

Global Benchmarking: Seeing is Believing

Frank Toney
University of Phoenix

Captain Jimmy De Beers

Global Benchmarking

Global benchmarking compares one's organization with others, giving particular attention to the identification of best practices and key success factors that can be implemented to maximize the probability of goal achievement. Global benchmarking improves the efficiency of international organizations in a manner not provided by other research methods. It provides decision-makers the ability to see with their own eyes and hear with their own ears, the best practices of other organizations. The investigator can absorb the entire ambiance of the organization being visited. The impact of national and organizational cultures can be compared and contrasted. Important details often overlooked in industry publications are immediately spotted during a face to face visit. Executives who might be skeptical about a concept or improvement proposed by an employee or outside academic or consultant are easily convinced after observing the practice in other companies.

About the Authors: Dr. Frank Toney is Director of the Executive Initiative Institute; a non-profit organization dedicated to expanding the management body of knowledge. The institute coordinates The Fortune 500 Benchmarking Forum, an industry group that includes approximately 60 large companies and governmental agencies. Dr. Toney is also a professor at the University of Phoenix and has been project manager for several, large, international projects. Dr. Toney can be contacted at (602) 488 - 4198.

Captain Jimmy De Beer. Captain De Beer is a Boeing 747 captain and Manager of Special Projects for South African Airways. He is a B747 Training Captain and has been leader for projects in re-engineering, developing flying training systems, and establishing a commercial pilot training establishment. Mr. De Beer can be contacted at debeer@intekom.co.za.

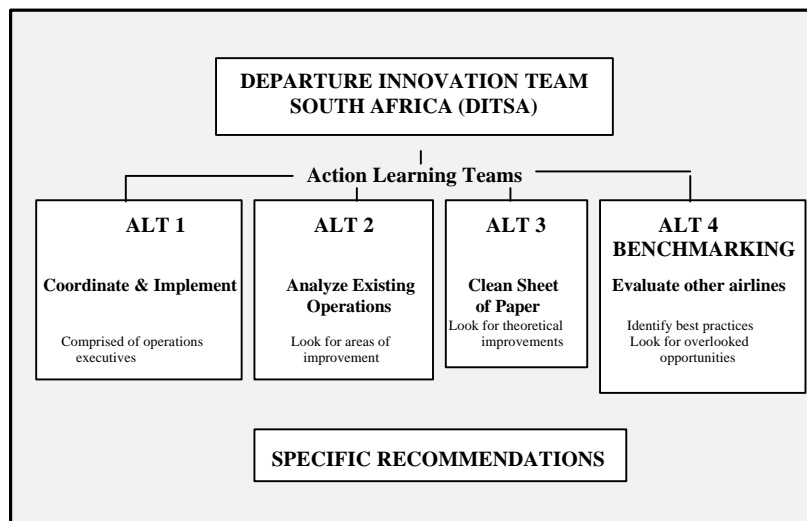
The Problem

Like most research activities the South African Airways (SAA) benchmarking exercise started with a problem and an opportunity. South African Airways is the largest airline in Africa and is generally recognized by customers as a service oriented, world class airline. South African Airways is the official government airline of South Africa; and hence, afforded near monopolistic status. But now the winds of competition in South Africa are changing. Foreign airlines are being permitted to fly into South Africa. Local competitors are entering the market. The government has announced that the airline will be partially privatized. As a result of these external environment shifts, management has expanded their focus from customer service to profitability, efficiency and improving operations.

Methodology to Find Solutions to the Problem

An initial investigation by South African Airways management indicated that major improvement in profitability and efficiency could be attained by reducing turn around time (the amount of time the aircraft is at the gate) and on-time operations (maintaining flight schedule accuracy). A task force titled the Departure Innovation Team South Africa (DITSA) was organized to research ways to accomplish this task.

Organization of the Departure Innovation Team South Africa



As depicted above, the task force adopted a multiteam approach to identifying problems, developing solutions, and implementing a course of action. Action Learning Team (ALT) #1 was assigned the task of coordinating the results and making plans

for implementation. It was comprised of operational managers responsible for each functional area where changes would be made. ALT Team #2 was charged with analyzing the specific processes being used in existing operations. ALT Team #3 was challenged to take a “clean sheet of paper” approach in the development of the theoretical best way of improving turn around times and on time operations. ALT #4 was charged with benchmarking other airlines. The objective of the benchmarking analysis was to find best practice airlines that were already achieving the desired objectives, to learn how they were achieving them, and then to determine if the methods were applicable to SAA. The teams worked in parallel and the initiatives were managed as one program.

Companies Benchmarked

Although it was planned to benchmark airlines in the United States, United Kingdom, and Australia, phase one (as described in this study) consists of benchmarking United States airlines only. The United States airlines are judged most representative of South African operating conditions and cultural makeup. Plus, it is relatively easy to visit a large number of airlines in a short time. A broad spectrum of airlines was selected including Delta, America West, Southwest, American, Continental, and United. The headquarters or a major hub operation of each of these airlines was visited. In addition, the headquarters of Federal Express was visited to observe their state of the art freight handling procedures. The spectrum of companies ranged from some who had multiple bankruptcy filings to those who had been profitable for over 20 years. The airlines were visited over a one-week period. A broad spectrum of employees was interviewed from the Vice Presidential level down to supervisors on the flight line and pilots on the flight deck.

Results of the Benchmarking Exercise

Approach to Solving Problems Reflects the Culture of the Company

All the airlines visited have formally addressed the same problems as the task force; specifically, on-time operations and turn around times. In every case, their efforts have been successful with significant performance improvements recorded. All the companies use a project team approach combined with direction from the CEO or other senior executive. In all cases, the unions are actively involved in the process. There is considerable emphasis on training to achieve objectives with monthly contests

and bonus programs used to maintain enthusiasm and awareness of goals.

The major difference between the benchmarked companies is the amount of self-direction or empowerment given to the task groups. The specific approach reflects the management culture of the company. From a benchmarking view, the advantage of this result is that South African Airways could look at the various organizational cultures and the broad spectrum of approaches and situations. They can then pattern their own response after the company or selected best practices that are most compatible with the SAA culture and operating environment. Shown below is a graphical representation showing the company with the most direct involvement of executive management in the process ranked down to the company with the least involvement.

The cultures of the benchmarked organizations cover a broad range of management philosophies pertaining to working with employees and resolving operational problems. For example, Company A exhibits the most structured style of management. Facilities, software, and cargo handling equipment drive the on-time operations and turn around times. Line workers serve as a labor function in a tightly controlled working environment. Systems have been developed as a result of managerial analysis. There is minimal team involvement in modifying the system. Note that Company A is also one of the consistently most successful companies benchmarked.

At the other end of the management spectrum is Company G, the most “empowered” or “self-directed team” company. In Company G, the CEO of the company sets the primary goals. Self directed teams accept responsibility for maintenance and implementation of performance standards. Team competitions encourage the attainment of tough standards. The culture is one of a family approach tied together with strict performance rules. Tight turnarounds are a cornerstone of the culture. There is active face-to-face involvement by the CEO and management with line workers. Emphasis on the value of financial strength is combined with strong corporate culture. This company has also been financially successful with profits recorded every year for over twenty years.

**Executive Involvement in On Time
Operations & Turn Around Time Task Groups
Maximum**

**Executive
Direction**

Company A: Facilities and technology driven. No involvement in improving turn around times by line groups

Company B: Direct involvement of management in the team. Operations manager leads the team and communicates directives.

Company C: A purely analytical approach with strong direction from the CEO. Communications are active in both directions.

Company D: Executive level team and several sub-teams. Self directed after initial executive guidelines are given.

Company E: Use structured project teams. Employ involvement of employees in all decision making phases.

Company F: self directed teams apply Executive guidelines.

Company G: Teams are empowered to solve problems and implement actions. The only executive management involvement consists of general performance guidelines

**Minimal
Amount of
Executive
Direction**

Between the corner posts set by Company A and Company G, range the management approaches of the other companies visited. Some take a purely financial and analytical approach with strong

direction from the CEO. Other organizations are more software and technology oriented.

Direct Financial Benefits

The most apparent result of the bench marking exercise is the recognition that reducing turn around times and improving on time operations generates large amounts of money for the participating airline. For example, reducing turn around times from one hour to one-half hour makes it possible to fly each aircraft at least one additional flight per day. Assuming an average ticket price of \$100, this amounts to approximately \$12000 per flight. For a fleet of 30 aircraft, this would amount to \$360,000 per day or \$13-million per year. Improving on-time performance offers similar but harder to quantify benefits. In a sample passenger fleet of 30 aircraft, it is estimated that improving on time departures 5 percentage points (for example from 90% to 95% on time departures) would result in \$150,000 savings and incremental revenue per week or \$7.5-million for a year.

Employee, Cultural & Other Benefits

On a broader scale, the airlines visited report numerous other benefits that permeate the culture and resolve associated problems. For employees, there is management, family, and peer recognition for their achievements. Job security & career potential is enhanced since a profitable company means more potential for pay increases and promotion, availability of up-to-date tools to make one's job easier, pride from being associated with a successful company, and increased confidence in the future. For the corporate culture, benefits are long lasting because efficiency becomes a part of the culture, the organization becomes recognized as a best practices company, employees have ownership in the process and its outcomes, and there is union involvement and buy-in. Finally, the development of an effective project based, problem-solving approach can be applied to broader issues.

Other Conclusions

There is general agreement among the benchmarked companies that once a discipline is established to solve these problems, the same approach can be applied to other dilemmas. Further, the same generic approach can be applied to any global culture and organization.

Benchmarked companies agree with the philosophy to “look for the big piles of money” (e.g., turn around and on time operations). Several companies recommend that focus should be on no more than five prioritized problems. As the problems are solved, then new ones are added. Solutions to the major problems, or high priorities, also solve numerous small problems.

The need to be honest in all dealings and relationships is emphasized. To be successful, major changes of this nature require openness with employees, customers, management and other stakeholders.

Problems and Risks

Airlines visited all emphasized that making major operational changes and improvements is not easy nor stress free, and that there is no silver bullet that will magically resolve all dilemmas. Morale problems were experienced in every company as a result of the increased performance rigor expected.

The reality is that few people in an organization are naturally enthused about making the sacrifices and exerting the effort needed to improve efficiency and cut costs. It means doing tasks faster and better; every day, forever. It always involves more work, responsibility, mental exertion, and acceptance of increased risk. Errors will demand identification and correction at a faster rate. For the process to work, increased decision making authority is needed by lower level employees; and, each round of productivity improvements is harder than the last, as more challenging levels of efficiency will be set.

Another common problem reported is that there is a tendency to over emphasize cost cutting rather than efficiency improvement. Several airlines reported that they cut costs to the point that operations were harmed, customer service reduced, and sales declined.

Implementation of the Benchmarking Best Practices

From the success stories observed at the benchmarked companies, South African Airways concluded that significant improvements in on-time operations and turn around times *are achievable*. The results of the benchmarking exercise were taken to the other action learning teams as well as presented to the chief executive officer of the company. Best practices observed from the benchmarking analysis were synthesized with the analysis of

existing operations and the clean sheet of paper approach. General agreement was reached that targets could be set and achieved. A ramped set of goals, timeline, and measurement milestones for improving turn around times to 30 minutes and on-time departures by five percentage points, was developed and agreed upon. Consideration is now being given to implementing an incentive plan.

Lessons Learned

Several lessons that can be applied to any global situation were apparent from the exercise:

- ❑ *Global benchmarking can be applied to other organizational problems.* The investigative nature of the benchmarking analysis invariably discloses other areas for potential improvement. Corporate benefits result from forming new project teams with charters to address the subject areas uncovered.
- ❑ Global benchmarking gives an *organization capability to see and hear best practices from superior companies.*
- ❑ Global benchmarking *should be combined with other research methods* such as the Action Learning Team analysis of existing organizations, and the Action Learning Team clean sheet of paper approach.
- ❑ Global benchmarking gives an organization *capability to observe many different company cultures and problem solution approaches. From these, solutions most compatible with the organization's own culture can be selected.*
- ❑ Global benchmarking results in *learning best practices that can be immediately applied to improving the organization.*
- ❑ The results of global benchmarking *are measurable and observable.* There are direct financial (higher sales & reduced costs) as well as employee and cultural benefits.
- ❑ *There are no silver bullets.* Global benchmarking ideally results in organizational change. The indicated solutions are invariably only a small part of the organization's problems. The solutions should be integrated with a broader set of solutions.