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Benchmarking

Key Learning Points

1. Explain how Benchmarking is useful in improvement projects.

2. Describe the difference between Benchmarking and competitor research.

3. Benchmark your process against similar processes.

What is Benchmarking?

Benchmarking is an improvement tool where a company measures its performance against another's best-in-class practices. A benchmarking study determines how best-in-class organizations achieved their performance levels and uses that information to improve performance.

Target

Benchmarking provides targets and goals for an organizations products or processes.

Perspective

It offers business perspectives that were previously unknown.

Identification

It helps to identify problem areas.

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Characteristics

Benchmarking is a process for obtaining a measure – a benchmark. Simply stated, benchmarks are the "what," and benchmarking is the "how." Benchmarking is not a quick or simple process tool. Before undertaking a benchmarking opportunity, it is important to have a thorough understanding of the company's guidelines. Some companies have strict guidelines as to what information can be gathered, and whom practitioners can contact to get that information. Depending on the size of the company, practitioners may be surprised at what is readily available in-house.

Benchmarking is not just a matter of making inquiries to other companies or touring and documenting another company's facilities or processes. When making use of benchmarking, a company should not limit the scope to its own industry, nor should benchmarking be a one-time event.

Benchmarking vs. Competitor Research

While competitor research is neither a better nor a worse practice than benchmarking, the important thing is to understand that there is a difference between the two. Available time and resources will help decide which tool will add the most value. The following table represents experience in dealing with the two practices:

Benchmarking	Competitor Research
Focuses on best practices	Focuses on performance measures
Strives for continuous improvement	Bandage or quick fix
Partnering to share information	Considered corporate spying (by some)
Adapt based on customer needs after examination of the best	Attempt to mirror another company or process

Classifications

Internal Benchmarking

Internal benchmarking is used when a company already has established and proven best practices and they simply need to share them. Again, depending on the size of the company, it may be large enough to represent a broad range of performance (i.e., cycle time for opening new accounts in branches coast to coast). Internal benchmarking also may be necessary if comparable industries are not readily available.

Competitive Benchmarking

Competitive benchmarking is used when a company wants to evaluate its position within its industry. In addition, competitive benchmarking is used when a company needs to identify industry leadership performance targets.

Strategic Benchmarking

Strategic benchmarking is used when identifying and analyzing world-class performance. This form of benchmarking is used most when a company needs

to go outside of its own industry. Six Sigma often uses Hoshin to ensure that all employees are knowledgeable about the strategic direction for the company. Within a company's Hoshin plan, goals are established relative to benchmarks set by world-class organizations. Often, these benchmarks are obtained from outside industries.

Going outside one's own industry is often challenging for a company. Keep in mind, however, that customer satisfaction is driven by critical-to-quality measures that are similar regardless of the industry.

Steps in Benchmarking

1. Understand the company's current process performance gaps. This will help decide what needs benchmarking.

2. Obtain support and approval from the executive leadership team. That approval and support will assist with eliminating roadblocks, providing adequate resources and expediting the benchmark-gathering process.

3. Document benchmarking objectives and scope. This is a necessity for any project.

4. Document the current process. Without up-to-date knowledge of the current process:

    a. Time and resources can be wasted collecting process documentation and data that already exists.

    b. The project may lack focus, purpose and/or depth.

    c. Benchmarking visits may appear to be random exercises in information-gathering.

    d. The team could select a partner whose performance is actually worse than that of its own organization.

    e. Collected benchmarking data will be difficult to compare "apples to apples" in terms of process requirements.

5. Agree on the primary metrics. Benchmarking measurements are used as the basis of many comparisons:

    a. To determine the gap between current performance and that of partner organizations.

    b. To track progress from the present (with the current process) into the future.

    c. To track partners' progress toward their goals.

    d. To determine superior performance with process improvements.

    e. To use a measurement systems analysis (MSA):

    - These comparisons will be valid only if everyone participating in the

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study measures performance in exactly the same way – every time.

- It is important to make sure metrics are being established that potential benchmarking partners are probably already tracking or that can be easily derived from existing measurements.

6. The metrics should be put in writing. In particular:

    a. What is being measured

    b. How the units of measure will be classified.

    c. What should be included in the measurement.

    d. What should not be included.

    e. How to make any necessary calculations.

    f. Examples of typical measurements.

7. Agree on what to benchmark. Everyone must be in agreement on what to benchmark prior to any benchmark gathering initiative in order to:

    a. Understand gaps of low performers.

    b. Understand impact to customers, associates and shareholders.

    c. Prioritize and select one to three metrics to benchmark.

8. Develop a data collection plan.

9. Identify research sources and initiate data gathering.

10. Design a screening survey to assist with partner selection. Characteristics of the survey are important:

    a. Crisp focus on indicators of excellence

    b. Two pages maximum

    c. 30 minutes maximum to complete

    d. Objective, multiple-choice questions

    e. Communicates the plans, objectives and resource requirements for the study

    f. Reflects focus areas for subsequent in-depth questionnaires

11. Determine how to contact and screen companies.

12. Design a detailed survey to gather information.

13. Decide if gathered information meets original objectives.

14. Conduct a site visit.

15. Apply the learnings to performance gaps.

16. Communicate to the executive leadership to ensure continued support.

17. Develop a recommended implementation plan with process owner.

18. Know when to update and recalibrate.

When Should Benchmarking Be Used?

Benchmarking should be used when trying to find a new solution or new target to achieve. It is also used when trying to determine what is best-in-class.

Pitfalls to Avoid

- Benchmarking can slow an improvement project down.

- Just because you have collected best practices doesn't mean that your culture will accept those best practices.