How well are we actually doing?

Benchmarking Service Management: Time for action!

Benchmarking is a much-used tool for determining the quality of an organization or a service with respect to other segments of the company, companies in the same industry, or companies in other industries. This didn't used to exist for service management processes, but that is now in the past. You can determine how well you have organized your service management processes compared to your competitors, or how the organization of these processes is within a multinational in the various countries compared to each other. And measuring should always lead to starting down the path toward improvement. Measuring for the sake of measuring makes little sense, after all. We will deal with this at great length in two articles. This first part will discuss the theory of benchmarking, as well as give a short description of the underlying theory of the IPW Stages Model 1. The second part will discuss the study of the maturity of service management processes in the Benelux and the accompanying results of the study. And, of course, you can compare your scores to the scores in the market. Time for action!

Benchmarking and the IPW Stages Model: How well are we actually doing?

A question often heard at many companies is how well the service management processes are organized at other companies. The standard doesn't lie outside one's own organization, of course, but it is interesting to know how well one's direct competitors are doing. We can learn from that. Measuring is knowing is a truism. Various measuring instruments and questionnaires have been developed in the market for determining how well you are doing, but comparison of these results to a reference group has not been available previously. Now it is. To be able to interpret these results correctly, it is of added value to deal with the phenomenon of benchmarking, as well as to give a (brief) explanation of the IPW Stages Model.

What is benchmarking?

A short, very usable working definition is given by Robert C. Camp (1998): "Benchmarking is the search for industry best practices that lead to superior performances."

Benchmarking has its origins in the Xerox Corporation in the United States. In the early eighties, Robert Camp further professionalized the method of benchmarking. Xerox used benchmarking to determine why the performance of its own organization lagged so far behind, and to draw up plans for improvement on the basis of that insight. This ultimately led to a very strong improvement in company performance.

Why benchmarking?

In business economics, performance measurement and performance evaluation play an important role: managers want to know how their products, processes, segments of the organization or the whole organization are performing. Benchmarking therefore enables managers to compare the performance of their organization to other organizations. It supports managers in their continual drive toward improvement. To be able to compete, there must always be a pursuit of improvement in processes, products or services. It's not just a question of pursuit, however, but the actual realization of improvements.

In addition, benchmarking is not only performed with and for management, but also with and for the employees in an organization, with the underlying goal of encouraging changes.

What can you benchmark?

Within all sectors and industries, organizations must continue to develop in the area of (knowledge) technology to be and to remain competitive. In the new economy, three factors play a crucial role:

- Continual cost control
- Quality improvement
- Renewal of products, processes and services.

Many organizations look only at benchmarking a few critical processes for the organization. The company earns its money, after all, by means of the primary company processes. To a large degree, these processes determine the success of the organization. In addition to the processes, a benchmark can also be performed

In the area of products, organization segments or an entire organization. The reason to benchmark therefore often comes from within the organization. From within this strategy, study subjects can be determined for investigation. From a trength/weakness analysis (SWOT analysis), as part of a strategic renewal, the initial question often occurs of how an organization is performing compared to its competitors.

What is a performance gap?

In benchmarking, quantitative data are often gathered about a specific process or organization segment. The quantitative data from one's own organization are compared to the quantitative data from the benchmarking partner. The differences found are called the Performance Gap. In the adjacent figure, the Performance Gap is illustrated graphically. In this figure, both the own performance line and the performance line of the benchmarking partner are shown as a rising line, since one may assume that efficiency generally improves over time. To reduce the Performance Gap, the efficiency of one's own organization must improve faster than that of the benchmarking partner. This must take shape by means of specially-designed paths for improvement. These improvements often take place somewhat abruptly, as is shown in the figure.

Performance Gap (adapted from Watson, 1993)

A reason to benchmark can also be found from within the operation. Finally, benchmarking can also come from outside the organization. The opinions of the organizations customers play an important role in this: questions can arise from a customer satisfaction study about how well the organization is doing compared to competitors.

What is a benchmarking partner?

Benchmarking is usually used to determine how one's own organization is performing compared to competitors in the same industry. It can also be very informative, however, to compare the performance of one's own organization to

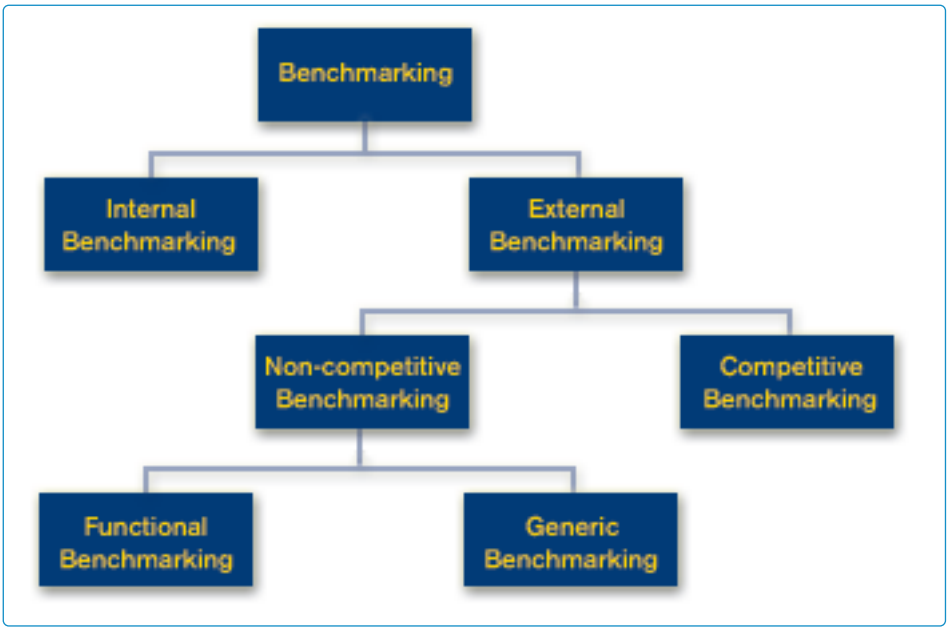

Figure 1 Benchmarking partners or Forms of Benchmarking (Watson, 1993)

performance from other industries, or with respect to all industries. Important conclusions can be drawn from this regarding one's own competitive position. In addition, benchmarking can also be put to good use in large organizations with many comparable divisions in, for example, different countries: a comparison of the performance of the divisions within one's own organization will offer much insight into the performance of the various organizational segments and will lead to formulating various plans for improvement.

Benchmarking can be both qualitative and quantitative. Benchmarking can be both external (comparison to other organizations) and internal (comparison with other organizational segments). What is important is to determine before benchmarking against what the benchmark is being set; in benchmarking terminology, that is: what benchmarking partner will be chosen? Figure 1 illustrates in an organized way the forms that exist. Watson (1993) calls this "forms of benchmarking," in which the basis for the classification is formed by the information source and the type of relationship of the benchmarking partners.

The various forms of benchmarking in a row:

- **Internal benchmarking**

Here, a segment of the organization is compared to one or more organizational segments of one's own organization. Data for this are very easy to obtain.

- **Competitor benchmarking**

Here, a comparison is made to the competition. The greatest challenge lies in getting correct information. It can be sufficient to use generally available information from, for example, annual reports. Insight into the quality of internal company processes is almost always impossible.

- **Functional benchmarking**

Here, the performance of a specific company function (e.g. maintenance) is compared to the performanceof this function at other, non-competitor organizations. Getting the necessary information is relatively easy and not very threatening. Often such information is mutually exchanged.

- **Generic benchmarking**

Here, company processes that make use of various company functions in various company branches are compared.

Differences between benchmarking, competition analysis and market research?

Some confusion still exists in using the concepts of benchmarking, market research and competition analysis. To clarify these concepts and to accentuate the concept of benchmarking further, various characteristics of benchmarking, market research and competition analysis are placed side by side in the summary below.

	Benchmarking	Market Research	Competition Analysis
Aim	Analysis of what, why and how well the competitive or management companies are doing	Analysis of industrial markets, customer segments or product acceptance	Analysis of competition strategies
Focus	Company practices that satisfy customer needs	Customer needs	Competition strategies
Application	Company practices and products	Products and services	Market and products
Limited to	Unlimited competitive functional and internal benchmarking are used.	How customer needs are met	Market activities
Information sources	Industrial leaders and competitors	Customers	Industry analysts

Table 1 Characteristics of benchmarking, market research and competition analysis (Camp, 1998)

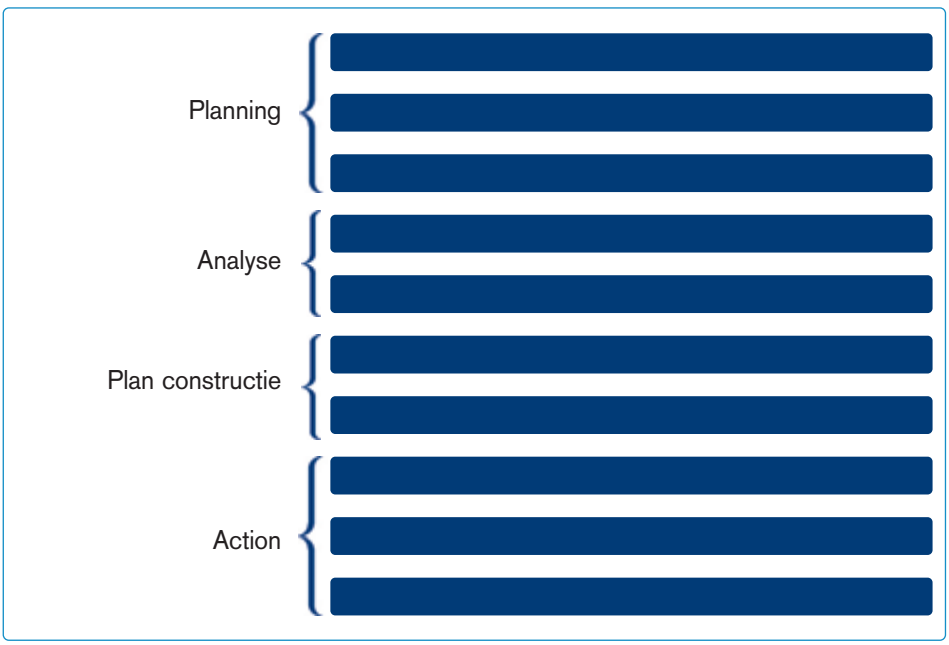

Figure 2 Step-bystep plan for benchmarking (Camp,1998)

What is the benchmarking process?

A number of companies have their own step-by-step plan to perform benchmarking. Thus Xerox Corporation has a 10-step plan, AT&T a 12-step plan and Alcoa a 6-step plan. In general, it can be said that there is a great deal of agreement among the various processes. The basis for the theoretical discussion of the various steps in the benchmarking process is formed

by Xerox Corporation's 10-step plan, in view of the fact that this is a well-known and often-used step-by-step plan in the world of benchmarking; all essential steps occur in it clearly (Camp, 1998). This step-by-step plan dates originally from 1989.

Against what performance levels can you benchmark?

There are various performance levels against which a benchmark can be set. One can look at an average of all organizations, or an average of organizations in a specific group. One can also look at a "Best in Class" performance level: this is the performance level of, for example, all processes within one reference organization. "Best in Class" can be seen as the highest attainable level. A "Best in Class" objective is the most-used objective in benchmarking. Finally, one can also look at a "World Class" performance level. Here, the highest score of all the separate research subjects (e.g. the processes) that was attained across all reference organizations is looked at.

The study Benchmarking Service Management was set up for "Best in Class" measurements. The second part of this article will go into this further.

What are success factors for benchmarking?

There are a great many pitfalls to be recognized in preparing and performing benchmarking. In the following summary, the most frequent pitfalls per phase from Camp's step-by-step plan are discussed. A number of general pitfalls can also be recognized.

General:

- Benchmarking is seen as a one-time exercise
- Benchmarking is seen as a new toy, a tool
- Benchmarking doesn't result in short-term objectives
- Benchmarking is not approached thematically
- Benchmarking is started before here is good insight into the study subject in one's own organization
- Paths for improvement are started for a few organizational segments, while it usually concerns the entire organization
- Insufficient provision of information to one's own employees about the how and why of benchmarking
- Insufficient involvement by management
- Insufficient time is taken to let a researcher perform a thorough benchmark: it has to be fast
- Insufficient time of those involved is freed up to perform the benchmark thoroughly

Planning

- Unclear delineation of the subject of study
- Selecting the wrong benchmarking partners (e.g. the "Best in Class" instead of the competition)
- Insufficient data from benchmarking partners

Analysis

- "Jumping to conclusions" instead of thorough analysis
- Resistance from those involved: "Yes, but"

Plan construction

- Insufficient communication within one's own organization

Action

- Goals lie too far in the future
- Starting too many improvement paths without focus
- Insufficient time and/or resources freed up for actually realizing changes

It almost goes without saying that the following success factors can be distilled from the above pitfalls:

- Ensure involvement of management
- Clear delineation of the study subject
- A thematic approach
- Start simply: start with a pilot analysis
- Link the results of benchmarking to new organizational objectives
- Set short-term goals
- Ensure very regular communication to both management and employees
- Free up time with both management and employees for performing the benchmark
- Free up time with both management and employees for performing plans for improvement

IPW Stages Model

Service Management Model

Many companies in the Benelux, as well as in Great Britain, choose to organize their own ICT management organization in accordance with ITIL. ITIL (Information technology Infrastructure Library) arose from the experiences of companies that were well organized in a period in which the good times had come to an end and more profit had to be attained from improvements with ICT (had to be more effective) and managing ICT (had to be more efficient).

ITIL is a collection of best practices for the organization of ICT management organizations. ICT methodology originated in Great Britain and arrived in The Netherlands a good ten years ago. In the ICT management organization of the former PTT Telecom, in cooperation with Quint Wellington Redwood, a selection of the ITIL processes set was cast into a well-organized model, the IPW model. IPW stands for the Dutch equivalent of Implementation of a Process-oriented Method. Since then, this model has been used in The Netherlands as a de facto standard. After ten years, the original IPW model was further evaluated and a modernized version was recently introduced: the Integral IPW Model.

The Service Management Model reflects ICT management processes on a strategic, tactical and operational level, making use of ITIL and CMM2. The power of IPW lies in changing from thinking in hierarchical organizational structures to thinking and acting in processes and process responsibility.

IPW Stages Model

The IPW Stages Model makes it clear that the various processes from the Integral IPW Model can be organized on different levels, and also indicates what must be improved to reach the next quality level. The core of the IPW Stages Model is formed by process maturity levels and organization maturity levels. The IPW Stages Model makes it possible to establish a desired level of maturity per process in advance. To monitor the balance among people, resources and processes, the IPW Stages Model contains generic process, people and resource marks.

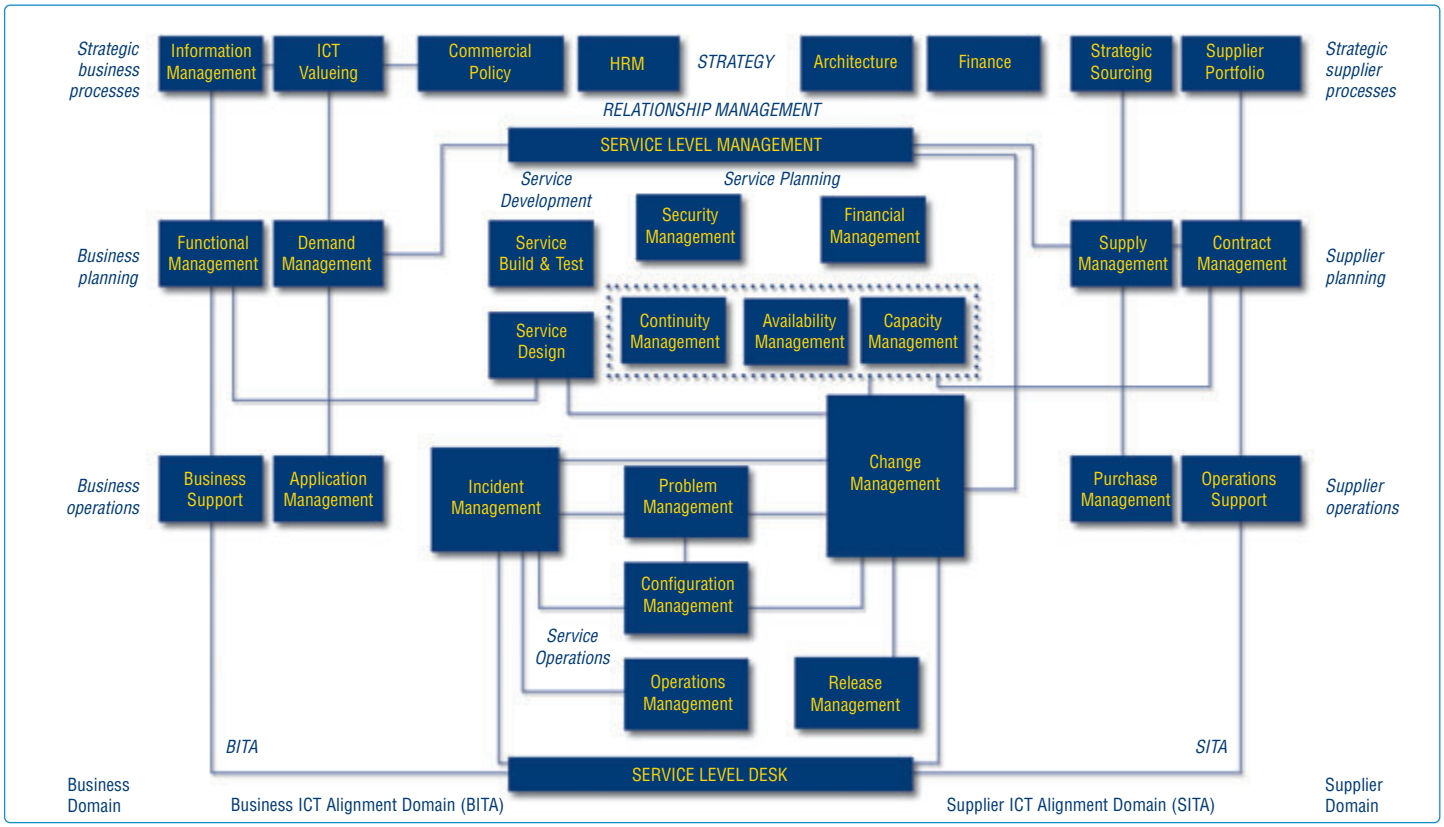

Figure 3 Integrated IPW model™ (Bom, meijders en van Herwaarden, 2001)

IPWSM	Stage	Process characteristics	People characteristics	Resource characteristics
1	Initial	- Ad hoc performance of (parts of) primary process activities	- Ad hoc attention to people, in escalated or extreme situations	- Partially available resources are not or are not sufficiently used
2	Operational	- Performance of primary process activities - Defined standard process course that is not yet always followed - Measurement and analysis of the process - Process reporting	- Recruitment and selection - Attention and time for education and training - Evaluation, compensation and absenteeism management - Inventorying necessary and available competencies - Measurement of human culture and human performance	- Partially available resources are (sometimes insufficiently) used, but are not connected to each other - Functionality incomplete and not integrated, focus on registration and reporting - Inventorying of available resources - Still little or no standardization
3	Monitoring Operational Control	- Defined standard process course that is always followed, also in extreme situations - Planning of the process - Process monitoring - Corrective intervention into the process course when (internal) standards are exceeded - (Periodical) process audits	- Traditional and/or hierarchical structures - Standards and value system in development - Internal cooperation and team building - Competency management and profiles - Career planning - Development of management styles - Occasional coaching - Resource Management (qualitative and quantitative) - Attention to various groups with various needs - Matrix structures	- Strong standardization - Necessary resources are available, are connected to each other and are also used - Functionality not complete, but is integrated, focus on progress monitoring - Occasional benchmarking
4	Service Control	- Fine tuning the process to the external environment - Corrective intervention into the process course when (internal) standards are exceeded - Process course initiates communication with (customer) environment - (Periodical) process reviews	- Standards and value system strong and in accordance with ambition - External cooperation and team building outside the boundaries of one's own organization - Competency development - Attention to individuals and their own needs - Self-directing teams and/or individuals - Periodical coaching - Project-oriented and process-oriented structures	- Standardization with many options - Necessary resources are adapted to specific needs and acquired where necessary - Functionality complete and integrated, focus on fine tuning with the environment - Architecture management - ICT value management - Periodical benchmarking - Deployment of resources can always be related to planning and justification
5	Service Improving	- Corrective intervention into the process course before (internal) standards are exceeded - Adaptation of the process to individual customers and/or technologies	- Continual individual competency development - Proactive adaptation of human resources to future environment - Permanent coaching - Virtual structures	- Continual benchmarking - Dynamic architecture management - Functionality complete, integrated and adaptive - Continual value optimization - ICT value management - Periodical benchmarking - Deployment of resources can always be related to planning and justification - Continual benchmarking - Dynamic architecture management - Functionality complete, integrated and adaptive - Continual value optimization

IPW Stages Model Process Maturity

Within the IPW Stages Model , six process stages are recognized for each process. These stages are: “not performed”, “not identified”, “monitored”, “controlled”, “proactive” and “improving”. The stages are concretely completed by generic process, people and resource characteristics that indicate at what maturity level the performance of an IPW process is.

IPW Stages Model Organizational Maturity

Based on a selection of processes and an accompanying maturity level per process, five maturity levels for an ICT organization as a whole have been defined. The stages in which an organization can be are “initial”, “operational monitoring”, “operational control”, “service control” and “service improving”. (Van Herwaarden, 1998.)

Process, people and resource characteristics in the IPW Stages Model

Balancing the processes, people and resources aspects is of essential importance in improving ICT organizations. The table below gives a summary of the generic process, people and resource characteristics by organizational maturity.

On the basis of a number of generic process characteristics, the maturity level of a process can be determined. When a certain combination of processes has reached a previously-defined level, the ICT organization as a whole attains a certain maturity level. The model makes improvement paths manageable, helps in determining the current level of processes and of the organization and helps in determining the ambition level. Completely in line with this philosophy, no stage at all can be skipped, because each subsequent stage builds on the foundation that was laid in the previous step.

In the resources characteristics, a role is also assigned to benchmarking. In IPW Stage 3, occasional benchmarking will play a role to determine how one’s own organization is doing. In IPW Stage 4, benchmarking has already been used periodically and in OPW Stage 5, benchmarking is part of continual process improvement.

Insight into the IPW Stages Model and extensive background information about benchmarking are important for many of you in your daily work, but also certainly contributes to being able to understand Part 2, the results of the benchmarking service management study. In a future edition (The March edition of IT Beheer [IT Management]), this will be dealt with at great length.

Would you like to complete the Quick Quint Quest Service Management for the Incident Management Process, the Change Management Process and the Configuration Management Process yourself? In that case, go to http://qqq.quint.nl.

In the next part oft his article in IT Beheer Magazine No. 4, you can compare your results to the study results.

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Notes

1. IPW Stages Model is a maturity model for service management processes developed by Quint Wellington Redwood. IPW stands for Implementation of a Process-oriented Method.
2. The Capability Maturity Model (CMM) is a reference framework for process improvement within software development organizations and, like ITIL, is based on “best practices.”

Paul Barends is an Implementation Manager at Quint Wellington Redwood and has more than 15 years of experience in organizing service management processes at various large Dutch organizations. For the completion of his MBA, he studied the level of service management processes at a number of large companies in the Benelux and developed a measuring instrument for quick testing of the level of service management processes against the IPW Stages Model, a maturity model for service management processes. He regularly publishes articles about service management, information security and program management in various professional journals.