

### What is it?

1. **Benchmarking** is a technique in which you compare the processes of one organization with those of similar organizations to study ways to improve those processes.
2. **Benchmarking** is a tool to help you improve your business processes.
  - a. **Any** business process can be benchmarked.
3. **Benchmarking** is the process of identifying, understanding, and adapting outstanding practices from organizations anywhere in the world to help your organization improve its performance.
4. **Benchmarking** is a highly respected practice in the business world.
5. **Benchmarking** is an activity that looks outward to find best practice and high performance and then measures actual business operations against those goals.
6. **Benchmarking's** ultimate goal is to identify improvements that can make significant changes to the organization.

### Why use it?

1. To develop new ideas about how to modify and improve the selected process.
2. By **Benchmarking** you will find out;
  - Who performs the business process very well and has process practices that are adaptable to your own organization
  - Who is the most compatible for you to benchmark with

### When to use it?

1. For analyzing strategies to improve a process.
2. To calibrate an organization's performance against well-respected organizations.
3. To obtain information on the best practices of other organizations.
4. To set priorities and allocate resources by learning from what others are doing.

### How to use it:

1. **Select another organization to use as a "Benchmark."**
2. Identify an organization that provides similar services or that is a leader in the process and is also willing to share information with you.
3. **Contact the benchmark organization** to explain the purpose of your proposed visit, gain their support for the visit, and to set a date.
  - Collect data from organizations that have recognized ability or accomplishment in the activity.
  - Be prepared to share as much information as you receive from benchmarking partners.
4. **Make a site visit to collect data:**
  - Determine in advance the kind of information you want.
  - Send a list of questions to your benchmark contact so that he or she can prepare for your visit.
  - Agree on an agenda for the visit.
  - Arrange a meeting, tour the benchmark organization, and obtain answers to your questions.
  - Ask about the organization's future plans for the process you are investigating.
  - Be prepared to share comparable information about your own organization.
5. **Determine any important differences** between the process used by your organization and the process used by the benchmark organization.

6. **Present your findings to the team**, set new goals, and use the results to propose improvements in the process. Identify activities and practices to benchmark.
7. **Integrate and analyze** the data.
8. **Act on the information** collected by implementing features that can be adapted to your own organization.
9. **Monitor** improvements and conduct ongoing benchmarking.

One of the biggest mistakes people make when beginning their benchmarking endeavor is that they only look to benchmark someone within their own industry. Although this doesn't hurt, you probably already know enough about your industry to know what works and what doesn't. Instead how about benchmarking a company that is well known for being a good model. Sometimes referred to as Best Practices, Exemplary Practices, and Business Excellence.

**As described below, learning strategies are often used in combination with one another or may be closely linked to one another.**

**Association Scorecard:** A Corporate Scorecard is an internal tracking and measurement system designed to help achieve long-term goals. **Benchmarking** is a method for comparing an organization's activities against other organizations for the purpose of improving functions and performance.

**Strategic Planning:** A Strategic Planning process may involve using the results of **Benchmarking** to help analyze and make changes to its strategic direction.

### **Example Xerox Corporation**

Xerox has used benchmarking to measure its products and processes against similar world-class operations. The organization has partnered with:

- American Express to study billing and collection.
- Ford Motor Corporation to study plant layout.
- L.L. Bean and Hershey Foods for warehousing and distribution.
- Florida Power and Light for its quality process.

### ***Avoid these ten benchmarking mistakes***

**Benchmarking** has become embedded in most organizations as part of the way they stay competitive. But there are lots of opportunities for **benchmarking** to go wrong. Here are some of the most common mistakes organizations make when **benchmarking**, and how you can avoid them.

#### **Mistake #1. Confusing benchmarking with participating in a survey.**

A survey of organizations in a similar industry to yours is not really benchmarking, whatever it may be called. Such a survey will give you some interesting numbers, but benchmarking is the process of finding out what is behind the numbers. In other words, a benchmarking survey may tell you where you rank, but it won't help you improve your position.

#### **Mistake #2. Thinking there are pre-existing "benchmarks" to be found.**

Just because some survey or study says that a cost of \$2.35 is the "benchmark" cost of a particular transaction, does not mean that you must perform that transaction for that price. The so-called "benchmark" may simply not be applicable to your markets, customers or resource levels. Insist on identifying your own

benchmarking partners and finding out from them what is achievable, and then whether you can achieve a similar level of performance.

**Mistake #3. Forgetting about service delivery and customer satisfaction.**

Benchmarking stories abound of organizations that have become so fixated on the cost of providing their product or service that they have failed to take the customer into account. Paring down the costs often rebounds in lesser service delivery, so customers go elsewhere and ultimately you don't have a business. Take a "balanced scorecard" approach when developing your benchmarking metrics.

**Mistake #4. The process is too large and complex to be manageable.**

A process is a group of tasks. A system is a group of processes. Avoid trying to benchmark a total system - it will be extremely costly, take ages, and be difficult to remain focused. Better to select one or several processes that form a part of the total system, work with it initially and then move on to the next part of the system.

**Mistake #5. Confusing benchmarking with research.**

Benchmarking presupposes that you are working on an existing process that has been in operation long enough to have some data about its effectiveness and its resource costs. Commencing a new process, such as developing a new employee handbook by collecting other people's handbooks and taking ideas from them, is research, not benchmarking.

**Mistake #6. Misalignment.**

Choosing a benchmarking topic that is not aligned with the overall strategy and goals of the business & ends; or worse, cuts across some other initiative the organization is already taking. A Lead Team at the strategic level needs to oversee the benchmarking project and make sure that it is in line with what is happening in the business as a whole.

**Mistake #7. Picking a topic that is too intangible and difficult to measure.**

"Employee communication" is probably the most slippery concept that exists in an organization, but it is often cited as one of the worst problems, so many organizations try to benchmark it. Encourage your benchmarking team to select instead a part of the topic that can be observed and measured; for instance, the process of distributing memos around the organization.

**Mistake #8. Not establishing the baseline.**

Going out to make benchmarking visits before you have analyzed your own process thoroughly. *Benchmarking* assumes that you already know your own process and its level of performance thoroughly. After all, that information is what you have to offer to your benchmarking partners in exchange for the information you are seeking from them. Make sure your benchmarking team is very clear about what it wants to learn before you approach potential *benchmarking* partners.

**Mistake #9. Not researching benchmarking partners thoroughly.**

This is essential in selecting the right benchmarking partners, so you don't waste their time or yours. There is a rule of benchmarking etiquette that says you should never ask a benchmarking partner a question that you should have been able to answer for yourself through researching the literature in the public domain.

**Mistake #10. Not having a code of ethics and contract agreed with partners.**

Your partners should be clear about what you are seeking to learn from them, how that information will be treated, who will have access to it and for what purposes it will be used. Ideally, this should be formally agreed.

**SAMPLE REPORTS****Benchmarking Assessment**

The final ENALYSIS benchmarking assessment report is filled with information to help manufacturers gain a better understanding of the opportunities and challenges facing their company by identifying:

- Areas of High Performance
- Areas that Need Attention
- Areas for Investment
- Areas that May be Impeding Growth

ENALYSIS benchmarking assessments typically focus on the following performance areas:

- Management Practices
- Human Resources
- Market Management
- Operations Management
- Quality Management
- Information Management