

Benchmarking

Benchmarking

According to Merriam-Webster Dictionary,
To Benchmark is:

to study (as a competitor's product or
business practices) in order to improve the
performance of one's own company

Benchmarking

- Systematic Method
- Organizations measure and compare themselves against the best industry practices.

Patterson

- Patterson (2004) defines benchmarking as a “useful quality tool that will help your company continually improve its processes by learning how others do it”.

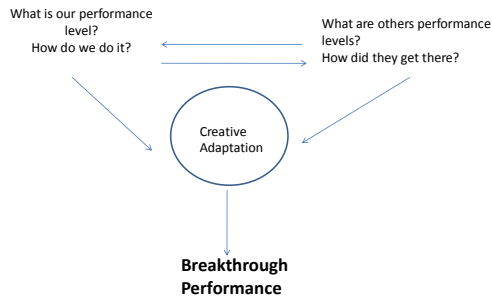
Campbell and Baker

- Campbell and Baker (2007) “Benchmarking can also be a helpful tool in quality planning. This involves comparing your project plan to practices of others to generate ideas to improve or to provide a sound standard you can use to measure your project’s performance”.

Leadership

- Leaders encourage their followers to benchmark against peers
- Drive the need for benchmarking

Benchmarking Concepts



Reasons to Benchmark

- Achieve business and competitive objectives
- Help organizations develop strengths and weaknesses
- Can inspire managers to compete
- Goals to be set objectively base on external information
- It is time and cost effective
- **Weakness** best-in-the-class performance is a moving target

Customer Satisfaction

- Benchmarking will promote customer satisfaction by:
 - Comparing their company to others and utilizing the best practices from competitors or other similarly managed corporation.

Approaches to Benchmarking

<i>AT&T's 12-Step Process</i>	<i>Xerox's 10-Step Process</i>
1. Determine who the clients are—who will use the information to improve their processes.	1. Identify what is to be benchmarked.
2. Advance the clients from the literacy stage to the champion stage.	2. Identify comparative organizations.
3. Test the environment. Make sure the clients can and will follow through with benchmarking findings.	3. Determine data-collection method and collect data.
4. Determine urgency. Panic or disinterest indicate little chance for success.	4. Determine current performance gap.
5. Determine scope and type of benchmarking needed.	5. Project future performance levels.
6. Select and prepare the team.	6. Communicate benchmark findings and gain acceptance.
7. Overlay the benchmarking process onto the business planning process.	7. Establish functional goals.
8. Develop the benchmarking plan.	8. Develop action plans.
9. Analyze the data.	9. Implement specific actions and monitor progress.
10. Integrate the recommended actions.	10. Recalibrate benchmarks.
11. Take action.	
12. Continue improvement.	

Process for Benchmarking

(Organizations that benchmark, adapt the process to best fit their own needs and culture)

1. Decide what to benchmark.
2. Understand current performance.
3. Plan.
4. Study others.
5. Learn from the data.
6. Use the findings.

Employee Involvement

- Employees must be a part of the benchmarking process (not just management)
- Employees might have a better insight to what their customers really want (customer satisfaction)
- Benchmarking will help teams to collaborate ideas

Four additional questions to ask whether it is right to benchmark

1. Which processes are causing the most trouble?
2. Which processes contribute most to customer satisfaction and which are not performing up to expectations
3. What are the competitive pressures impacting the organization the most?
4. What processes or functions have the most potential for differentiating our organization from the competition?

Choosing the SCOPE of benchmarking

1. **Broad and shallow.**
"What is done?"
2. **Narrow and deep.**
"How Is It Done?"
3. **Pareto analysis**
A helpful technique for deciding what processes to investigate.
4. **Numerical measures**
Here you need to start thinking metrics.

Understanding Current Performance

To compare practices to outside benchmarks it is first necessary to understand and document the current process.

- Flow diagrams, cause-and-effect diagrams, and understanding.
- Attention to input and outputs.
- Careful questioning

Benchmarking Teams

- The benchmarking team
- When documenting, quantify it.
- Common examples to investigate
- Special care is needed when using accounting information.
- Bench markers should take the time to determine what is and isn't included in accounting information.

Choose a Benchmarking Team

- What type of benchmarking should one perform?
- What data should be collected?
- What should be the method of collection?
- What should be the time for the benchmarking task to completed?

Learning Process

Use information first available from the public domain to:

- Focus the inquiry
- Find appropriate benchmark partners

3 Main Types of Benchmarking

1. Internal
2. Competitive
3. Process

Bogan 1995-Internal

- Comparing internally:
 - Data are easy to obtain
 - Dialog generates immediate improvement ideas
 - Defines common problems that help to focus external inquiries

Competitive

Product competitors are an obvious choice to benchmark.

- Products and processes are directly comparable
- Good sources are information in the public domain and third parties.

Studying Others

Benchmarking studies look for two types of information:

- How are the 'best' processes practiced?
- Results of practices

Supplier Partnership

- Take a step back and looking a other supplier options during benchmarking
 - Are competitive companies using different suppliers?
 - Are these suppliers helping close some possible gaps?

Gathering Information

- Questionnaires
- Site visits
- Focus groups

Learning from the Data

- Is there a gap?
 - What is the gap?
 - How large is it?
- Why is there a gap?
 - What does the other company do differently?
 - If we changed our processes and procedures what would be improved?

Putting the research to use

- **Goals put in place to close the gap**
 - Must be done in a timely manner
 - Communicate to process owners & upper management
- **Process Owners – make the changes**
- **Upper Management – enable the changes**

Process & Procedure Changes

- Operations (upstream/downstream)
- Customer
- Suppliers

All changes must be taken into consideration prior to implementation

Implementing Changes

- Notate responsibilities
- Determine sequence of responsibilities
- Identify those needed to assist
- Establish a swimlane
- Assign responsibilities
- Agree on the expected outcome
- Determine monitoring

Pitfalls and Criticisms of Benchmarking

- Copies others - takes the focus off innovation
- Remember that it's a tool - not a strategy
- Continuous process

Performance Measures

- During benchmarking it is important to look at all your options
 - Will it be more cost efficient to...
 - What is more important - quality or cost?
 - How can we improve processes within our organization?
 - Internal benchmarking

Benchmarking with Xerox

- According to Robert C. Camp
“Too many companies suffer because they refuse to believe others can do better”
- “We’re in a race without a finish line”
 - Continuous Process Improvement
 - You can always improve

“Leadership Through Quality”

- Focus on:
 - Quality
 - Solving problems
 - Benchmark
- Employee to analyze role

“Leadership Through Quality”

- Competition
 - Don’t focus too closely on the competitor.
 - Surpass their ability

Customer Satisfaction

- Customer satisfaction was important to Xerox
 - How are other companies satisfying customers?
 - What can Xerox do to satisfy customers?

Benchmarking for Xerox

- Different stages
 - Planning
 - Analysis
 - Integration
 - Action

Stage One: Planning

- What needs to be benchmarked?
- Identify what to benchmark against
- Set up plan for gathering information

Stage 2: Analysis

- Decide what advantages the competitor has over your company
- Evaluate the performance

Stage 3: Implementation

- Create goals
- Find means to achieve these goals

Stage 4: Action

- Take action on these goals
- Review these actions often
- Ensure the company is accepting the change

Class Exercise

- Get into your teams to discuss your company

- Benchmarking your company
 - 1) Choose one thing to benchmark within your company.
 - 2) What/Who would you benchmark against?
 - 3) What information would you gather/how could you gather the information?
 - 4) What information are you hoping to learn from the information?
 - 5) How could you use the findings?
