




Benchmarking

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Benchmarking has become a popular tool among companies trying to become more competitive and striving for world-class performance. The majority of them are actively engaged in benchmarking. Benchmarking is a part of the total quality process, and anyone involved in total quality should have a solid understanding of this subject. This chapter is intended to help readers understand what benchmarking is all about, its benefits, and its pitfalls. The chapter includes sufficient information to enable any enterprise to make rational decisions concerning benchmarking, including whether or not to do it and how to go about it.

Benchmarking Defined




Benchmarking has been around since the early 1980s, but it wasn't until the early 1990s that it became a widely accepted means of improving company performance. In 1985, almost no benchmarking activity existed among the Fortune 500 companies. By 1990, half of the Fortune 500 were using this technique. Today companies large and small find benchmarking to be an effective component in their total quality effort. If there is a single most likely reason for the slow rise in benchmarking popularity, it is a misunderstanding of the concept—a misunderstanding of what benchmarking is, what it is not, and how to do it. It helps to begin with an examination of what benchmarking is not.

Benchmarking Defined




Benchmarking Is Not:

- ✓ Cheating
- ✓ Illegal
- ✓ Immoral
- ✓ Industrial espionage
- ✓ Unethical




Benchmarking Defined



All of these misconceptions about benchmarking assume that one party somehow takes advantage of an unsuspecting competitor by surreptitiously copying the competitor's product or processes. Nothing could be further from the truth. Benchmarking involves two organizations that have agreed to share information about processes or operations. The two organizations both anticipate some gain from the exchange of information. Either organization is free to withhold information that is considered proprietary. In addition, the two companies need not be competitors.

Benchmarking is the process of comparing and measuring an organization's operations or its internal processes against those of a best-in-class performer from inside or outside its industry.



Benchmarking Defined



Key points to remember about benchmarking are these:

- ✓ Benchmarking is an increasingly popular improvement tool.
- ✓ Benchmarking concerns processes and practices.
- ✓ Benchmarking is a respected means of identifying processes that require major change.
- ✓ Benchmarking is done between consenting companies that may or may not be competitors.
- ✓ Benchmarking compares your process or practice with the target company's best-in-class process or practice.
- ✓ The goal of benchmarking is to find "secrets of success" and then adapt and improve them for your own application.
- ✓ Benchmarking is equally beneficial for both large and small businesses.

Benchmarking Versus Reengineering



Benchmarking involves partnering with the owner of a best-in-class process so that you might adopt or adapt that process in your operation without having to spend the time and energy to try to design a duplicate of the superior process. Process reengineering requires you to do the latter, on your own. Therefore, in our view, process reengineering should be considered only when it is impossible to use benchmarking. That could happen for a number of reasons, including these:

- ✓ No known process available for benchmarking (rare)
- ✓ Best-in-class not willing to partner
- ✓ Best-in-class inaccessible due to geography or expense

Benchmarking Versus Reengineering



In summary, if you have a very good process to begin with, use continual improvement techniques to make it better. On the other hand, if the process is clearly inferior to some used by other firms, try benchmarking. When you cannot achieve the kind of improvement you need from either of those methods, then process reengineering may be required. But no matter which way you go, be sure to get your people involved.

Rationale for Bench marking



The rationale for benchmarking is that it makes no sense to stay locked in an isolated laboratory trying to invent a new process that will improve the product, or reduce cost, when that process already exists. If one company has a process that is four times as efficient, the logical thing for other companies to do is to adopt that process. An organization can make incremental improvements to its process through continual improvement, but it might take years to make a 4x improvement, and by then, the competition would probably be at 6x or better. Benchmarking is used to show which processes are candidates for continual (incremental) improvement and which require major (one-shot) changes. Benchmarking offers the fastest route to significant performance improvement. It can focus an entire organization on the issues that really count.

Rationale for Benchmarking



Some factors that drive companies to benchmark are commitment to total quality, customer focus, product-to-market time, manufacturing cycle time, and financial performance at the bottom line. Every company that has won the Malcolm Baldrige Award endorses benchmarking. Key points to remember about benchmarking as it relates to continual improvement are as follows:

- ✓ Today's competitive world does not allow time for gradual improvement in areas in which a company lags far behind.
- ✓ Benchmarking can tell a firm where it stands relative to best-in-class practices and processes and which processes must be changed.
- ✓ Benchmarking provides a best-in-class model to be adopted or even improved on.
- ✓ Modern customers are better informed and demand the highest quality and lowest prices. Companies have a choice to either perform with the best or go out of business.
- ✓ Benchmarking supports total quality by providing the best means for rapid, significant process or practice improvement.

Prerequisites to Benchmarking



Before getting involved in benchmarking, an organization should check the prerequisites— those philosophical and attitudinal mindsets, skills, and necessary preliminary tasks that must precede any benchmarking efforts.

- ✓ Will and Commitment
- ✓ Vision and Strategic Objective Link
- ✓ Goal to Become the Best—Not Simply Improved
- ✓ Openness to New Ideas
- ✓ Understanding of Existing Processes, Products, Services, Practices, and Customer Needs
- ✓ Processes Documented
- ✓ Process Analysis Skills
- ✓ Research, Communication, and Team-Building Skills

Obstacles to Successful Benchmarking



- ✓ Internal Focus
- ✓ Benchmarking Objective Too Broad
- ✓ Unrealistic Timetables
- ✓ Poor Team Composition
- ✓ Settling for "OK-in-Class"
- ✓ Improper Emphasis
- ✓ Insensitivity to Partners
- ✓ Limited Top-Management Support

Role of Management in Benchmarking



Management plays a crucial role in the benchmarking process. In fact, without the approval and commitment of top management, benchmarking is not possible. Benchmarking is not something that can occur from the grassroots up without management's direct involvement. Several benchmarking considerations require management's approval before the process can start:

- ✓ Commitment to Change
- ✓ Funding
- ✓ Human Resources
- ✓ Disclosure
- ✓ Involvement

Benchmarking Approach and Process



The benchmarking process is relatively straightforward, but steps must flow in a sequence. A number of variations are possible, but the process should follow this general sequence:

1. Obtain management commitment.
2. Baseline your own processes.
3. Identify your strong and weak processes and document them.
4. Select processes to be benchmarked.
5. Form benchmarking teams.
6. Research the best-in-class.
7. Select candidate best-in-class benchmarking partners.
8. Form agreements with benchmarking partners.
9. Collect data.
10. Analyze data and establish the gap.
11. Plan action to close the gap or surpass.
12. Implement change to the process.
13. Monitor results.
14. Update benchmarks: continue the cycle.

Benchmarking Approach and Process

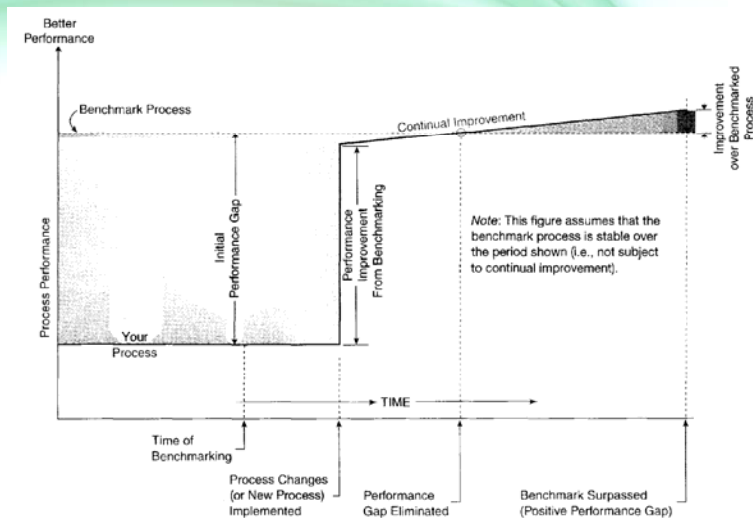


Figure 20-1
Effect of Benchmarking Process Change Followed by Continual Improvement

Benchmarking Approach and Process



Key points relating to the 14-step sequence for implementing benchmarking are as follows:

- ✓ Benchmarking requires top management's commitment, participation, and backing.
- ✓ It is necessary that an organization thoroughly understand its own processes before attempting to benchmark.
- ✓ The processes that should be benchmarked are those that most need improvement.
- ✓ Benchmarking teams must include process operators.
- ✓ Benchmark best-in-class, not best-in-the-industry.
- ✓ Do not rush into new processes or major changes without thorough, thoughtful planning.
- ✓ Do not be satisfied with a zero gap—aim to surpass.
- ✓ Carefully monitor new processes or major process changes.
- ✓ Benchmarking is not a one-shot process; continue it forever.

Making Full Use of Benchmarking Data



At the conclusion of the benchmarking project with your partner, data analysis will have produced both quantitative and qualitative information. The quantitative information is effectively the “stake driven into the ground” as the point from which future progress is measured. It is also used as the basis for improvement objectives. Qualitative information covers such matters as personnel policies, training, management styles and hierarchy, total quality maturity, and so on. This information provides insights on how the benchmarking partner got to be best-in-class.

The quantitative data are clearly the information sought and are always used. However, there may be more value in the qualitative information. It describes the atmosphere and environment in which best-in-class can be developed and sustained. Do not ignore it. Take it very seriously. Study it, discuss it in staff meetings, and explore the possibilities of introducing these changes into your culture.

Perpetual Benchmarking



If you have been through a series of benchmarking activities and have implemented changes that have significantly improved processes, your organization may develop a tendency to leave benchmarking. After all, there are other things that need attention and resources. But this can be a costly mistake. At this point, the organization not only has greatly improved its processes but also developed some valuable benchmarking experience. Keep in mind that best-in-class continues to be a dynamic and ever-changing mosaic. Processes are constantly being improved and altered. In a relatively short time, an organization can fall behind again. To prevent that from happening, the organization must take advantage of hard-won benchmarking experience and keep the effort moving. This means staying up-to-date with the best-in-class through all the means at your disposal, staying current with your own processes as they are continually improved, and benchmarking the weaker processes. This is a never-ending process.

Benchmarking Resources



- ✓ The American Productivity and Quality Center (APQC) Benchmarking Clearinghouse www.apqc.org
- ✓ Internet search
- ✓ Trade and professional groups.
- ✓ The trade literature publishes a wealth of relevant information, with best-in-class processes and practices. Industry Week is an example of an excellent source of benchmarking information. Dun and Bradstreet maintains a database of benchmarking partners and will share it for a fee.
- ✓ Consultants and universities that are engaged in benchmarking can help organizations get started by providing initial training, offering advice and guidance, and directing organizations to benchmarking partner candidates.
- ✓ Be cautious, and ensure that any information obtained is current. The very nature of benchmarking makes yesterday's data obsolete. To achieve maximum benefit, organizations must be sure that they are operating on current information.

References

Quality Management for Organizational Excellence: Introduction to Total Quality, 6th Edition, David Goetsch and Stanley Davis, copyright 2010, Pearson, ISBN: 978-0-13-501967-2.



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