The Benchmarking Process and Best Practice

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We are very pleased to have the opportunity to set the scene for this seminar. It allows us to remove some of the mystique surrounding the benchmarking process and best practice.

In recent years these terms have been widely used when discussing strategies for achieving business goals. There has often been confusion however as to their meaning and how to use them in practice.

In the course of the seminar you will be hearing about best practice in viticulture concerning key issues and you will also learn about the use of benchmarking to achieve high level performance in these areas. As an introduction we would like to assist in your interpretation of this information by sharing our views as to what best practice means for Australian viticulture and why and how industries or businesses should aim for best practice.

This presentation will briefly address some of the key aspects of best practice and benchmarking as follows:

- What is best practice?
- Characteristics of best practice industries and businesses
- Why aim for best practice in viticulture?
- What is benchmarking?
- The benchmarking process
- Application of benchmarking programs
- Benchmarking success stories
- Conclusion

What is best practice?

To begin, we would like to share some of the varied definitions of best practice.

Best practice is 'A comprehensive, integrated and co-operative approach to the continuous improvement of all facets of an organisation's operations' (Australian Manufacturing Council 1993).

This definition highlights that businesses must be structured in a way that allows for the continuous improvement in the way in which activities are undertaken. All segments of the business should be open to review and their performance continually tested to provide better results.

Best practice is also described as 'A management philosophy used by leading companies to deliver world class standards of performance' (Australian Manufacturing Council 1993).

This definition describes best practice as a different way of thinking which provides improved results or world class standards of performance.

In this context the focus is on the drivers of a business and in particular deals with the philosophy of the business leaders or operators.

A concept that both these definitions support is that best practice is associated with quantifiably better business performance.

A recent study of 1,400 manufacturing sites throughout Australia and New Zealand provided clear evidence that those businesses that were addressing internal strategies and adopting best practice were also experiencing superior sales growth, better export growth and positive cash flows (Australian Manufacturing Council and Boston Consulting Group 1994).

Most significantly, despite achieving world class standards of performance and setting best practices, best practice is not a resting place. It is a race with no finish line. This is particularly relevant to Australian viticulture.

Although in Australia there are many examples of outstanding performance, our competitors are continually making improvements and targets never stand still, achieving best practice must be viewed as a continual pursuit.

Characteristics of best practice industries and businesses

Having presented some definitions of best practice we can now concentrate on some of the key features of best practice industries and organisations.

Some of these key characteristics include:

- A shared vision for world class performance supported by an integrated strategy which develops continuous improvements in cost, quality and timeliness (Australian Manufacturing Council 1993).
- Not only do they share this vision, they have a strategic plan which encompasses the organisations objectives, for the short, medium and long term and continually measures the achievement of these goals.

The widely discussed Strategy 2025 (Australian Wine Foundation 1996) and the wine industry's five year plan clearly provides the industry with a vision and defined goals and objectives. The challenge for the industry is to continue to achieve these goals and take appropriate action if and when the business environment changes or the industry fails to follow this defined path.

A commitment to change throughout the business, driven by the full and public support of the chief executive officer (CEO) or owner is another key point (Australian Manufacturing Council 1993). This feature is a fundamental part of many successful businesses and industries. It is critical that our industry and business leaders provide dynamic leadership and strategic vision for the industry and continually question the status quo.

Best practice organisations are commonly staffed by a highly skilled and flexible workforce committed to continuous improvement and learning (Australian Manufacturing Council 1993). The work environment in these organisations fosters continuous improvement as employees are encouraged to pursue innovations in technology, products and processes.

A focus on internal and external customers and the maintenance of close relationships with suppliers are also key features (Australian Manufacturing Council 1993). Many best practice organisations have implemented customer service...
programs to encourage and promote a service culture. These programs include the development of service level agreements and the development of customer service standards.

More particular to the viticulture industry, partnering with suppliers is continually being pursued by best practice organisations. These arrangements have facilitated more efficient business transactions in terms of time, cost and quality between companies and their suppliers.

The use of performance measurement systems and benchmarking are critical features of best practice entities (Australian Manufacturing Council 1993). There is wide acceptance that improvements will be achieved where measurement is applied—if you don't measure something, how do you know the standard of your performance? The benchmarking process is closely linked with systems of measurement and is recognised as playing a pivotal role in assisting organisations achieve best practice.

Many of these features of organisations and industries identify that best practice is strongly influenced by effective people practices, sound leadership, a customer focus, suitable technology and quality.

Why aim for best practice in viticulture?
Given these broad definitions of best practice and the critical elements of best practice organisations and industries, you may wonder, why does Australian viticulture need to aim for best practice? Is it really critical for Australian viticulturists to continually set world class standards of performance?

The Australian wine industry is becoming increasingly focused on global markets. These are international markets with the world's producers vying for market share. Not only are we competing with the likes of Chile, California, South Africa, New Zealand and Argentina, but those countries in traditional Europe who have been slow to respond to the increasingly competitive and aggressive New World producers.

Restrictive controls on practices such as trellising and varietal choice have limited the output in many regions of Europe. These controls cannot be relied on to continue indefinitely.

There are products being produced in the south of France which have similar winemaking and marketing styles of Australian wines. With the many advantages of traditional Europe with its proximity to markets, cheaper dry goods and subsidised production costs, an improvement in viticultural practices could provide Australia with quite formidable competition.

These examples highlight the limit of our perceived competitive advantage.

The Australian wine industry's share of the domestic and international markets remains open to the usual threats of competition from other winemaking countries as well as the competition from many available substitutes for wine.

Per capita consumption of wine remains relatively low in Australia and is declining in many European countries. These factors compound the need for the industry to strive for long term efficiency and continually improve its practices.

It is widely recognised that Australia's physical factors are a key advantage which we possess over our international competitors (Australian Wine Foundation 1996). By striving for best practice we are extending this advantage to its full potential.

Strategy 2025 (Australian Wine Foundation 1996) highlights that industry success is dependent on varietal choice, consistent quality and price competitiveness. All of these factors are directly influenced by viticulture. This highlights the strong contribution viticulture must make to the long term success of the industry.

It is paramount that leading practices are introduced during the current high levels of investment in viticulture throughout Australia. The reason for this is to avoid the risk of replicating traditional inefficiencies which are inherent in many established viticultural regions.

It is critical that existing vineyards and new developments adopt the latest techniques and do not follow the traditional practices of previous times.

The industry must continue to attract long term investment into viticulture if the goals of Strategy 2025 are to become a reality. An estimated $1.2 billion of investment is required over the next 25 years to fund an additional vineyard area of 1,500 ha per annum. In an environment of more stable grape prices, the adoption of leading practices which deliver high levels of efficiency and sustainable returns will be critical to reward growers and new investors and continue to attract sufficient capital to the industry.

These points are examples of the many reasons why Australian viticulture must continually aim for best practice. The industry has set an aggressive growth strategy. Adopting best practice is critical to meet these strategies and achieve the goals which have been set.

What is benchmarking?
Having established the importance and relevance of aiming for best practice within Australian viticulture it is critical to look at tools to assist in the achievement of best practice.

Our experience and the experience of businesses worldwide points to the fact that the benchmarking process is one of the most successful methods.

Benchmarking is an ongoing, systematic process to search for and introduce best practice into an organisation.

It is a process of measuring the performance of products, services and practices/processes against competitors or against those companies in other industries recognised as industry leaders.

Benchmarking may be undertaken internally as well as externally. In many instances organisations will compare their operations at one site or in one division to the same operations/functions at another site or division—this is known as internal benchmarking. In viticulture this could include comparing practices in different vineyards at the same time of year or comparing performance in the same vineyard over successive vintages.

External benchmarking on the other hand involves comparisons against competitors or comparisons against other companies in different industries. Examples in viticulture could include grape growers sharing their different canopy management techniques with neighbouring growers or a wine company comparing its maintenance processes with a food manufacturing company.

Benchmarking includes the comparing of both numbers (e.g. performance indicators) and processes (e.g. practices by which the numbers are achieved).

The identification of numbers provides the necessary information on best practice companies and establishes the size of the gap from leading practice.

The benchmarking of processes provides information on how the leading practice is achieved and the processes/practices identified can be translated into improvement opportunities for your own business, where appropriate.
A n example of numbers benchmarking for viticulture could include measures on average yield per hectare. Some of the processes/practices that support the achievement of this measure include chemical usage practice, labour utilisation and cover cropping and pruning practices.

Benchmarking the 'how' is as important as benchmarking the 'what'.

Many viticulturists have been and are regularly performing benchmarking, albeit informally, through the exchange of information at network meetings and site visits conducted to neighbouring properties. The opportunities for improvement which result could be expanded significantly through the pursuit of formal benchmarking programs and applying rigour to the process of improvement.

The benchmarking process

The benchmarking process includes a number of essential stages and these are generally customised to suit individual businesses. Having identified the need for benchmarking the processes/practices that support the achievement of measures on average yield per hectare. Some of the stages include (National Industry Extension Service 1993):

- Identify process(es) for benchmarking. These processes should be critical to the business, display high potential for improvement, be areas where improvement opportunities can be implemented and are likely to be supported by management.

- Select teams to undertake benchmarking and conduct training. As benchmarking involves critical analysis of work practices the team needs to understand the processes under scrutiny and must be open minded and flexible to consider alternative and even radical ways of doing things.

- Analyse your own processes. This is an essential part of the process as it is likely that this stage will not only identify opportunities through the analysis but will also ensure that future partner visits are focused on areas associated with your own key activities, problems or concerns and performance measures.

- Select appropriate partner(s). In regard to process comparison these should include either internal people or competitors/non competitors who in your chosen area are regarded as industry leaders. A s the identification of best practice and benchmarking becomes more and more accepted in the world of business, it is progressively easier to develop benchmarking partnerships.

- Build relationships with partner(s) and conduct site visits. Discussion, agreement and understanding of the purpose and objectives of the program is important with an expectation that there will be an equal exchange of information. Confidentiality agreements may be appropriate.

- Analyse the gaps and develop an implementation strategy. For benchmarking to produce successful results it is vital that genuine improvement opportunities are developed for the gaps identified and that a plan for their expedient implementation is prepared.

Application of benchmarking programs

Benchmarking programs can be undertaken in small, medium and large size organisations.

In the larger organisations project teams are established to undertake the program and often receive assistance in facilitating the process and in identifying the benchmarking partners and best practice information.

For small to medium sized companies, self help programs and user groups offer businesses the opportunity to work in a network group to share experiences, ideas and to individually progress by taking back their key learnings for application in their own businesses. A s with larger organisations, assistance in facilitating the process and in identifying partners and best practice is often provided.

This concept could apply to small companies or networks within the wine industry. For example it would be suitable for such a self help network program to be set up within regions for growers to work together in identifying common areas requiring improvement.

Benchmarking success stories

Benchmarking programs have been conducted domestically and worldwide with some very exciting results. Examples include:

- Ford USA built the Taurus model following an extensive benchmarking exercise in which it surveyed consumers to identify a selection of best practice features in cars worldwide (Fortune Magazine 1992). These features were built into the design of the new model which resulted in the Taurus capturing the top selling model position from the Honda Accord.

- A n Australian wine company benchmarked their relationships with grape growers with an international fruit marketing board. Improvement opportunities identified in this program have been implemented and the results are providing this company with higher quality grape intake and improved relationships with private growers.

- A n Australian mining company who was about to embark upon a major expansion exercise, benchmarked their mining processes. Improvements in excess of $20 million were identified as a result of this program. This company had been experiencing great success which had masked the gradual creep of inefficiencies in their operations. The benchmarking program enabled them to identify the problem areas and develop strategies to avoid the duplication or compounding of the inefficiencies in their growth phase.

- A n Australian wine company benchmarked its maintenance processes across the organisation at different sites and identified world best practice performance measures for key indicators. The process provided an excellent medium for cultural change and the achievement of best practice in many areas will result in significant savings.

- Printers, solicitor, foundry, steel product manufacturer and food manufacturing businesses formed a benchmarking user group in Brisbane. The processes selected included production scheduling and use of technology for internal communication. The program netted specific gains in each company/business and provided opportunity for expanding networking contacts and in learning how to benchmark. This user group concept is most relevant to viticulture with the potential for growers to form networks to share ideas and potential performance improvements.

- A n Australian electricity company benchmarked its competitors in relation to a number of key performance indicators. A s a result they identified the magnitude of improvements required. Programs were established to
bridge the gap and these were implemented successfully. When they checked against their competitors they found that the gap had not reduced at all as their competitors were also improving at a rapid rate. It is the race with no finish line.

Conclusion
Viticulture plays a pivotal role in the achievement of the wine industry's Strategy 2025 goals. By adopting a culture of continually improving processes and performance and aiming for best practice these goals will become closer to reality. The industry must through continued innovation and leadership be aware and strive for critical improvements and engender a level of desire to keep Australian viticulture at the forefront of international performance.

Benchmarking is a valuable tool in identifying where we must aim to improve our performance.

With the Australian wine industry's desire to improve and implement leading standards of performance, it could be the acknowledged leader in the best practice race—a race with no finish line.

References