

BENCHMARKING



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Lecture Outline

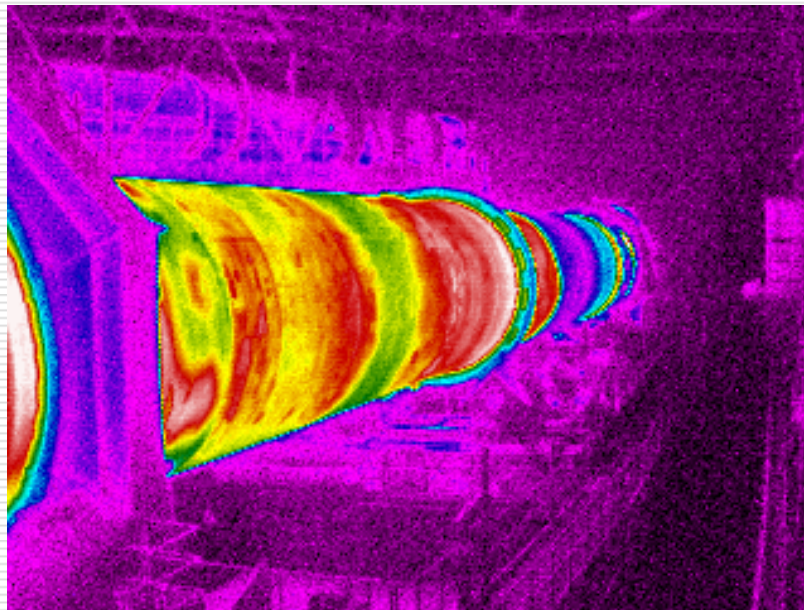
- I. What is Benchmarking?
 - a. Objectives
 - b. Types
 - c. Basic issues
 - d. Importance
 - e. Benefits
 - f. Dimensions
 - g. Performance Management Best Practices
- II. Benchmarking for Cost
- III. Criteria for Benchmarking
- IV. Benchmarking Pitfalls & Risks
- V. Using Benchmarking Results
- VI. Usefulness of Benchmarking
- VII. Performance Categories
- VIII. Whom does Benchmarking benefit?

- IX. How does Benchmarking work?
 - a. Determine weakness
 - b. Form a team
 - c. Set targets
 - d. Analyze benchmarked info
 - e. Take action

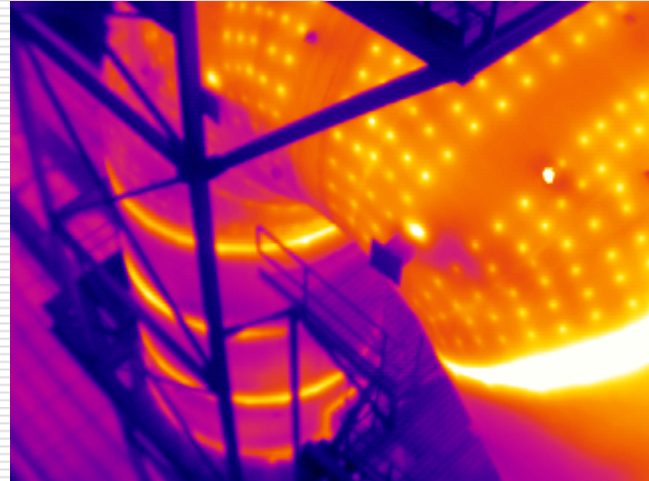


What is Benchmarking?

...Benchmarking is the practice of being humble enough to admit that someone else is better at something, and being wise enough to learn how to match and even surpass them at it...



What is Benchmarking?



...Benchmarking is a systematic and continuous process of searching, learning, adapting and implementing the best practices from within own organization or from other organizations towards attaining superior performance...

- National Productivity Corporation, Malaysia

Objective of Benchmarking

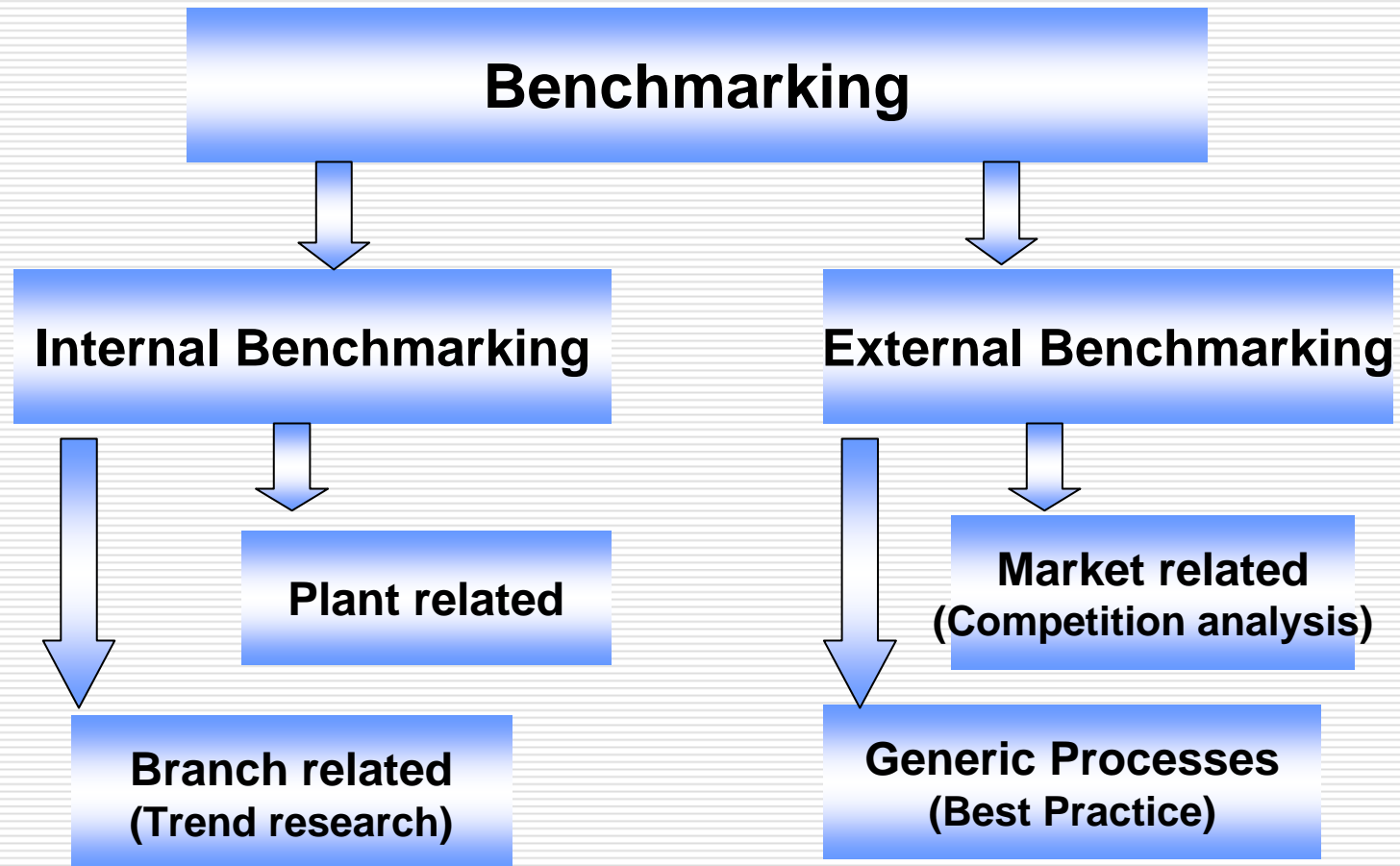
To get...

- the right information
- clearly communicated
- in a timely manner

...to make good decisions

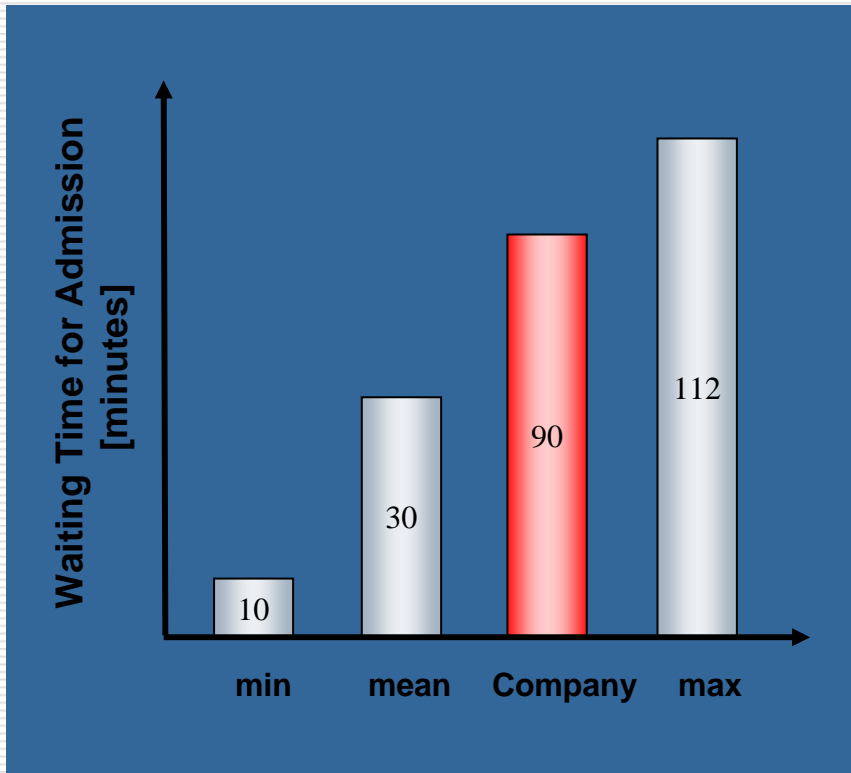


Types of Benchmarking



e.g., safety performance measures

Basic Issues in Benchmarking



Basic issues:

Where?

Where are you now?

Why?

Why is your organization at this position vs the other?

What?

What can be improved?

Importance of Benchmarking

Objective	Without Benchmarking	With Benchmarking
To become more adaptive	Evolutionary Change	Understanding of competition ideas from proven practices
Implement Industry best practices	Few solutions, Frantic catch up activity	Many options, Superior performance
Defining customer requirements	Based on history, Gut feeling or Perception	Market reality, objective evaluation
Establishing effective goals & objectives	Lacking external focus, Reactive	Credible unarguable, Proactive
Developing true measures of productivity	Pursuing projects, strength/weaknesses not understood, Route of least resistance	Solving real problems, Understanding output based on industry best practices

Benefits of Benchmarking

- ❖ Improves organizational quality
- ❖ Leads to lower cost
- ❖ Creates buy-in for change
- ❖ Exposes employees to new ideas
- ❖ Broadens organization's perspective
- ❖ A catalyst for learning
- ❖ Increase employee satisfaction
- ❖ Test the internal operating target
- ❖ Raise the level of potential performance
- ❖ Sharing of best practices
- ❖ Understanding world-class performance in-depth
- ❖ Encourage and stimulate innovation

“If you know neither yourself nor your enemy, you will succumb in every battle.

If you know yourself but not the enemy, for every victory gained you will suffer a defeat.

If you know yourself and your enemy, you need not fear of a hundred battles.”

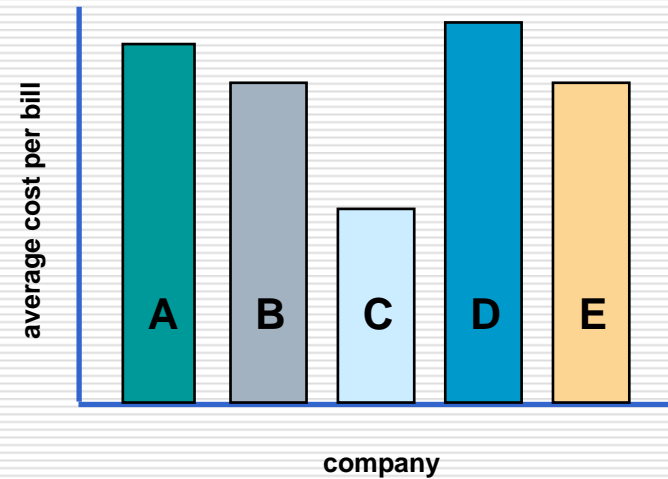
- *Sun Tzu*

A tool to compare performance

Scope of Benchmarks:

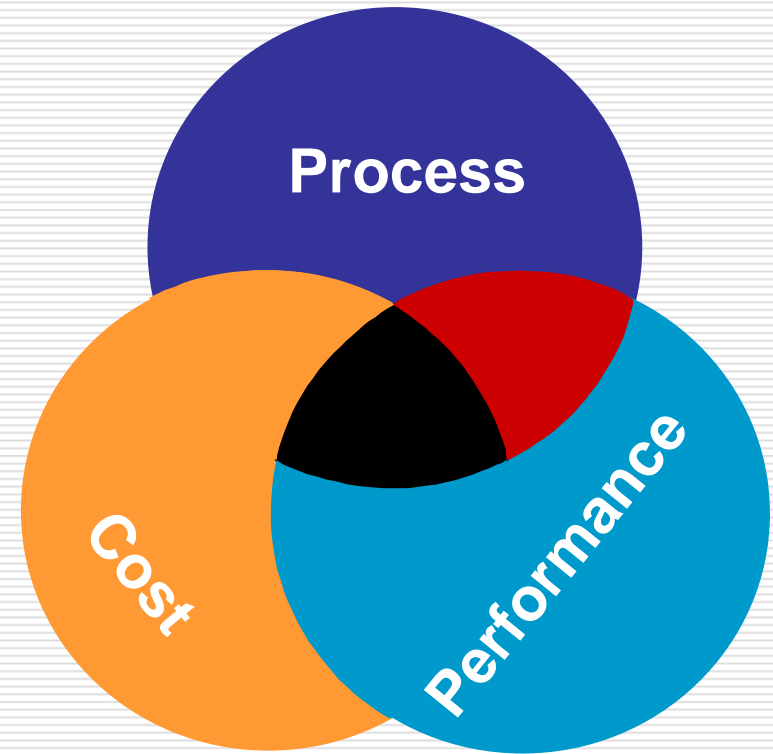
- Internal
- Industry
- Cross-Industry

Select the type appropriate for the project and its goals



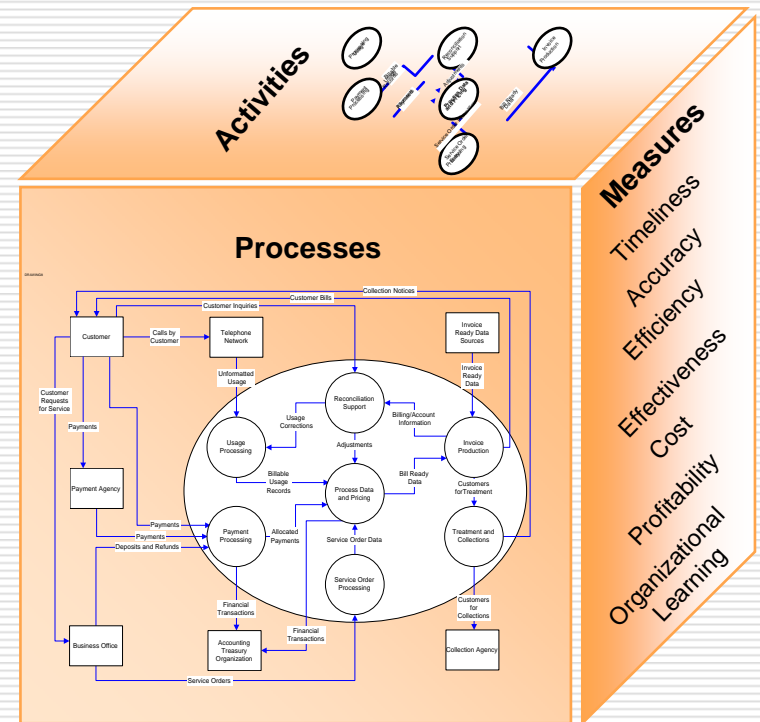
Dimensions of Benchmarking

- ❑ What does the business do?
- ❑ How well do they do it?
- ❑ How much does it cost?

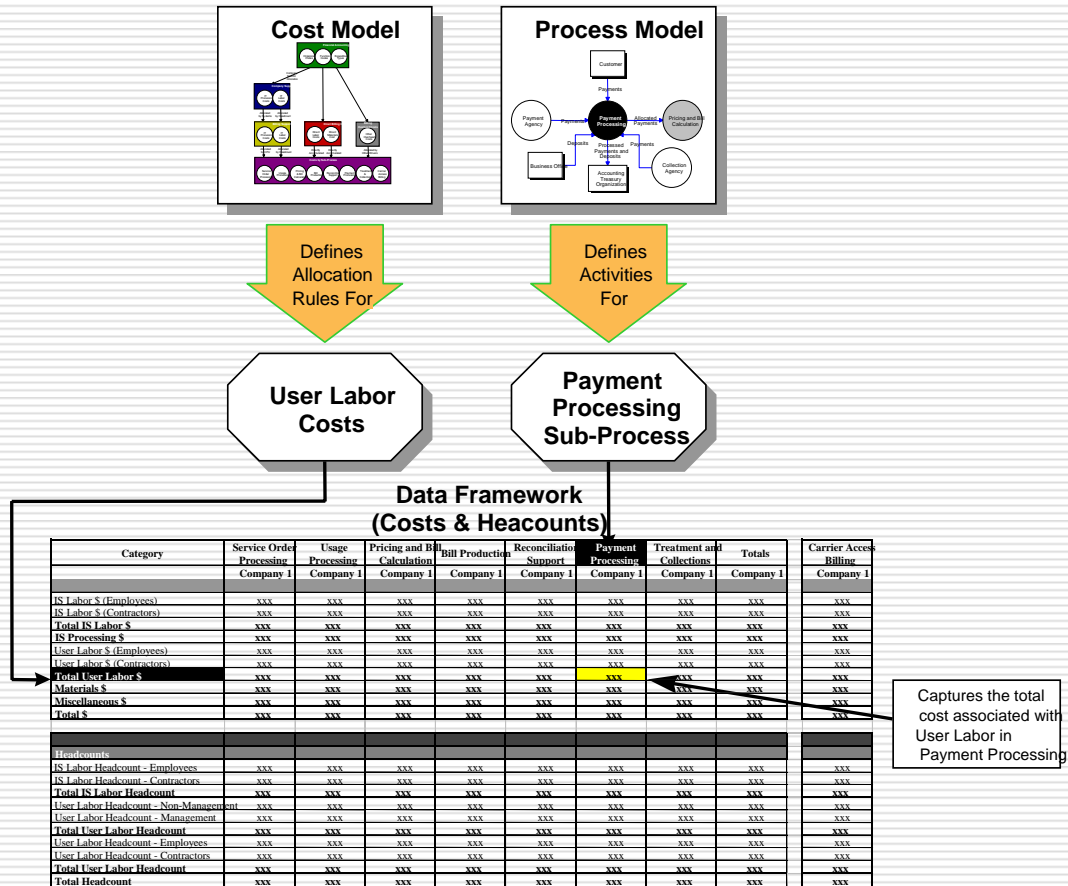


Performance Management Best Practice

- ❑ Start with the process
- ❑ Build measurement directly into the process itself
- ❑ Collect data
- ❑ Analyse results
- ❑ Review results of the analysed data within organisation
- ❑ Take action.

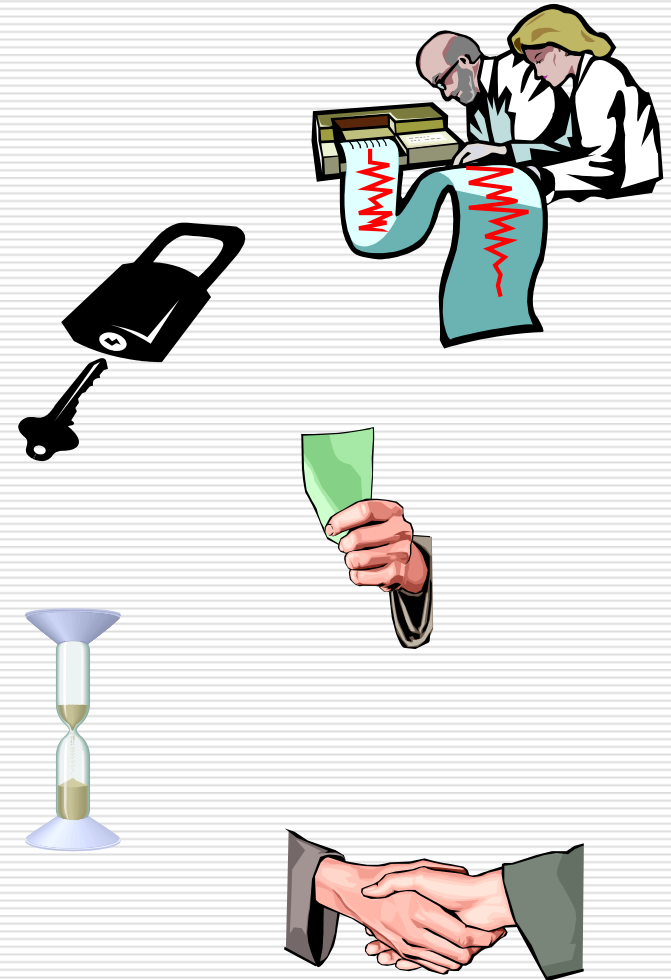


Benchmarking for Cost



Criteria for Benchmarking

- Objectives
- Data availability
- Confidentiality
- Investment (\$, people)
- Time
- Honesty
- Contacts



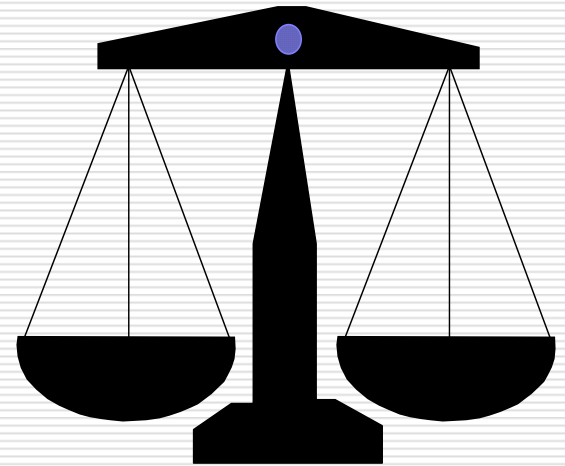
Benchmarking Pitfalls and Risks

- ❑ Emphasising measures focused too narrowly on a specific area
- ❑ Using “ease of access” to drive selection of measurements
- ❑ Including too many metrics
- ❑ Using questionable data
- ❑ Not establishing process comparability
- ❑ Benchmark overload



Using Benchmarking Results

- ❑ Set business strategy
- ❑ Identify and implement best practices
- ❑ Prioritize initiatives and make investment decisions
- ❑ Strengthen service and product quality
- ❑ Improve customer satisfaction
- ❑ Establish continuous monitoring procedures
- ❑ Provide internal feedback and inspire creativity
- ❑ Impact the bottom line



Usefulness of Benchmarking

- Pareto rule
- PDCA
- Increase profit
- Greater customer satisfaction



Performance Categories

- ❑ Productivity
- ❑ Research and development
- ❑ Marketing
- ❑ Quality
- ❑ Cost analysis

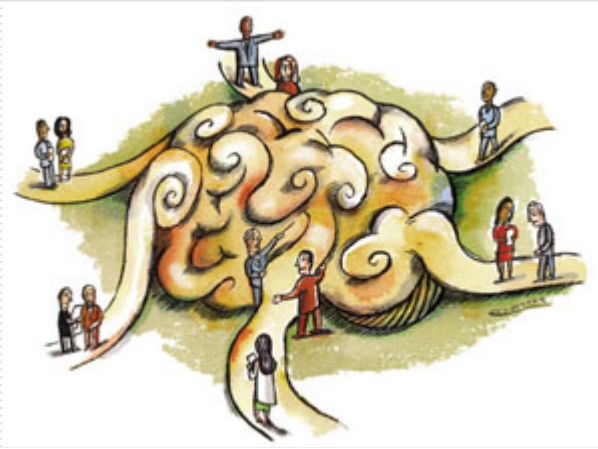


Who does Benchmarking benefit?



- Initiator
- Target
- Industries
- Consumers

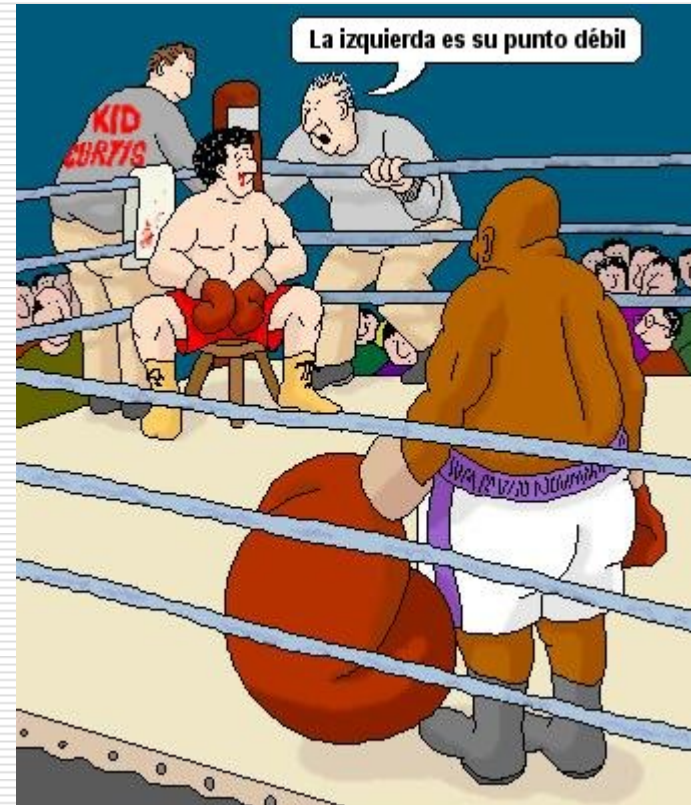
How does Benchmarking work?



1. Determine weaknesses
2. Establish a benchmark team
3. Brainstorm potential partners
4. Gather and study information
5. Use third party consultant
6. Apply benchmark results

Determine Weakness

- Comparisons
- Shortcomings
- Goals



Form a Team

- ❑ Find experts
- ❑ Involve related departments
- ❑ Set objectives



Set Targets

- Brainstorm
- Research
- Contact
- Learn
- Reciprocate



Analyze Benchmarked Information

- Gather
- Analyze
- Plan



Take Action

- Re-address the plan
- Test the plan
- Study the results
- Act



Summary

- ❖ Initiator
- ❖ Target
- ❖ Industry
- ❖ Customer
- ❖ Necessary
- ❖ Beneficial



QUESTIONNAIRE

BENCHMARKING



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