

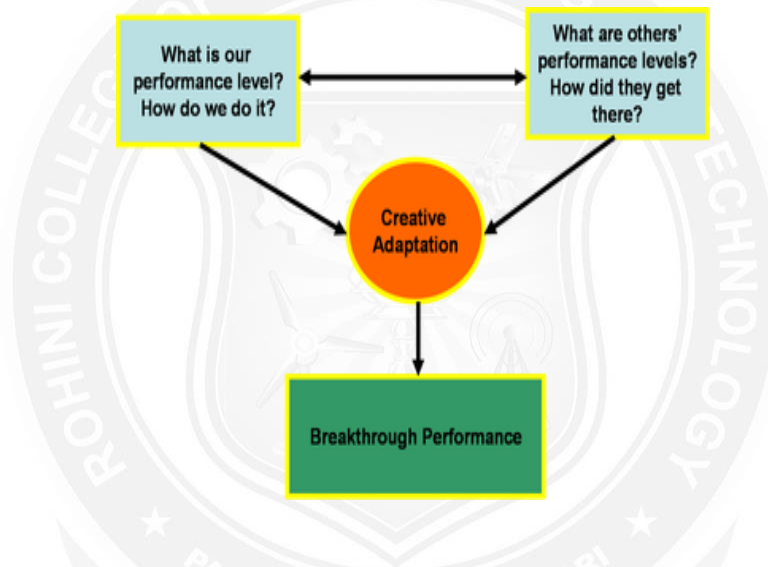
3.4 BENCH MARKING

Benchmarking is a way to go backstage and watch another company's performance from the wings, where all stage tricks and hurried realignments are visible.

Levels of Benchmarking

There are three levels of benchmarking:

1. Internal benchmarking (within the company)
2. Competitive or strategic benchmarking (Industry and competitors)
3. Benchmarking outside the industry.



TYPES OF BENCHMARKING

PROCEDURE OF BENCHMARKING:

The following is an example of a typical shorter version of the methodology:

1. Identify your problem areas:

Because benchmarking can be applied to any business process or function, a range of research techniques may be required. They include: informal conversations with customers, employees, or suppliers; exploratory research techniques such as focus groups; or in-depth marketing research, quantitative research, surveys, questionnaires, re-engineering analysis, process mapping, quality control variance reports, or financial ratio analysis. Before embarking on comparison with other organizations it is essential that you know your own organization's function, processes; base lining performance provides a point against which improvement effort can be measured.

2. Identify other industries that have similar processes:

For instance if one were interested in improving hand offs in addiction treatment he/she would try to identify other fields that also have hand off challenges. These could include air traffic control, cell phone switching between towers, transfer of patients from surgery to recovery rooms.

3. Identify organizations that are leaders in these areas:

Look for the very best in any industry and in any country. Consult customers, suppliers, financial analysts, trade associations, and magazines to determine which companies are worthy of study.

4. Survey companies for measures and practices:

Companies target specific business processes using detailed surveys of measures and practices used to identify business process alternatives and leading companies. Surveys are typically masked to protect confidential data by neutral associations and consultants.

5. Visit the “best practice” companies to identify leading edge practices:

Companies typically agree to mutually exchange information beneficial to all parties in a benchmarking group and share the results within the group.

6. Implement new and improved business practices:

Take the leading edge practices and develop implementation plans which include identification of specific opportunities, funding the project and selling the ideas to the organization for the purpose of gaining demonstrated value from the process.

REASONS TO BENCHMARK:

Benchmarking in Total Quality Management (TQM) can help businesses in a number of ways, including: **Evaluating performance**

Benchmarking can help businesses compare their performance to competitors and identify areas for improvement.

Improving performance

Benchmarking can provide insights into how leading companies achieve their results, which can help businesses match or exceed their performance.

Identifying best practices

Benchmarking can help businesses identify where they fall short of current best practice and determine what action is needed to either match or exceed best practice.

Strategic planning

Smaller businesses with limited budgets can learn a lot about how to plan strategically by following their competitors' activities on social media or checking their websites for product and pricing data. Benchmarking is an important performance evaluation tool, but it should never be the primary strategy for improvement. To make meaningful comparisons, it is essential to conduct this process accurately and with appropriate data sources.

PROCESS BENCHMARKING:

The initiating firm focuses its observation and investigation of business processes with a goal of identifying and observing the best practices from one or more benchmark firms. Activity analysis will be required where the objective is to benchmark cost and efficiency; increasingly applied to back-office processes where outsourcing may be a consideration.

Financial benchmarking

Performing a financial analysis and comparing the results in an effort to assess your overall competitiveness.

Performance benchmarking

Allows the initiator firm to assess their competitive position by comparing products and services with those of target firms.

Product benchmarking

The process of designing new products or upgrades to current ones. This process can sometimes involve reverse engineering which is taking apart competitors products to find strengths and weaknesses.

Strategic benchmarking

Involves observing how others compete. This type is usually not industry specific meaning it is best to look at other industries.

Functional benchmarking

A company will focus its benchmarking on a single function in order to improve the operation of that particular function. Complex functions such as Human Resources, Finance and Accounting and Information and Communication.

Technology are unlikely to be directly comparable in cost and efficiency terms and may need to be disaggregated into processes to make valid comparison.

PITFALLS AND CRITICISMS OF BENCHMARKING

Some pitfalls and criticisms of benchmarking in Total Quality Management (TQM) include:

Lack of context

Benchmark data may be presented without its short-term and long-term context, making it difficult to identify areas for improvement.

Outdated or inconsistent data

Data that is outdated, inconsistent, or unavailable can make findings inaccurate.

Focusing too much on the competition

Benchmarking can lead to a focus on the competition at the expense of a company's own strengths and capabilities.

Aiming to match the industry leader

Benchmarking can lead to complacency if the goal is to match the industry leader instead of surpassing them.

Cost and time

Benchmarking can be time-consuming and costly because it requires gathering and analyzing data from external sources.

Other pitfalls

Other pitfalls include:

Skipping clear objectives

Choosing the wrong benchmarks

Benchmarking too many KPIs

Assuming that numbers and performance stay stable for long periods

Benchmarking is a tool that compares a company's processes, products, and outcomes with those of the best performers in its industry.