in the contexts and activities through which benchmarking is carried out (as distinct from the processes which organisations may compare with their own in the course of benchmarking).

Naturally it is important to establish first the extent to which the credit or blame for changes in an organisation’s performance are due specifically to benchmarking. The authors have used the following working definition:

> the pursuit by organisations of enhanced performance by learning from the successful practices of others. Benchmarking is a continuous activity; key internal processes are adjusted, performance is monitored, new comparisons are made with the current best performers and further changes are explored. Where information about these key processes is obtained through a co-operative partnership with specific organisations (rather than via a third party such as an independently-maintained database), there is an expectation of mutual benefit over a period of time.

The critical characteristic is the examination of *processes*, as it is only through an understanding of how inputs are transformed into outputs that the attainment of superior results can be pursued effectively. And to quote Robert Camp, one of the best-known writers on the subject,

> Benchmarking is an integral part of the planning and ongoing review process to ensure a focus on the external environment and to strengthen the use of factual information in developing plans. Benchmarking is used to improve performance by understanding the methods and practices required to achieve world-class performance levels. Benchmarking's primary objective is to understand those practices that will provide a competitive advantage; target setting is secondary. (Camp 1995 p.15)

This comment is particularly pertinent taken in the context of the continuing popularity of performance league tables particularly in the public sector, and the tendency for 'benchmarking' and 'benchmark' (a standard or target) to be used interchangeably. Knowing one's position in a league table does little to enable the organisation to understand how better performers achieved their status and hence how to move up the table, perhaps overcoming external obstacles or unequal inputs along the way. (See for example Goldstein and Spiegelhalter 1996). While targets are an integral part of benchmarking, the notion that there is one best way to do something and that once this target is attained no further change is needed, runs counter to benchmarking's inherently dynamic nature. The need to seek external as well as internal benchmarks where possible is an important ingredient in successful performance management generally, as simply demonstrating that 'other sister units have performed better in similar circumstances' does not guarantee competitive advantage. (See for example Fitzgerald and Moon, 1996).

Benchmarking is entirely consistent with 'kaizen' (Imai 1986), continuous performance improvement through process orientation now adopted quite widely within the UK manufacturing sector. Indeed one could be forgiven for believing that benchmarking or analogous approaches were now routine in all sorts of organisations. Therefore it is important to separate out benchmarking (roughly as defined above) from the myriad approaches to performance measurement and improvement which are indeed found in some form in most

UK organisations. The initial phase of the research thus concentrated on obtaining from a large cohort of CIMA management accountants, brief accounts of their experience with benchmarking (if any), what it had entailed, and any problems experienced, using a postal questionnaire with a mix of pre-coded and open ended questions. Parallel studies of other practising managers – Open University MBA students or graduates and managers of small and medium sized enterprises (SMEs) – were undertaken but this paper largely focuses on the CIMA members. Greatest attention has been paid to those whose claim to be 'doing benchmarking' involved the key features such as detailed comparison of key processes with competitors, sister organisations or others with a generic process in common.

Management accountants were targeted both because project sponsors, the Chartered Institute of Management Accountants (CIMA), sought to enhance the role of their members in benchmarking, and to enable the researchers to explore the ways in which participants' contributions and evaluations of benchmarking might reflect their professional backgrounds.

Management accountants are natural participants in the benchmarking process. Not only does their background suit them to the task, but also benchmarking itself can play an increasingly important part in performing their roles as management accountants. Kaplan (1995) argues that management accountants should:

- become part of their organisation's value-added team
- participate in the formulation and implementation of strategy
- translate strategic intent and capabilities into operational and managerial measures;
- move away from being scorekeepers of the past to become the designers of the organisation's critical management information systems

Kaplan goes on to say that,

> ‘while management accountants may not have primary responsibility for providing the physical information, only they can provide the relevant, accurate, and timely financial information to employees. This financial information, however, is unlikely to be the standard costs and variances from the organisation’s traditional accounting system. The new financial and cost information must be derived from intimate knowledge of the underlying technologies, capabilities, markets and strategy of the organisation.’

(Kaplan 1995 p.8)

CIMA’s ‘Standards of Competence in Management Accounting’ (1994) defines the key roles of a professional management accountant as:

A Provide management accounting services and systems

B Manage management accounting staff

C Assure the quality of services and systems

D Plan and arrange finance

E Utilise intelligence from external sources

F Provide planning services

G Guide management decisions

H Analyse, report and interpret the organisation’s performance to management

I Present reports and accounts for investors.

Benchmarking can play a part in achieving many of these tasks (particularly E, F, G & H). Elnathan et al (1996) see benchmarking as not only aiding the management accountant to benchmark results but as an aid to drive improvement, through such techniques as Activity Based Costing (ABC). Zairi and Leonard (1994) also examine how an organisation can learn the process of

ABC through benchmarking another organisation. Fifer (1989) took this a stage further and showed how one could benchmark the value chain. Benchmarking can also be used as an input to a target costing approach. An analysis of the role of management accountants has been produced by the Society of Management Accountants of Canada (1995)

Later phases are exploring in more depth the characteristics of organisations where benchmarking was deemed to have achieved the objectives set for it; and the contexts in which benchmarking was started and later abandoned, or considered but rejected. There is a strong need for qualitative case studies as well as quantitative 'organisational demographics' if greater understanding of the social as well as technical factors affecting implementation of such medium or long term performance improvement systems is to be gained.

The focus on identifying 'critical success factors' for benchmarking will fill two gaps in the literature:

- the relative lack of systematic and critical appraisal of benchmarking (acknowledged by for example Camp, 1995, in distinguishing between the 'management' and 'user' processes, and Elnathan *et al* 1996, in their development of a framework for benchmarking research); and

- the provision of guidance for managers who will doubtless continue to adopt benchmarking for some time to come and who can benefit from the lessons already learned – but rarely articulated – about what organisational processes and attributes are associated with effective benchmarking.

Thus our last research aim, in the spirit of benchmarking itself, provides the impetus for the development of a range of routes for the dissemination of the research findings, sharing with practitioners the messages emerging from the information they have shared with us.

2. Benchmarking in the UK: state of the art

2.1 Nature and prevalence

One could be forgiven for feeling that this research is 'shutting the stable door after the horse has bolted'. After all, benchmarking has been with us for many years and is increasingly being superseded by more fashionable approaches to performance improvement. Or is it?

Our initial findings, discussed below, indicate that although for some organisations benchmarking has become routine and as such is an integral part of 'the way we do things here' rather than a distinctive activity, many organisations in the UK are still actively considering introducing benchmarking or have only recently commenced its introduction. This is supported by surveys in the UK and Europe (Coopers and Lybrand 1994, Coopers and Lybrand Europe 1994, Cook and Macauley 1996). Indeed, organisations who are rapidly adopting the Business Excellence Model as a framework for performance management across Europe would be hard pressed to do so effectively without benchmarking. The concept of benchmarking has been familiar to public services in the UK for some years in the form of independent reports on best practice produced by the Audit Commission and National Audit Office; and the actual practice of benchmarking in local government is set to increase with the forthcoming requirement to use it to demonstrate 'best value' – the long-awaited replacement for compulsory competitive tendering.

Local and sector-specific benchmarking networks continue to be set up, and many consultancy organisations now offer support for benchmarking (although many organisations taking part in our survey appear at present to be working independently). The more-established UK 'third-party benchmarking organisations' such as the Best Practice Club and Benchmarking Centre report a continued growth in business, although commenting that benchmarking may be taking place under another name (e.g. inter-company comparisons, league tables) in some contexts. They report a stronger interest from the service than manufacturing sector, suggesting perhaps that in the traditional home of benchmarking the need for external support may be lower as manufacturing organisations have developed their own industry-specific networks and made use of services provided through the Department of Trade and Industry and trade associations.

With the entry of the service sector and a greater awareness of the importance of service functions in manufacturing firms, benchmarking is being applied beyond core production processes which were the traditional level of focus in manufacturing. Attention is being paid to processes at all points along the supply chain and benchmarking is being integrated with other performance improvement approaches. For example award-winning retailers such as Jaeger have integrated benchmarking within a comprehensive programme of customer service improvements involving staff at all levels, centrally-driven but delivered in ways which reflect local conditions and initiatives (Duffin 1997). Sandwell local authority's housing department is using benchmarking within the framework of the Business Excellence Model, working with consultants to draw on experience from industry as well as other local authorities (British Quality Foundation 1997). And the voluntary sector is actively exploring the potential role for a dedicated benchmarking club to meet the needs of charities.

It is important not to dismiss organisations as fickle bandwagon-jumpers just because they may be carrying out benchmarking at present but also using one or more other approaches to performance improvement. It is logical for organisations to undertake benchmarking as part of an overall system for performance management, playing to its strengths and recognising its limitations. This is supported by the findings of the Best Practice Club's survey of member organisations (Chase 1997), where benchmarking was being used to improve the value of products and services to the customer, being most effective where total quality management (TQM) and self-assessment using the Business Excellence Model were already established. Perhaps such organisations are well placed to benefit from the process focus of 'true' benchmarking, and its creative potential, because they value organisational learning and reflection on practice as well as competing for public recognition through the Business Excellence model. Indeed it may be that the characteristics of the approaches being adopted are less important than the way that the organisation manages change, the nature of its culture and perhaps the style of its leaders.

Thus it would seem that benchmarking has not yet been discarded in favour of 'this year's model' for performance improvement. Rather, it continues to attract practitioners from an ever-wider range of organisations, while being integrated with more comprehensive approaches such as TQM, the Business Excellence Model / self-assessment, particularly in organisations with longer experience in performance improvement. However, as well as gaining adherents there have been many who have abandoned benchmarking or had to work hard to overcome problems. A key aim of our research is to understand the nature of such problems, and the characteristics of people and organisations where problems are overcome and benchmarking achieves the objectives set for it. Data is also being collected from organisations where benchmarking no longer takes place, to investigate whether there are distinctive organisational or contextual characteristics that may explain 'failure', if that was the reason for ceasing the benchmarking activity.

In seeking first to describe the nature and extent of benchmarking activity in the UK, we have made use of Camp's typology (Camp 1989, 1995) to classify respondents' practices:

Internal	A comparison among similar operations within one's own organisation.
Competitive	A comparison to the best of the direct competitors.
Functional	A comparison of methods to companies with similar processes in the same function outside one's industry.
Generic process	A comparison of work processes to others who have innovative, exemplar work processes. (Camp 1995, p.16)

CIPFA (1995, p18) also use these distinctions, whilst CIMA (1996, p.6) include the additional category of 'customer benchmarks.' Other authors make the distinction between 'process benchmarking' and 'results benchmarking,' see Trosa and Williams (1996). The remaining distinction made in terms of the nature of benchmarking is that of ‘strategic’ benchmarking, ‘operational’ benchmarking and ‘functional’ or ‘management benchmarking.’ These categories are preferred by Pryor (1989), Shetty (1993) and CMA Canada (1995).

Coopers and Lybrand (1994), amongst others, have reported that internal benchmarking tends initially to dominate, probably at least in part because of the complexities of establishing partnerships particularly with competitors. In addition, internal benchmarking can draw on existing sources of data, collected under relatively comparable circumstances and with greater cost-effectiveness. An alternative to grappling with some of the more problematic aspects of competitive benchmarking is to adopt generic benchmarking with unlike partners – indeed Camp (1995) and others point out that truly innovative ideas are probably more likely to be found by looking at key processes outside one’s own industry.

We are also interested in characteristics such as organisational size, the motivation for commencing benchmarking, the relative importance of financial and operational measures, relative costs and benefits, the similarities between partners, and use of other performance improvement methodologies by active benchmarkers. Some early results profiling our respondents and their experiences with benchmarking are set out in the next section. Our survey research is enabling us to look for correlations between such characteristics and perceived success or problems with benchmarking, and potentially significant relationships will be investigated through a series of case studies.

The desirability of applying a contingency approach in the assessment of the success of benchmarking activities is emphasised by Elnathan *et al* (1996), who propose a research framework incorporating antecedent, contextual and outcome variables. One antecedent variable in their framework is senior management support, which is also an important factor in the work of Hill *et al*, (1996) particularly where managers are embarking on benchmarking for the first time and are strongly influenced by their own perceptions of senior management’s commitment.

Elnathan *et al*'s contextual variables include several characteristics of partnerships such as number of partners and degree of trust; and Mannering (1996) identifies the desirability of partner organisations having shared values. In an earlier work Elnathan and Kim (1995) model the relationship between the formation of partnerships and potential benefits and costs of benchmarking (with consequent implications for the use of third party benchmarking organisations as well as the formation of direct partnerships). Our research may provide a contribution to their call for a greater understanding of 'current benchmarking practices and organisations' (p.362) in order to '... produce a clearer picture of what factors determine firms' benchmarking benefits and costs and in turn affect their benchmarking decisions.' (*ibid.*).

We are also thus concerned with less easily measured 'softer' variables such as organisational culture and management style, as it seems likely that these process-related contingency factors may have a part to play in successful benchmarking. Experience with TQM would bear this proposition out (see for example Binney 1992, Holloway 1993, Choi and Behling 1997). Compatibility between organisational culture and benchmarking success for example may be reflected in the extent to which benchmarking places a relatively stronger emphasis on mere measurement or on process improvement. This in turn will affect the sorts of benefits which might be expected.

2.2 Evaluating the benefits from Benchmarking

As well as being participants in the benchmarking process, management accountants are also likely to be tasked with evaluating how successful it has been. There is evidence of differing levels of success (see Lincoln and Price, 1996 and Sheridan 1993) . The literature tends to be anecdotal. Little has been done on measuring the effectiveness of benchmarking.

Whilst we have managed to identify how successful our respondents perceived benchmarking to have been, it is much more difficult to quantify the benefits. Ideally some form of cost benefit analysis (CBA) could be carried out but given the qualitative nature of many of the benefits, not to mention costs, a more pragmatic approach may be to aim for a cost effectiveness analysis. A useful model for such an approach has been put forward by Elnathan (1996).

A difficulty would be in trying to separate those ‘outcome variables’ that are attributable to benchmarking. Although 89% of our benchmarkers said reported some benefits, Only 34% they achieved readily quantifiable benefits and 11% were unable to quantify any benefits at all. This may point to the difficulties of measurement or that benchmarking may not produce results overnight. In the short term it may simply highlight what can / needs to be achieved.

In evaluating the CBA it is also worth considering whether such benefits could be achieved more cost effectively by other approaches. We believe an import aspect of future research would be to identify which aspect(s) of the benchmarking process actually yield the benefits. Is the external comparison necessary other than as a stimuli to consider one’s organisations internal process? A feature of our negative respondents was that they did not benchmark as it was no more than a dressed up version of comparative performance measurement. Our definition of benchmarking would contradict this but what additional benefits can be achieved through benchmarking over comparative performance measurement?

In terms of how the benefits are perceived by the organisation and individual it is important to consider their initial expectations and motivations to benchmark. Our study suggests different groups have differing expectations and perceptions of how successful benchmarking has been.

In considering what are the vital characteristics of successful benchmarking, further research needs to be done. There is an abundance of practitioner literature giving ‘tips for successful benchmarking’ but this is rarely backed up by substantive research. Notable exception’s are Hill et al (1996) and Elnathan and Kim (1995).

Some of our preliminary findings are presented in the next section. Later papers will present the findings from more in-depth surveys and a series of case studies.

3. Detailed findings to date

3.1 Management Accountant's involvement in benchmarking.

The initial phase of data collection, as previously mentioned, comprised a questionnaire survey of three cohorts: CIMA members, Open University Business School MBA students or alumni whose studies included a course on performance measurement (B889), and managers in SMEs. The focus has therefore been on UK-based organisations. This paper reports on the analysis of the CIMA cohort, some results from the B889 managers are also given for comparison with the management accountants. Where applicable we have also used the Coopers and Lybrand (1994) survey of 100 large firms as a further comparitor.

Questionnaires were sent to a sample of 5,000 Members of the Chartered Institute of Management Accountants, distributed across CIMA's North, North West, South East, East Anglian and Midlands regions. 559 completed questionnaires were returned, a response rate of around 11%. Of these, 234 respondents indicated a willingness to participate further in the research. In the tables which follow, it should be noted that not all respondents answered all questions and therefore there are some missing values or totals which do not sum to 559 responses.

The size of organisation in which our respondents worked ranged from fewer than 25 employees, to over 1,000 (Table 1). A high proportion of the medium and large organisations were themselves part of a larger concern.

Size	Respondents from CIMA	Respondents from B889
<25	91	22
26-99	95	20
100-250	101	33
251-999	123	34
>1000	142	64

TABLE 1 - SIZE OF RESPONDENTS (I.E. NUMBER OF EMPLOYEES)

A key question was whether organisations were or had been engaged in benchmarking. 254 respondents said 'yes'; while 305 organisations had not been involved. Figure 1 illustrates the relationship between organisational size and presence of benchmarking activity.

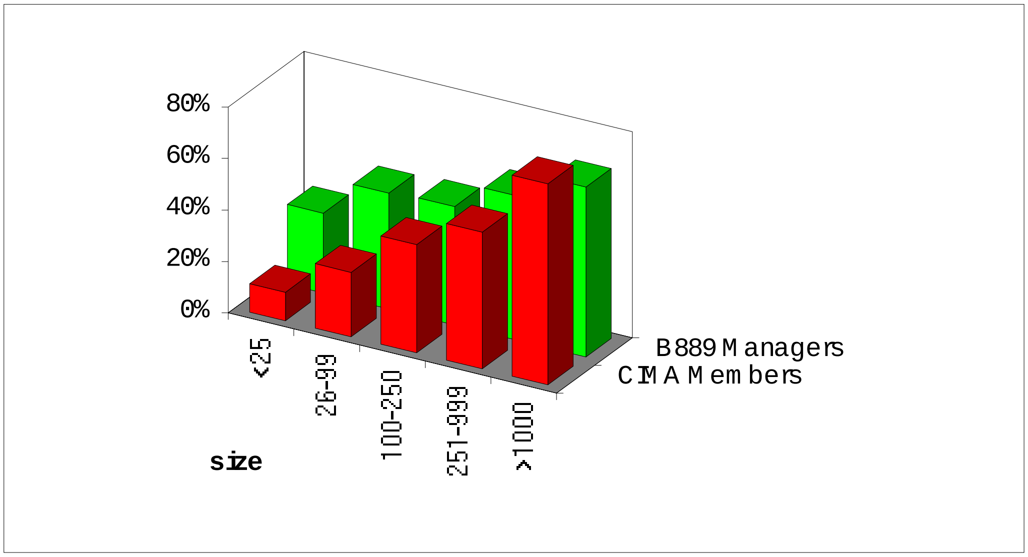

FIGURE 1 - BENCHMARKING ACTIVITY AS A FUNCTION OF ORGANISATIONAL SIZE

As Table 2 and Figure 2 indicate, there is a very clear tendency for larger organisations to be more likely to be benchmarking than small; The influence of subsidiarity (being part of some larger group) also makes it more likely for a company to be benchmarking. This emerged strongly in both CIMA and B889 cohorts. Also the level of benchmarking activity amongst large organisations is consistent with that found by the Coopers and Lybrand (1994) findings. We suspect that this reflects a familiar combination of lack of organisational slack (in terms of time and/or resources) coupled with a healthy suspicion of management 'theory' which may reduce the likelihood of smaller organisations being involved with benchmarking. The propensity for conglomerates/federations to want to know how different parts compare may be one reason why organisations which are subsidiaries of others in some form are the most likely to be using benchmarking.

Size	Number not part of a larger group	Benchmarking?	Number part of a larger group	Benchmarking?
<25	76	8 (11%)	14	2 (14%)
26-99	55	12 (22%)	39	12 (31%)
100-250	36	11 (31%)	65	31 (48%)
251-999	42	18 (43%)	79	47 (59%)
>1000	52	36 (69%)	87	73 (84%)

TABLE 2 - THE EFFECT OF ORGANISATIONAL SIZE AND SUBSIDIARITY.

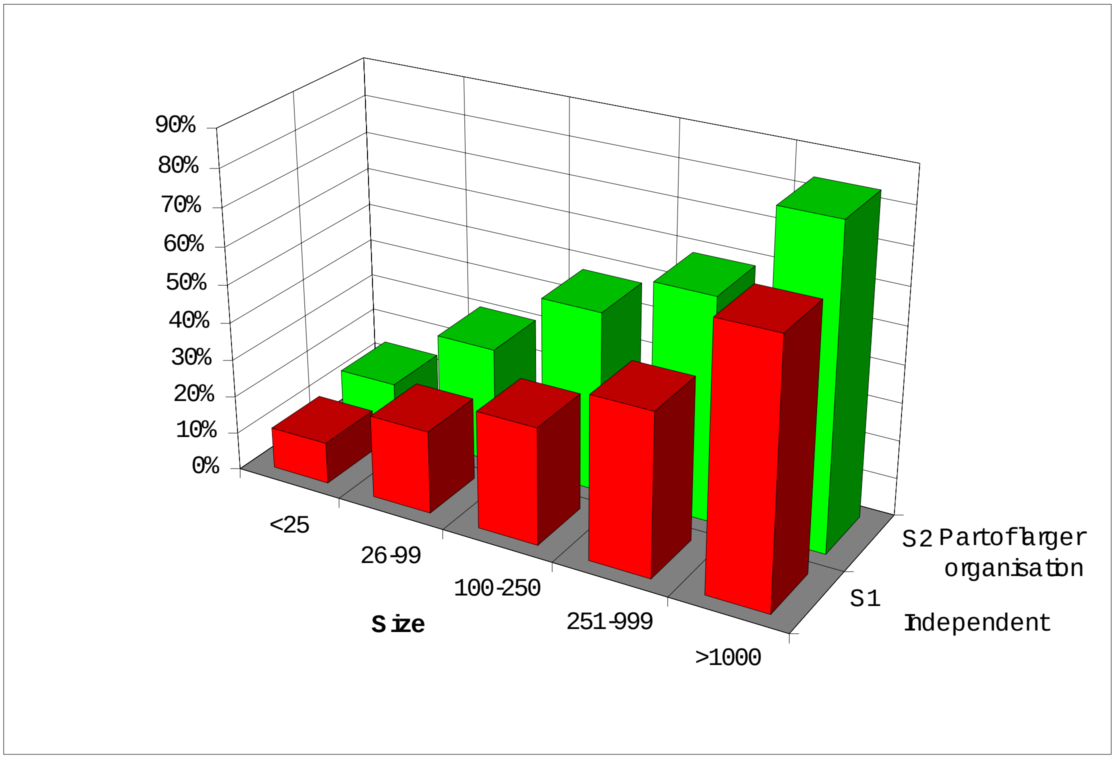

FIGURE 2 - EFFECT OF SIZE AND SUBSIDIARITY (CIMA MEMBERS)

What sorts of organisations are currently using benchmarking? Figure 3 and Table 3 indicate the range of activity by sector.

Code	Description	Number in sample	Number claiming to be Benchmarking
1	Government	30	19 (63%)
2	Education	30	20 (67%)
3	Health	34	29 (85%)
4	Manufacturing & Construction	228	106 (46%)
5	Financial Services	43	14 (33%)
6	Services & Retailing	137	43 (31%)
7	Utilities	9	8 (89%)
8	Other	41	15 (37%)
9	Missing	7	0
	(All)	-559	254

TABLE 3 - BENCHMARKING ACTIVITY BY SECTOR (CIMA MEMBERS)

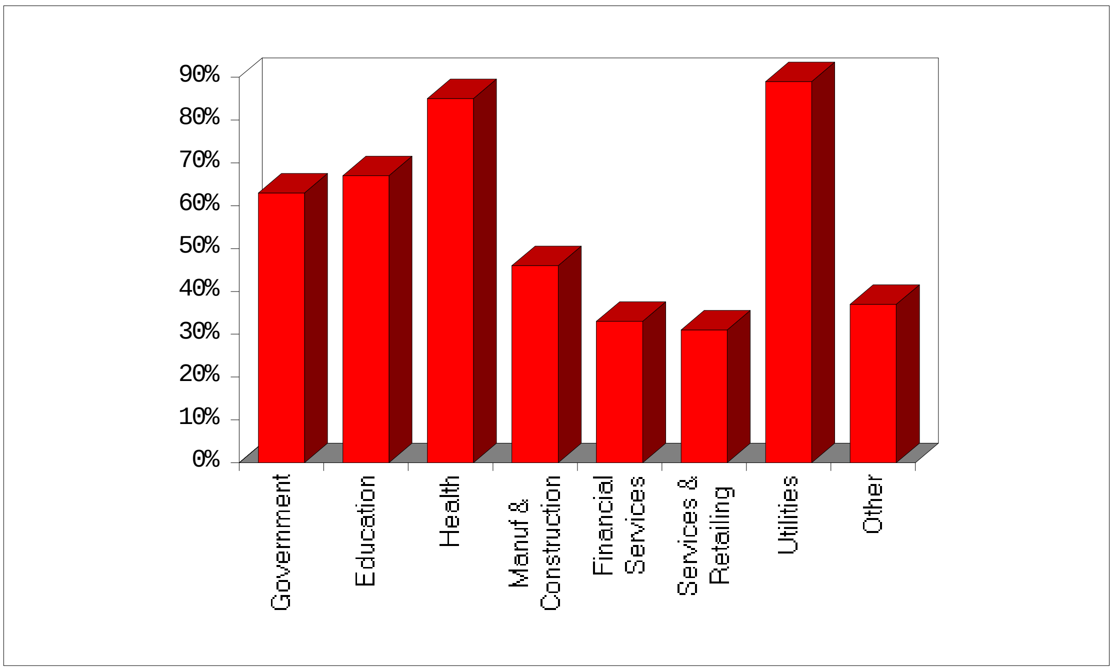

FIGURE 3 - PERCENTAGE BENCHMARKING PER SECTOR (CIMA MEMBERS)

Manufacturing & Construction (very nearly one-half of our CIMA sample) has the same penetration of benchmarking as the overall population, with Health, Utilities Government & Education showing above average levels of activity. (One could even say it was *de-rigeur* in the Health Service and Utilities, perhaps due to the statutory production of performance league tables and regulatory environment). Perhaps more surprising in the light of information from benchmarking clubs and the practitioner literature, is the two lowest incidences of benchmarking, in the Financial Services/ Services & Retailing sectors. This is an area which we are interested in investigating further; for example it may be that interest is growing, but difficulties in measuring the less tangible outputs of services are making the identification and comparison of relevant processes slow to take root.

It is worth emphasising here that this is the sector occupied by the organisation, not the function within the organisation in which the respondent actually works, that we have coded; and that the distribution reflects the places of employment of our CIMA respondents rather than a representative sample of UK organisations.

3.2 How is Benchmarking being used?

Next we wanted to find out more about how 'benchmarking' was actually being used. Was it being used primarily to compare relatively straightforward and readily comparable metrics (person-hours per vehicle, mean rings before the telephone is answered and so on), which we have termed 'quantitative' in Table 4 Or is the benchmarking activity being undertaken with a view to what Tom Peters (1987) would call 'creative swiping', i.e. as a source of new ideas and process innovations? In spite of a problem with coding, there does seem to be tentative support for the suggestion that at present a majority of benchmarkers are more concerned about numbers than 'difficult to measure' processes. The next phase of the research is exploring in far more detail the activities being undertaken by managers who claim to be 'benchmarking'.

What is being measured	*number*	*Percentage*
Quantitative only	165	82
Qualitative too	36	18

TABLE 4 - WHAT IS BEING MEASURED (CIMA MEMBERS)?

Given the increasing emphasis in the literature on the benefits of 'generic benchmarking' with unlike partners, as a way of gaining new insights, avoiding 'groupthink' which can accompany concentrating one's comparisons on other parts of the same organisation, and reducing some of the problems of benchmarking with competitors, how far is this affecting practice? We categorised responses in terms of whether the benchmarking partners appeared to be internal or external to the respondent's organisation; and whether they were similar or dissimilar in nature; see Tables 5 and 6. (Because the responses were free-form and occasionally ambiguous, some values could not be coded.)

Locus	Number	Percentage
Internal	27	14
External	128	66
Both	39	20

TABLE 5 - INTERNAL OR EXTERNAL BENCHMARKING (CIMA MEMBERS)

Type of Partner	Number	Percentage
Similar	165	90
Dissimilar	18	10

TABLE 6 - TYPE OF PARTNER (CIMA MEMBERS)

It appears that a relatively high proportion of organisations are looking beyond their immediate organisational boundaries for benchmarking partners. However, relatively few have so far taken the step of benchmarking outside their own industry, with most of those who claimed to be using 'dissimilar' partners being very large organisations with a long track record in quality improvement and significant benchmarking experience. They are therefore perhaps best placed to take the risk of making 'unusual' comparisons, and have a wide range of processes operating on a sufficiently large scale that external comparators are by far the most appropriate.

Nature of Benchmarking activity		
	CIMA Members	B889 Managers
Internal	25%	17%
Competitive	42%	31%
Functional	25%	38%
Generic Process	8%	14%

TABLE 7 NATURE OF BENCHMARKING ACTIVITY

As described in the introduction we have chosen to concentrate on Camp's (1995) 4 categories rather than the more simplistic process - performance-measurement divide. There appears to be a slight difference between the nature of benchmarking activity as seen by CIMA members and B889 managers, with the latter seeming to be further developed along the learning curve as envisaged by Camp (1995), from internal towards generic benchmarking. This may be as much a feature of our chosen sample, against which we have compared management accountants to, as the management accountants themselves. It could also be a function of their organisation's sector.

Thus a picture is emerging of relatively high levels of benchmarking activity being reported by our sample, particularly among larger organisations. However, to date most are adopting a relatively conservative approach with a focus on readily quantifiable activities and similar comparitor organisations. Management accountants are playing key roles in benchmarking activity but do have a greater emphasis towards performance rather than process benchmarking. They may therefore be seeing limited benefits, depending on what their objectives were in the first place. This we explore next.

3.3 Objectives and benefits

To assess the effectiveness of benchmarking, one must first ask what those using it hoped to gain from the activity. This in turn may reflect whether they were undertaking it through a free choice, or because of some imposed requirement. The majority of our respondents who claimed to be benchmarking said that the choice to do so was made locally, but a substantial minority had been required by the wider organisation or an external (usually statutory) body to undertake the activity. The impact of a constrained choice will be investigated later in the research. Figure 4 summarises the main reasons cited for benchmarking; many respondents gave more than one reason.

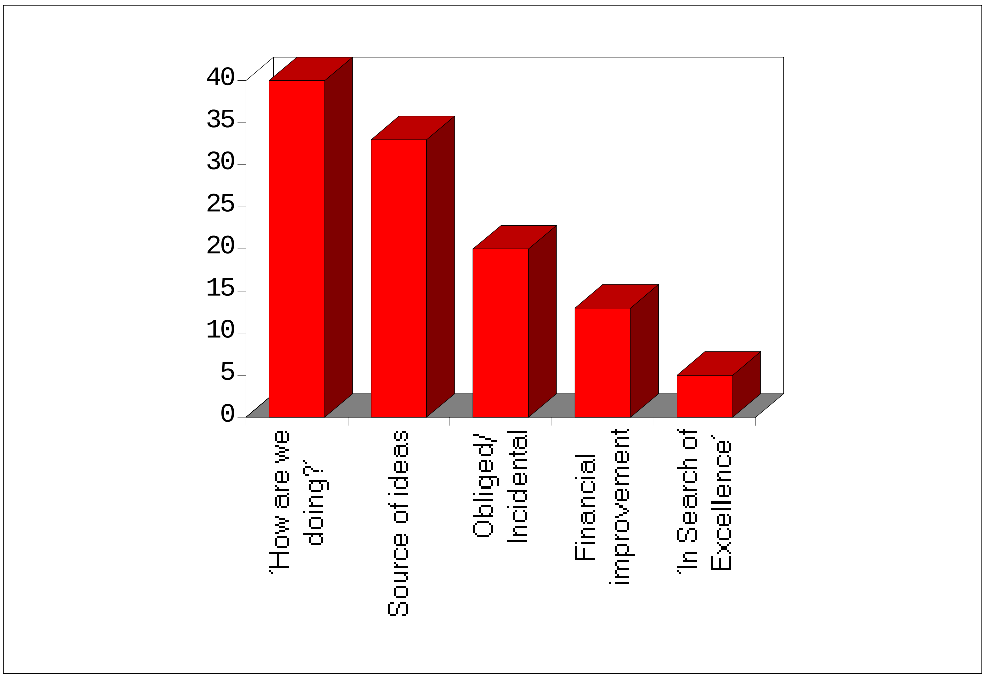

FIGURE 4 - REASONS FOR BENCHMARKING (CIMA MEMBERS)

To elaborate a little, the most popular category of 'How are we doing?' is consistent with the emphasis on quantitative measures previously noted, and the prevalence of league tables which rank performance on the basis of some readily-measured output. One could argue that unless this leads to an investigation into 'Why are we in this position?', the activity is not benchmarking, but rather comparative performance measurement. Fortunately a large proportion also saw benchmarking as a source of new ideas, or route to improvement building on observed best practice, which reflects the distinctive nature of benchmarking rather more closely. Constrained choices and benchmarking as an incidental spin-off of some other activity were also important drivers, however. A positive slant on the 'incidental' reason was provided by those respondents who claimed that their organisation is routinely searching for 'excellence', or ways to improve performance and therefore benchmark naturally among myriad other activities. Interestingly, financial improvement was cited rather less frequently than one might expect. Surprisingly only one respondent said they were benchmarking primarily to gain a marketing advantage – perhaps this is because benchmarking does not attract certification in same the way as Investors in People or ISO 9000.

So what do those with benchmarking experience feel that they have gained? Figure 5 shows the 'top 5' reasons, following coding of free-form responses from 254 respondents.

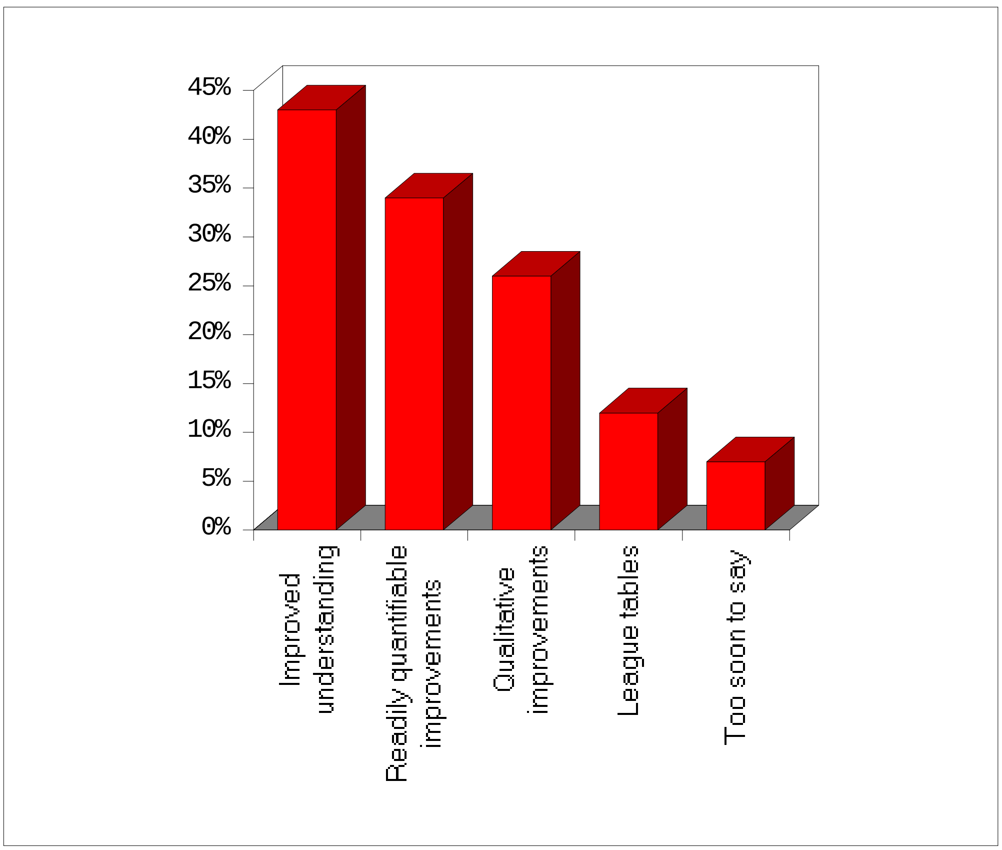

FIGURE 5 - BENEFITS FROM BENCHMARKING (CIMA MEMBERS)

As well as the 7% who felt it was too soon to identify any tangible benefits, a further 4% of benchmarking respondents did claim to have experienced no benefit. However, the vast majority could identify at least one benefit. A better understanding of the workings of the business – their own or their competitors' – which could lead to improvement action was cited by 43% of respondents (This could be regarded as a positive outcome, particularly when taken with the 26% who were noticing qualitative improvements in areas such as staff motivation and management awareness, important contextual factors for implementing change). 34% reported readily quantifiable improvements, and only 12% cited locating their performance relative to others (in the 'league table' sense) as a major benefit.

Overall therefore our experienced benchmarkers were able to identify a number of relevant and tangible reasons for continuing to undertake what can be a costly and time-consuming activity. But what of those who had rejected benchmarking as a potential route to performance improvement, or experienced problems with it? We examine their responses in the next sub-section.

3.4 Disincentives and problems

So far, we have reported on the experiences of our 254 respondents who were, or have been, active benchmarkers. However, 305 had not taken up the opportunity presented by benchmarking, in spite of the 'hard sell' from many consultants and practitioner journals and events. A very small proportion claimed that they had never heard of benchmarking; most knew something about it and the top five reasons for not pursuing it are set out in Figure 6.

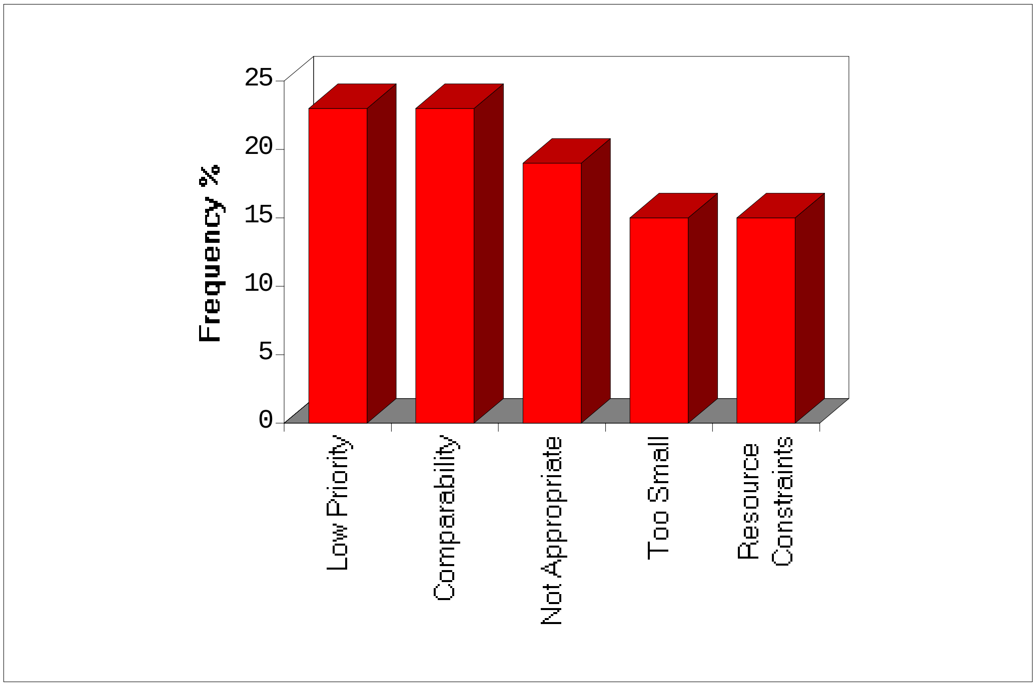

FIGURE 6 - COMMON REASONS GIVEN FOR NOT BENCHMARKING (CIMA MEMBERS)

The ‘Low priority’ category embraces those who considered it would have relatively little to offer compared to other improvement approaches, as well as those who had too many current pressures to resolve before embarking on something like benchmarking. Those who considered it inappropriate generally appear to have made an informed decision based on an appreciation of the characteristics of benchmarking and their own circumstances, rather than merely rejecting it out of hand.

The perception that the respondents’ organisations were too small to participate was on a par with resource constraints (lack of time, money, or expertise) as a reason for not benchmarking. Finally we have coded together under ‘Comparability’, those who cited concerns about confidentiality, a lack of suitable partners, and their own organisation’s uniqueness; perhaps here in particular there is scope for better information to be provided for potential benchmarkers as it could be argued that, in the majority of cases, each of these ‘disincentives’ could be overcome – provided what was sought was really benchmarking rather than copying or ‘industrial tourism’. Although outside our top five, we also found 7% for whom benchmarking was currently ‘under consideration’.

Now we turn to the problems experienced by benchmarkers. The five most frequently-cited problems are set out below in Figure 7.

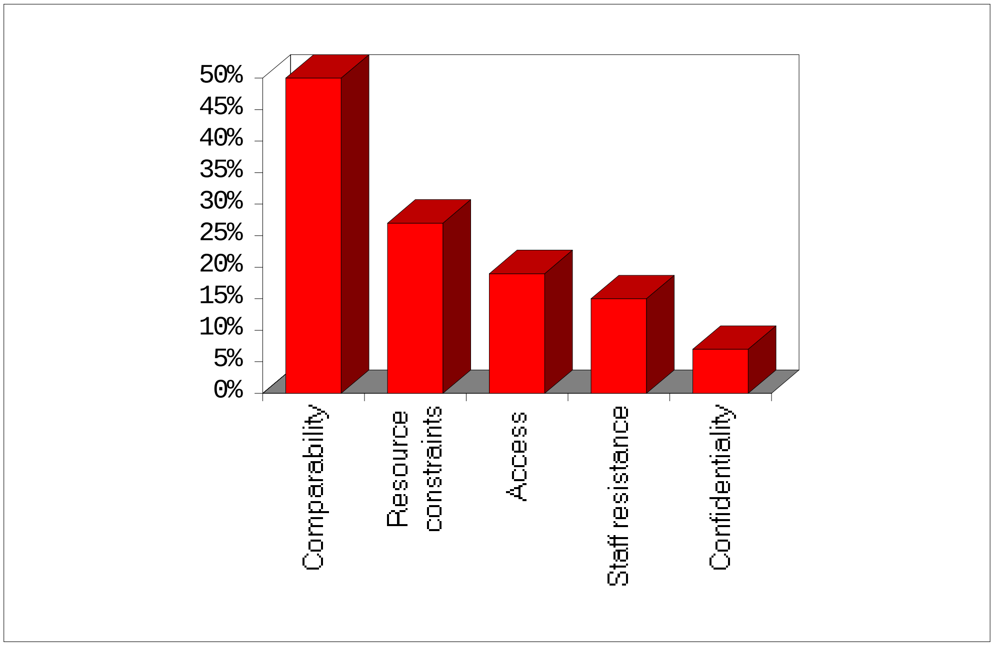

FIGURE 7 - MOST COMMON BENCHMARKING PROBLEMS (CIMA MEMBERS)

Here comparability includes the identification of ‘suitable’ partners (where this is deemed necessary) as well as the strict comparability of the data once it had been collected. This apparent inability to be able to compile strictly comparable information (“we were never sure that we were really comparing like for like” was a common comment) is consistent with our earlier observation that benchmarkers tended to do it on their own, rather than participating in clubs or other networks. Perhaps if companies were to collaborate more on their methodology, such problems could be surmounted.

Confidentiality problems were cited relatively infrequently, perhaps indicating that most of our ‘mature’ benchmarkers were aware of the need to address this formally at an early stage, and maybe were even operating within the codes of practice which are frequently advocated in the practitioner literature.

As with our 'non benchmarkers', resource constraints include time, finance and expertise, although time is by far the greatest factor. Staff resistance had been problematic at various stages from inception to acting on the results of benchmarking, but one could speculate that the level reported here is lower than would have been experienced in many cases of the introduction of new approaches to performance improvement.

Finally turning to 'Access', this embraces technical and 'political' access to data, and to partner Organisations as potential providers of such data. How such problems have been overcome – and the nature of mutuality, as 'access' in benchmarking must be bi-directional – are major areas for further investigation through the later phases of this research.

3.5 Differing perceptions between Managers and Management Accountants

Presented in this section, are preliminary findings from our second stage questionnaires sent to active benchmarkers. It is intended that this will be built upon by a series of case studies.

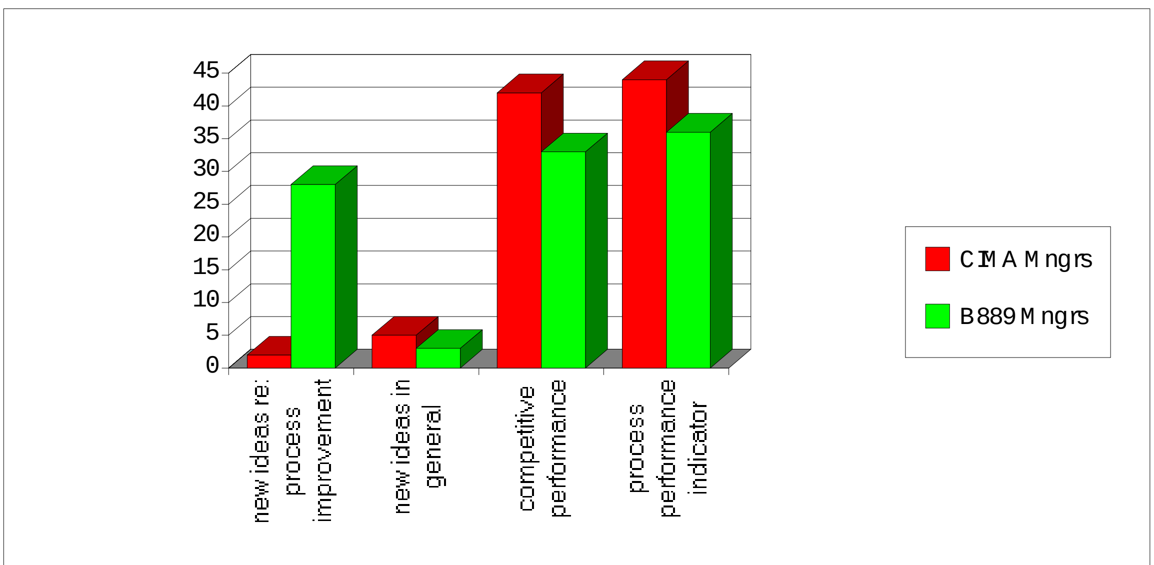

FIGURE 8 WHAT DID YOUR ORGANISATION HOPE TO GAIN FROM BENCHMARKING

The management accountants tended to see benchmarking more in terms of performance measurement than our managers. Most striking was the difference in ‘process improvement’ category. The management accountants, perhaps predictably, tended to focus more on the financial and quantitative. Exhibiting behaviour more constant with the ‘accountant’ than the ‘management’ part of their tittle.

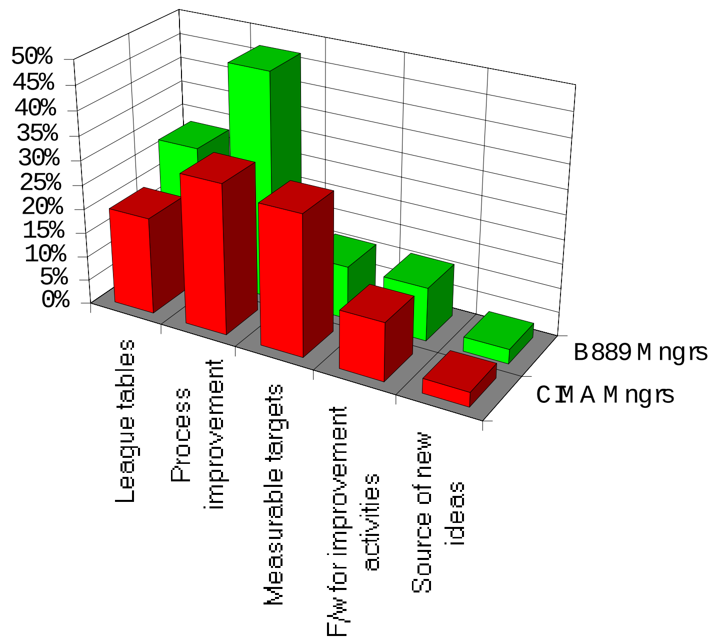

FIGURE 9 RESPONSES TO THE QUESTION ‘WHICH BEST DESCRIBES YOUR ORGANISATION’S EXPERIENCE OF BENCHMARKING?”

It is perhaps reassuring that whist the management accountants focused on measurement in terms of their expectations, they do report benchmarking as achieving process improvement.

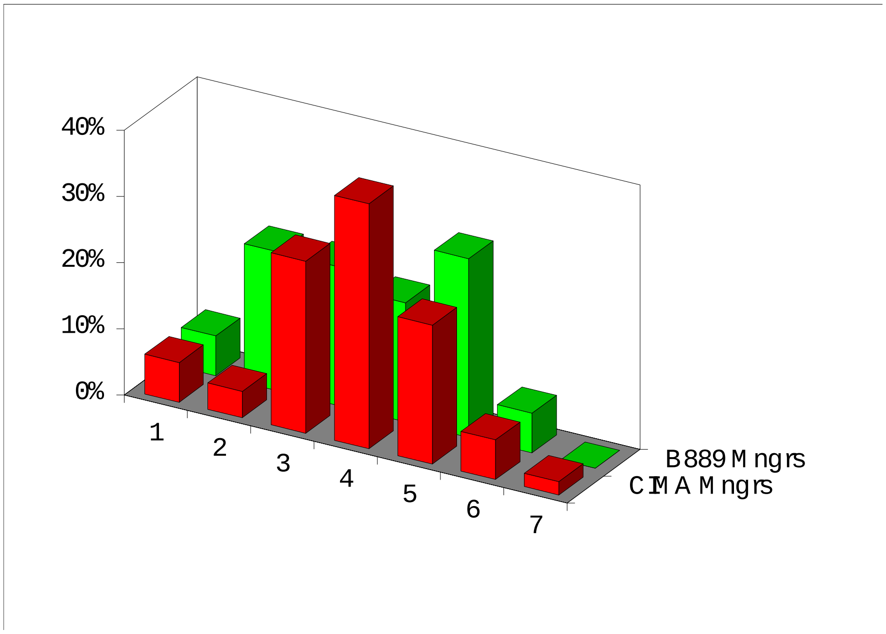

FIGURE 10 "HAS BENCHMARKING PRODUCED THE ANTICIPATED IMPROVEMENTS IN PERFORMANCE? (1 NOT AT ALL - 7 EXCEEDED EXPECTATIONS).

Interestingly the CIMA survey is fairly normally distributed whilst our 'general' managers are be bimodally distributed with a larger proportion dissatisfied compared to expectations. This may simply be a difference in perceptions between the two groups but could be due to differences in expectations, (Figure 8 examined these expectations).

In evaluating how successful our benchmarkers perceive the activity it is important to consider their expectations. Figures 8 and 9 illustrate a tendency for the CIMA members to be more oriented towards performance benchmarking and standard setting rather than the processes themselves. Such aims are more readily achievable than those of process improvement, this may in part have led to the greater dissatisfaction with the outcomes shown by the non accountants.

4. The Consequences of the role being played by Management Accountants

Our questionnaires asked our respondents what role they had played in benchmarking. Responses suggest that management accountants in benchmarking organisations tended to be more centrally involved than the more general ‘manager’ category. Whilst this is hardly surprising, it will almost certainly have an effect on both the benchmarking activity and its outcomes, possibly contributing to the detected emphasis on things more readily quantifiable.

One way to consider the accountants’ role in benchmarking would be to regard them as *gatekeepers*. The concept of the gatekeeper has been used in Research and Development, as well as in broader technology management, for some considerable time. Macdonald & Williams (1994) define gatekeepers as ‘those who take it upon themselves to find and acquire information outside their own organisations’ and who are able ‘to recognise what information is likely to be of value to others and what is not’. This definition is critical to benchmarking. The information brokerage function, the responsibility for gathering information, processing it and re-distributing it in useful form to wherever in the organisation it can do most good, seems to the authors to be entirely consistent with the declared objectives of the management accountant. This therefore implies an enhanced role for the management accountant as an *intermediary*, co-ordinating different activities both internally and externally.

Whilst acknowledging the centrality of the role of the management accountant, we should beware the potential dangers of treating benchmarking as merely an adjunct of management information systems and thus the natural domain of the management accountant. Leaving it entirely to him/her would tend to increase the emphasis on the purely numerical, as the use of benchmarking as a source of new and potentially useful ideas was found much more frequently in the more general sample of ‘managers’.

Whilst cost benefits are rightly often sought from benchmarking, there is a potential danger that an over emphasis is placed on this. It is interesting that although the questionnaires revealed an array of qualitative benefits, relatively few respondents were able to quantify them. This raises a series of questions concerning the difficulties of measuring such things as ‘better communications’ or ‘improved motivation’, as well as the problems of attributing them to specific activities such as benchmarking.

Nevertheless, much of what was being measured seems to be that which was readily measurable (82% reporting ‘quantitative only’), and in the form of fairly traditional measures (29% financial measures only, 4% operational measures and 67% both). Whilst there may be good pragmatic reasons for this, it does have important implications for what is being benchmarked and the methodology used. This might account for the sort of research findings which have been published. For example several studies of benchmarking the finance function (such as Jerris and Pearson 1996 and Malcolm 1996). There may be benefits achievable here but are they being carried out because they are an area familiar to the accountant and can be easily quantified?

One solution would be to not leave benchmarking exclusively to the accountants. As benchmarking is necessarily complex and cross functional, it would seem logical that benchmarking is carried out by multidisciplinary teams. The composition of such teams is described by Walleck *et al* (1991), Hill *et al* (1996) and Lincoln and Price (1996) examined the importance of having experienced benchmarkers within the team, (see also Argyris 1977). Sheridan (1993) sounds a note of caution about having too many people in the team

5. Conclusions and future research

It is perhaps in the nature of the conclusions to a working paper such as this that many are more akin to pointers for the direction of future work. Indeed, we already have a further questionnaire in analysis from those organisations that had indicated a willingness to contribute further. Nevertheless, we do feel that certain results do stand on their own and are worth reporting here.

This paper has begun to provide some understanding of the level and nature of benchmarking activity within the UK, and the role played by management accountants. Particular attention has been paid to identifying the features which are perceived by organisations to constitute successful benchmarking practice. In addition, further insights have been gleaned into the factors which organisations consider problematic to conducting a benchmarking exercise. These factors have been identified as a barrier to benchmarking take-up as well as significant contributory factors to its abandonment.

Further research is undoubtedly necessary into what factors contribute to successful benchmarking. These are likely to be contingent on the organisations' circumstances. Who is involved in benchmarking seems to be important, Management accountants are well placed to contribute and our study indicates that they are playing pivotal roles in many benchmarking activities however their characteristics make it desirable for non accountants to involve themselves as well. At the overall organisational level there remains the danger that the management accountant is (in part at least) responsible for measuring the indicators rather than managing the business. This would again point towards multidisciplinary teams within which the management accountant would make a significant contribution.

In terms of how successful benchmarking is perceived, this may well depend as much on what was expected as the benefits themselves. Organisations are carrying out a wide range of activities in the name of benchmarking each of which cannot be equally effective.

In more general terms findings also suggest that larger organisations are far more inclined to be benchmarking than smaller ones. This situation is compounded by the influence of subsidiarity, where an organisation forms part of a larger entity, this of itself makes it more likely for the enterprise to be benchmarking. The industry sectors which typically show above average levels of benchmarking activity are the Health, Utilities, Government and the Education sector. By contrast, it is the Financial and General Service sectors which, in conjunction with Retailing, record the lowest incidences of benchmarking.

Thus a picture is emerging of relatively high levels of benchmarking activity being reported by our sample. Furthermore, it would appear that a relatively high proportion of organisations are indeed looking beyond their immediate organisational boundaries for benchmarking partners. However, most are adopting a relatively conservative approach with a focus on readily quantifiable activities and similar comparator organisations.

Our work to date seems to suggest the existence of some form of maturity curve. Organisations that persevere with benchmarking would appear to move from simple comparisons of easily-measured discrete activities using internal partners, to comparing more complex processes with external and/or dissimilar partners..

To date our research has highlighted several interesting areas for further study. We have a number of research activities are currently in progress (further questionnaires and a series of case studies) which will explore and develop the issues previously raised. In addition, it is envisaged that this work will begin to address the relationship between successful benchmarking and other approaches to performance improvement, the degree to which the identified success factors are necessary but not sufficient for benchmarking success, and the extent to which benchmarking is proving to be a cost-effective paradigm.

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