



BENCHMARKING

BENCHMARKING: WHAT IS IT?

- ▶ It can be defined as a process for improving performance by constantly identifying, understanding and adapting best practices and process followed inside and outside the company and implementing the results.
- ▶ The main emphasis of benchmarking is not on “best performance” but on improving a given business operation or a process by exploiting “best practices”



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- ▶ “ Benchmarking is an ongoing outreach activity; the goal of the outreach is identification of the best operating practices that, when implemented, produce superior performance”

- Bogan and English , Benchmarking for best practices.



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- ▶ Benchmark refers to a measure of best practice performance.
 - ▶ Benchmarking is the systematic search for best practices, innovative ideas and highly effective operating procedures. It measures performance against that of the “ best-in-the-class” organization.



ADVANTAGES OF BENCHMARKING

- ▶ Identify current position and determining priorities for improving environment performance
- ▶ Allowing comparisons
- ▶ Encouraging regular monitoring of progress & a process for continuous improvement
- ▶ Increasing competitiveness of organization



TYPES OF **BENCHMARKING**



1) INTERNAL BENCHMARKING

- ▶ It involves seeking partners from within the same organization & from business units located in different regions.
- ▶ The main advantages are access to sensitive data & information, availability of standardized.
- ▶ This type of benchmarking is suitable when several business units within the same organization exemplify good practice and management and want to spread this expertise quickly throughout the organization.



2) FUNCTIONAL BENCHMARKING

- ▶ Also known as **GENERIC BENCHMARKING**
- ▶ It can lead the organization to innovation & dramatic improvements.
- ▶ It is used when organizations look to benchmark with partners drawn from different business sectors or areas of activity.
- ▶ This type of benchmarking is suitable for improving activities or services for which counterparts do not exist.



3) COMPETITIVE/ EXTERNAL BENCHMARKING

- ▶ It involves analyzing outside organizations that are known to be the best in the class.
- ▶ It provides opportunities of learning from those who are at the “learning edge”.
- ▶ This type of benchmarking is suitable where examples of good practices can be found in other organization and there is a lack of good practices within internal business units.



STRATEGIC

BENCHMARKING

- ▶ It is used where businesses need to improve overall performance by examining the long term strategies and general approaches that have enabled high performers to succeed.
- ▶ It involves considering high level aspects such as core competencies.
- ▶ This type of benchmarking is suitable when the company has to realign business strategies that have become inappropriate.



PROCESS

BENCHMARKING

- ▶ It is used by the organization when the focus is on improving specific critical processes and operations
- ▶ Benchmarking partners are sought from best practice organization and are drawn from the same sector.
- ▶ This type of benchmarking is suitable for achieving improvements in key processes to obtain quick and short term benefits.



INTERNATIONAL BENCHMARKING

- ▶ This is used when the best practitioners are located in other countries. This is due to globalization and advances in information technology.
- ▶ There is a need for careful analysis & interpretation due to national differences.
- ▶ This type of benchmarking is suitable where the aim is to achieve world class status or simply because there are insufficient “national” businesses against which to benchmark.



Process of Benchmarking

1. Define the parameters of benchmarking.
 2. Identify the best competition
 3. Determine the data collection method
 4. Compare competitors performance with organisations performance
 5. Identify the factors which contributes to the competitors gap
 6. Establish an action plan to close the gap
 7. Get target to measure progress
 8. Implement the action plan
 9. Monitor the performance against the gap.
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PREREQUISITES FOR BENCHMARKING

Benchmarking will not improve performance if the proper infrastructure for a total quality program is not in place.

The requirements are:-

- Involve the employees who will ultimately use the information and improve the process.
 - Relate process improvement to strategy and competitive positioning.
 - Define your own process before gathering data or you will be overwhelmed and will not have the data to compare your process with.
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- ▶ Perceive benchmarking as an ongoing process. It is not a one time project with a finite start and complete date.
 - ▶ Expand the scope of the company studied. Confining the benchmarking firm to your own area ,or industry , competitor is probably to narrow and approach in identifying excellent performer
 - ▶ Perceive benchmarking as a means to process improvement rather than then and in its self.
 - ▶ Set goals for closing the gap between what is existing process and what van be benchmarked.
 - ▶ Empower employees to achieve improvements that they identify and for which they solve problems and develop action plans.
 - ▶ Maintain momentum by avoiding the temptation to put study results and action plans on the back burner. Credibility is achieved by quick and enthusiastic action.



BENCHMARKING DOS AND DON'TS

DOS

- ▶ Obtain management commitments
- ▶ Obtain resource commitments
- ▶ Follow code of conduct
- ▶ Provide summary reports
- ▶ Debrief as soon as possible
- ▶ Be flexible

DON'TS

- ▶ Have too broad a scope
- ▶ Proceed without process modeling
- ▶ Use questionnaires for “process”
- ▶ Have separate implementation team
- ▶ Design lengthy questionnaire
- ▶ Give up!

GUIDELINES FOR SUCCESSFUL

BENCHMARKING

Successful benchmarking requires the following :-

- ▶ Thorough understanding of one's own processes.
 - ▶ Emphasis on industry best practices.
 - ▶ Selection of appropriate benchmarking partners and techniques.
 - ▶ The benchmarking partner's willingness to share information
 - ▶ Maintaining confidentiality of critical information
 - ▶ Involvement of management and employees in the analysis of best practices,
 - ▶ Emphasis on practices and processes not on end results.
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- ▶ Benchmarking should be a continuous process as the competition is always changing.
 - ▶ Commitment towards the adoption and implementation of best practices.
 - ▶ Selection and empowerment of benchmarking teams.
 - ▶ Willingness to change as per the findings of the benchmarking study.
 - ▶ The adaptability of the practices should be tested and the implementation results should be verified.
 - ▶ Strict adherence to the benchmarking.



LIMITATION TO BENCHMARKING

- ▶ Benchmarking is a tough process that needs a lot of commitment to succeed.
- ▶ It is a time consuming and expensive.
- ▶ More often than not benchmarking processes end with the “they are different from us” syndrome or competitive sensitivity that prevents the free flow of necessary information.



COMMON PITFALLS IN BENCHMARKING

- ▶ Lack of management commitment and involvement
- ▶ Not applied to critical areas first
- ▶ Inadequate resources
- ▶ No involvement of the line organization.
- ▶ Scope not well defined.
- ▶ Too many performance measures.
- ▶ Critical success factors & performance drivers not understood or identified.
- ▶ Potential partners ignored
- ▶ Poorly designed questionnaires.
- ▶ Inappropriate data collection method.
- ▶ Too much & inconsistent data.
- ▶ Analysis paralysis; excess precision.
- ▶ Management resistance to change.
- ▶ No repeat benchmarking.



T H A N K

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