

Using Benchmarking to improve Tourism Businesses

Dr. John P. Moriarty

Tourism Seminar Series September 2011

Some (real) Issues From Industry

- ❑ You run several Bars. Results are lacklustre. A recent McNair survey claims national draught beer sales are down 10%. Is this the answer?
- ❑ What criteria might you use to gauge whether Tourism is the best industry to invest in?
- ❑ A sea-side motel in a “successful” tourism town is suggested as a good example for you to benchmark the performance of your own motel.

What is going on here?

- These three examples are probably what all of us would call “benchmarking”.
- Within each of these cases there are deeper issues that frequently give way to superficiality
- Perceptions of difficulty and a lack of confidence that sufficient good will come from pursuing these deeper issues limits the effectiveness of many organisational improvement programmes.

Lets talk about benchmarking.

- ❑ The subject generally arises because some form of improvement is sought.
- ❑ Common sense suggests that examining or imitating exemplary practices is likely to provide inspiration or tactical advantages that improve current practices.
- ❑ Like many management tools and methods, you will quickly find that benchmarking is generally described as a process.
- ❑ Unsurprisingly, there are at least 60 different processes that claim to implement benchmarking.
- ❑ Curiously, none of these 60 different processes comes with a guarantee: distinguishing between successful and unsuccessful efforts (your money, your efforts) has proved to be extremely difficult.
- ❑ How can something so obviously useful be so uncertain?

A “British Telecom” Benchmarking Implementation Model.

Zairi and Baidoun (2003, p13)

1. Ensure Management Commitment	2. Process Selection	3. Selecting Targets
4. Process Mapping	5. Start Partnership Selection	6. Successful Selection
7. Prepare for Site Visit	8. Site Visit	9. Identify Practical Solutions and Action Plan
10. Implement	11. Keep In Touch	12. Continuous Improvement

A Realistic Implementation Model!

The importance of practitioner experience and judgement is evident in this implementation model. Intangible elements such as ‘ensure management commitment’ reflect the caution necessary in praxis-driven approaches!

Why bother with theory?

- ❑ A good theory comes with some guarantees!
- ❑ A good theory explains the difference between successful and unsuccessful efforts.
- ❑ A really good theory includes two essential properties: “what” & “how”.

- ❑ Let’s skip the technical details and state a theory-based definition of benchmarking.

An Academic Definition

Benchmarking is an **exemplar-driven teleological** process operating within an organization

with the objective of intentionally changing an **anomalar's** existing state of affairs into a superior state of affairs

*via transformation of **causal and feasible exemplary rules and properties.***

Moriarty (2009 & 11)

The Practitioner's Version

To implement benchmarking successfully, you first need to know the driving purpose of your own business, really understand how it operates & can demonstrate that it pursues this purpose through measurements of the things vital for your survival.

After that, you may start the second (expensive) phase of benchmarking by doing exactly the same things with an exemplary organisation from whom you hope to learn.

If your business can then be aligned with the exemplary organisation in terms of purpose and processes, you have a successful basis for improving the value of your organisation.

Benchmarking begins at home!

Purpose also accords with popular humour

- 1. If you don't know where you are going, any road will get you there.** *Lewis Carroll*
- 2. If you don't know where you are going, you may end up somewhere else.** L Peter (of Peter's Principle)
- 3. If you don't know where you are going, I wouldn't recommend starting from here!**
Irish homespun advice

Benchmarking entails Sustainability

Survival or sustainability is the continuous satisfaction of whatever is depended upon for the supply and maintenance of resources.

The concept of welfare can be used to gauge satisfaction.

Practical examples of welfare are often economic, but also include the less tangible – such as well-being.

Benchmarking is a means of testing this satisfaction and aligning an organisation to pursue it.

Repeating the Theoretical Criteria:

- Effective Benchmarking is **purposeful**: performed for the sake of improvement (**teleology**). Moriarty & Smallman 2009
- Effective Benchmarking is also **efficient** – improvement yields a superior ‘X’ → (**greater welfare**). Pfeffer’s Sustainability (1997)
- Effective Benchmarking is also **causal** – the underlying nature of both anomalar and exemplar states of affairs really do matter (**rules & properties**). Peirce’s Causation (1892/1935)

Scope of Benchmarking

- ❑ A benchmarking exercise may have any organisational scope whatsoever, so long as the rules apply.
- ❑ In practice, the smaller the scope, the more certain one can be that the rules actually do apply! For example, simple organisations (e.g. SMEs) generally benchmark much more successfully than complicated organisations (e.g. VLEs).
- ❑ Note that competitors must not collude against customers or breach any statutory requirements if they co-operatively benchmark against each other.

Tourism Benchmarking Examples

Businesses	Survival	Satisfaction (Customers' Surplus – Good Will) Free Cash Flows (Owner's Surplus - Value) Financial Yield (Investor's Surplus - Good Risk)
	Processes	Capacity Utilisation (Competitiveness)
	People	Reliability (Effectiveness)
	Products	Product Age vs. % Income (Innovation)
	Community	Externalities (Community Surplus – Good Will)
Government	Processes	Efficiency & Responsiveness
	Policies	Social Equity

Free Sources of Data (examples)

Statistical	Annual Enterprise Surveys : The table values provide a series of benchmarks that can be used by any business. Ratios make good benchmarks; examples such as Cost/\$ of Revenue, Income/Employee, Wages/Total Cost Finance Cost/ Total Cost
Source:	http://www.stats.govt.nz/browse_for_stats/businesses/business_finance/Annual-Enterprise-Survey_HOTP09/Tables.aspx TABLE 3.34
Studies	There has been a comprehensive Tourism Yield Study. This is a good place to find very relevant information to get started.
Source:	(Query 'Tourism Benchmarks' at http://researcharchive.lincoln.ac.nz)
Note:	Enthusiasts can always ASK Statistics NZ for more specific information. Generally, they are very helpful.

Questions and Discussion



Copyright © 1999 United Feature Syndicate, Inc.
Redistribution in whole or in part prohibited

Successful Benchmarking ⇔ More Work ⇔ Survival

References

1. Ahmed, P. K., & Rafiq, M. (1998). Integrated benchmarking: a holistic examination of select techniques for benchmarking analysis. *Benchmarking for Quality Management & Technology*, 5(3), 225-242.
2. Bacon, F. (1620/2000). *The New Organon* (pp. 105). West Nyack, NY, USA: Cambridge University Press.
3. Carpinetti, L. C. R., & de Melo, A. M. (2002). What to benchmark? *Benchmarking: An International Journal*, 9(3), 244-255.
4. Deming, W. E. (1986). *Out of the Crisis*. MIT Center for Advanced Engineering Study, Cambridge, MA.
5. Drew, S. A. W. (1997). From knowledge to action: the impact of benchmarking on organizational performance. *Long Range Planning*, 30(3), 427-441.
6. Francis, G., & Holloway, J. (2007). What have we learned? Themes from the literature on best-practice benchmarking. *International Journal of Management Reviews*, 9(3), 171-189.
7. Kyrö, P. (2003). Revising the concept and forms of benchmarking. *Benchmarking: An International Journal*, 10(3), 210-225.
8. Leibfried, K. H. J., & McNair, C. J. (1992). *Benchmarking: A tool for continuous improvement*. Essex Junction, VT: Oliver Wight Publications Inc, with arrangement from Harper Collins Publishers Inc.
9. Moriarty, J. P. (2009). *A Theory of Benchmarking*. Lincoln University, Canterbury, NZ.
10. Moriarty, J. P. (2011). A Theory of Benchmarking. *Benchmarking: an International Journal*, 18(4), 588 - 611
11. Moriarty, J. P., & Smallman, C. (2009). En Route to a Theory of Benchmarking. *Benchmarking: An International Journal*, 16(4), 484-503.
12. Peirce, C. S. (1892/1935). *Collected papers of Charles Sanders Peirce*. In C. Hartshorne & P. Weiss (Eds.) (Vol. VI Scientific Metaphysics). Cambridge, MA: Harvard University Press.
13. Pfeffer, J. (1997). *New Directions for Organization Theory: Problems and Prospects*. New York, NY: Oxford University Press.
14. Shewhart, W. A. (1980). *Economic Control of Quality of Manufactured Product*. Milwaukee, WI: American Society for Quality Control.
15. Spendolini, M. J. (1992). The Benchmarking Process. *Compensation & Benefits Review*, 24(5), 21.
16. Watson, G. H. (1993). *Strategic Benchmarking: How to rate your company's performance against the world's best*. New York, NY: Wiley.
17. Wöber, K. W. (2002). *Benchmarking in Tourism and Hospitality Industries: The Selection of Benchmarking Partners*. Wallingford: CABI Publishing.
18. Wolfram Cox, J. R., Mann, L., & Samson, D. (1997). Benchmarking as a mixed metaphor: Disentangling Assumptions of Competition and Collaboration. *Journal of Management Studies*, 34(2), 285-314.
19. Xerox. (1979). *Benchmarking, Internal Publication*. London: Xerox Corporation.
20. Zairi, M. (1994a). Innovation or innovativeness? Results of a benchmarking study. *Total Quality Management & Business Excellence*, 5(3), 27-44.
21. Zairi, M. (1994b). *Measuring Performance for Business Results*: Springer.
22. Zairi, M., & Ahmed, P. K. (1999). Benchmarking maturity as we approach the millennium? *Total Quality Management*, 10(4-5), 810-816.
23. Zairi, M., & Baidoun, S. (2003). Understanding The Essentials of Total Quality Management: A Best Practice Approach – Part 1, *Working Paper Series: No 03/05*. Bradford: University of Bradford.