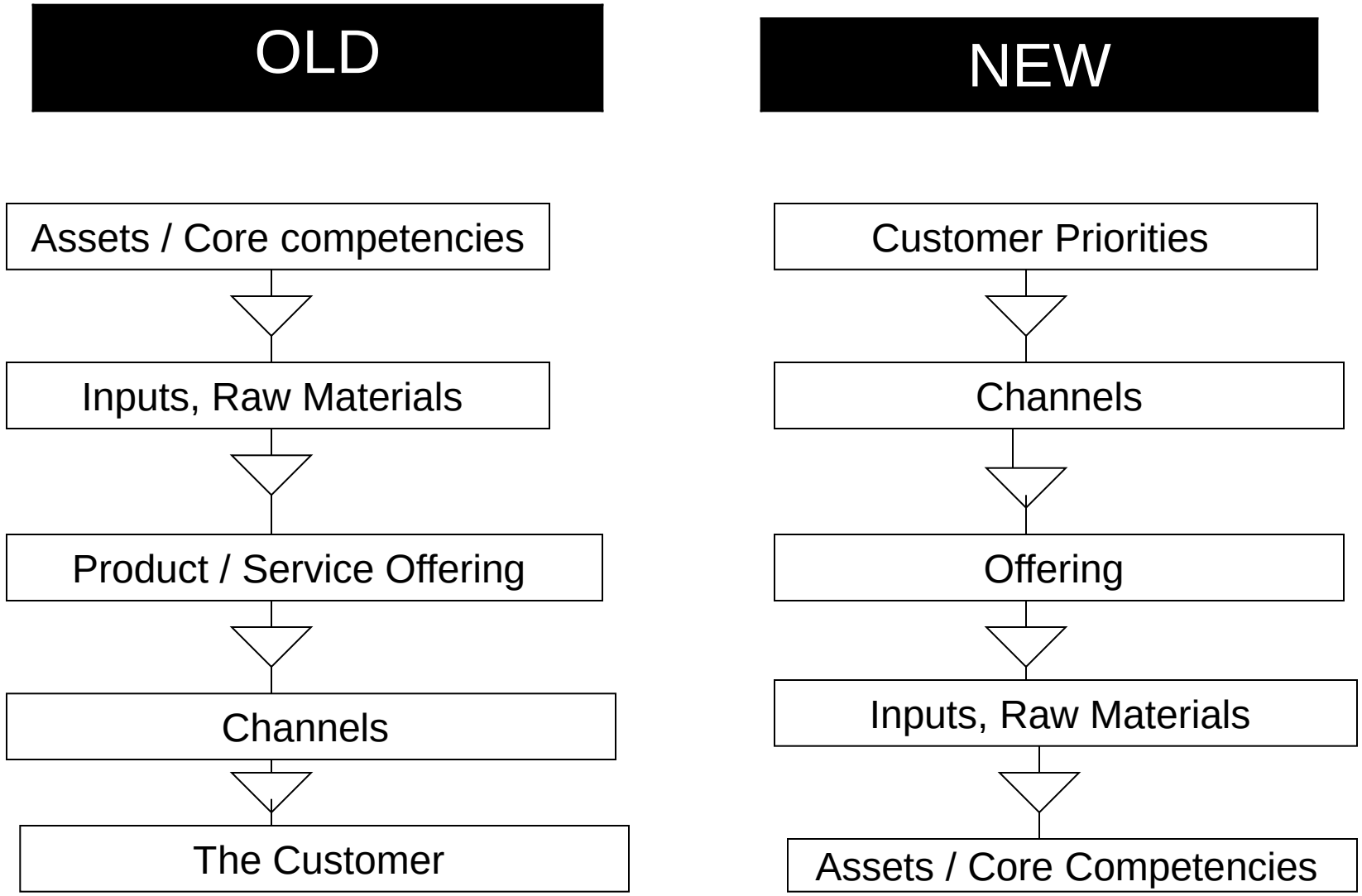
Benchmarking

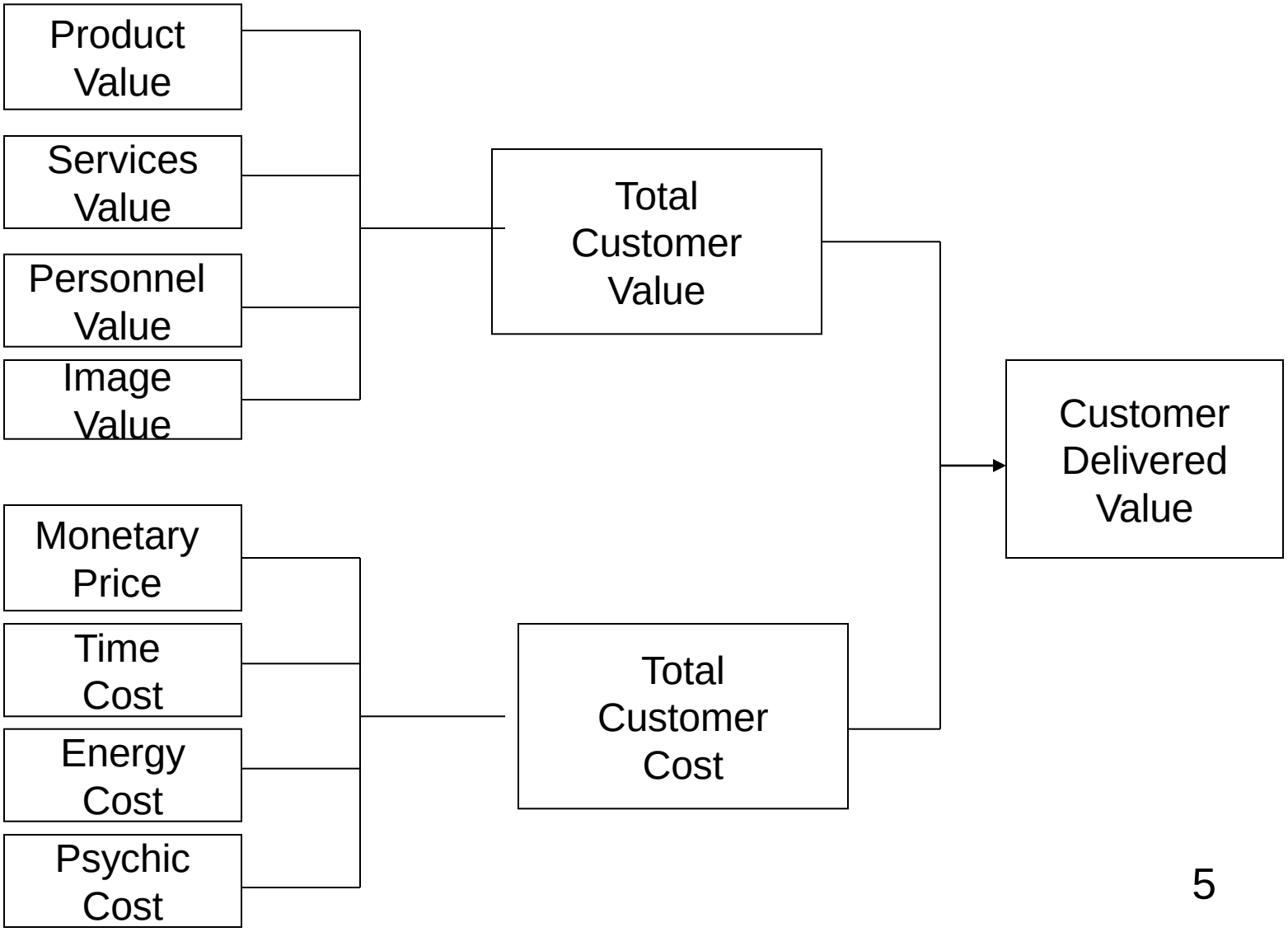
Only a mouse finds its hands full with a Couple of food grains. Small desires do not behove you. Commit yourself to a lofty target worthy of you. Be convinced that you will succeed.

Mahabharata. Udhyoga Parva
Mother Kunti's exhortation to the Pandava Princes and Krishna

THE CUSTOMER LED VALUE CHAIN



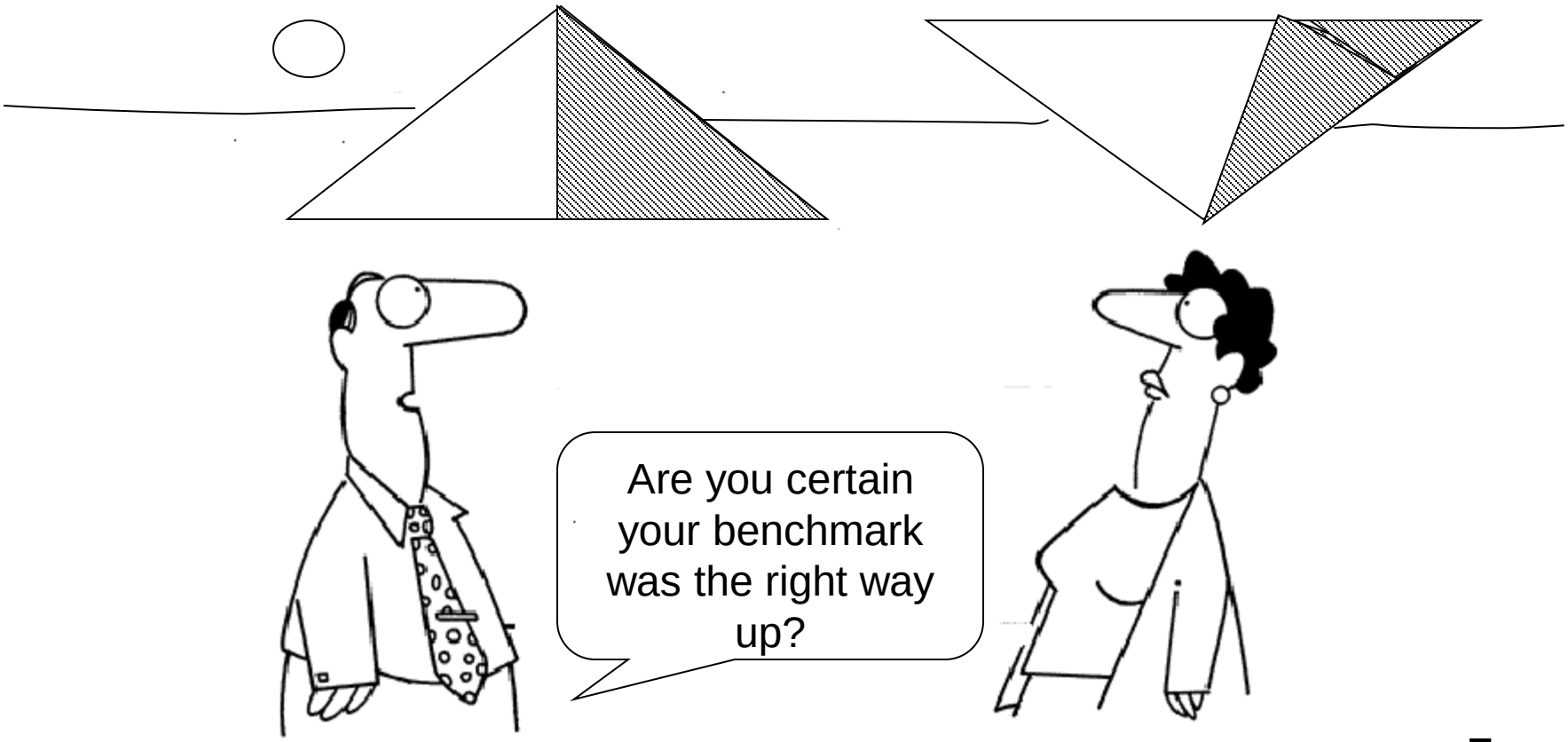
DETERMINANTS OF CUSTOMER ADDED VALUE



WHAT IS BENCHMARKING

The process of identifying, understanding and adapting outstanding practices and processes from organizations anywhere in the world in order to help your own organization to improve its performance.

A reference or measurement standard for comparison



WHY BENCHMARK ?

- Uses a disciplined, structured approach
- Identifies what needs to change
- Identifies how to change it
- Identifies the potential for improvement
- Creates the desire for change

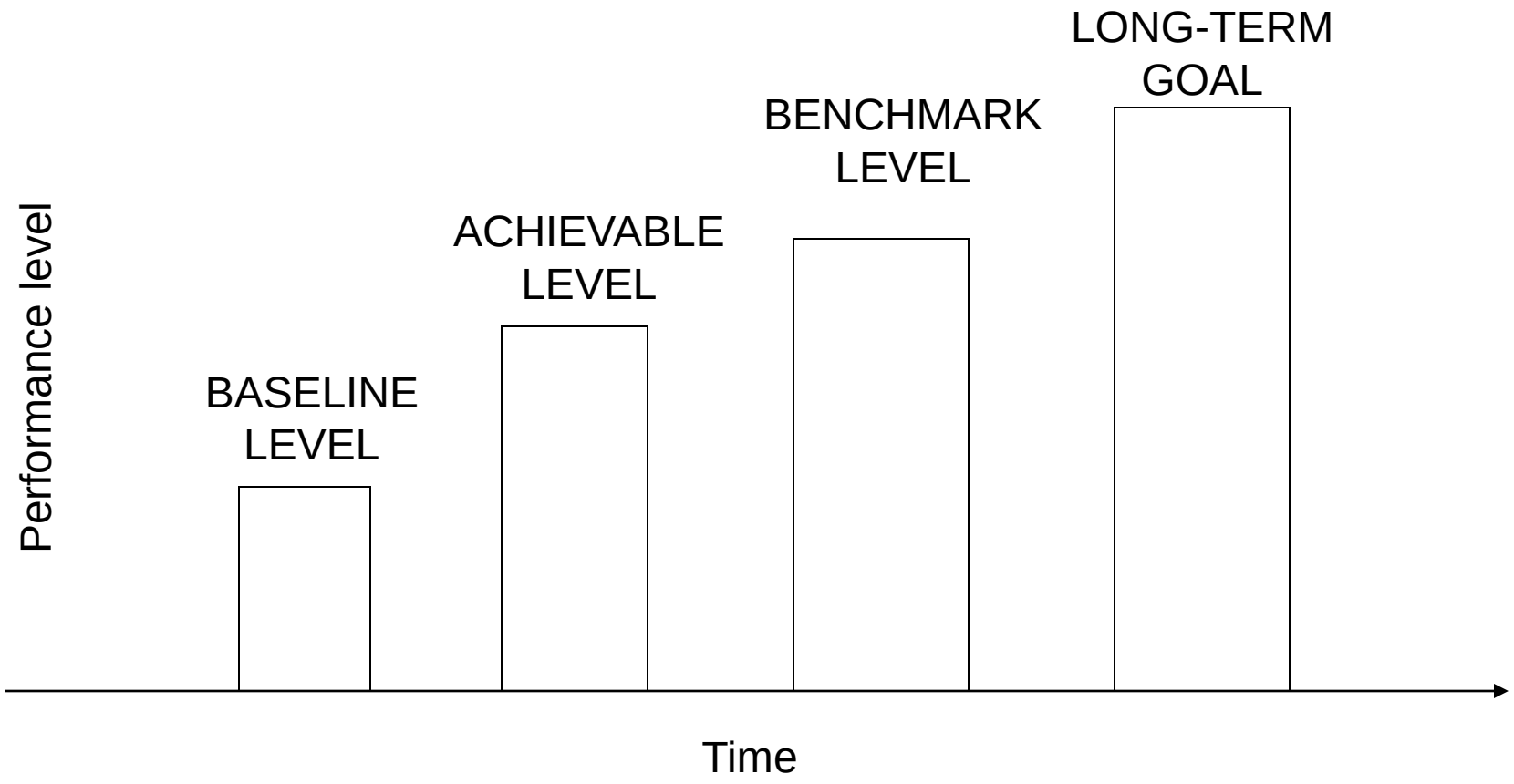
REASONS FOR BENCHMARKING

- Strategic planning – for developing short long-term plans
- Product comparisons – comparing with competitors or best – practice organizations.
- Forecasting – predicting trends in relevant areas
- Goal setting – establishing performance goals in relation to state-of-the-art practices.

BENEFITS OF BENCHMARKING

- It develops realistic stretch goals and strategic targets.
- It establishes realistic action plans for implementation
- It encourages a striving for excellence, breakthrough thinking and innovation
- It creates a better understanding of competitors and dynamics of industry
- It emphasizes sensitivity to changing customer needs.

LEVELS OF BENCHMARKING



LEVELS OF BENCHMARKING

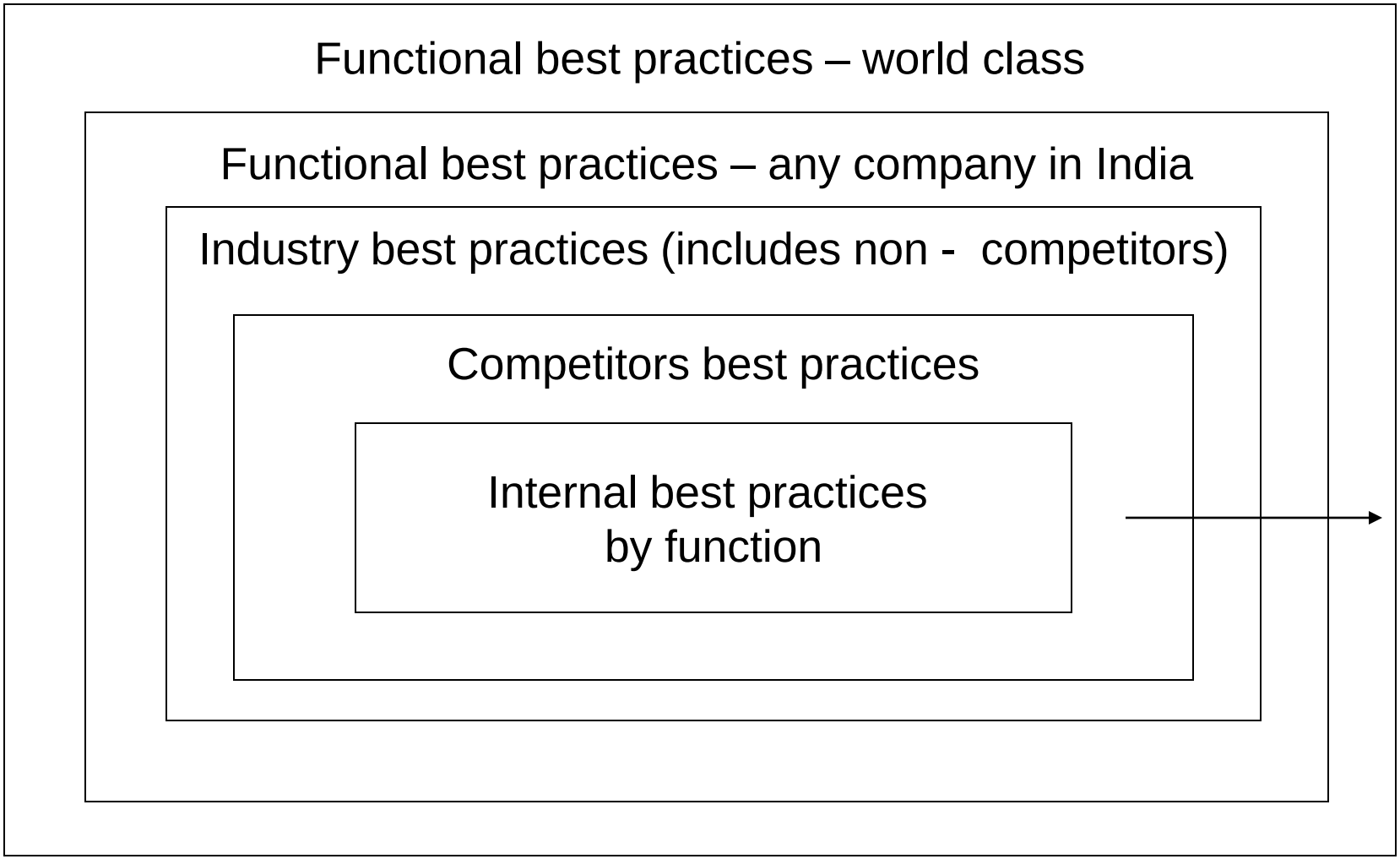
1. The baseline or current performance level

2. The achievable level, which is the best performance that can be achieved using current resources in order to eliminate waste and improve the cycle time

3. The benchmark level, which is the potential level of performance that has been identified from the benchmarking study.

4. The long-term goal, which is the future target performance level.

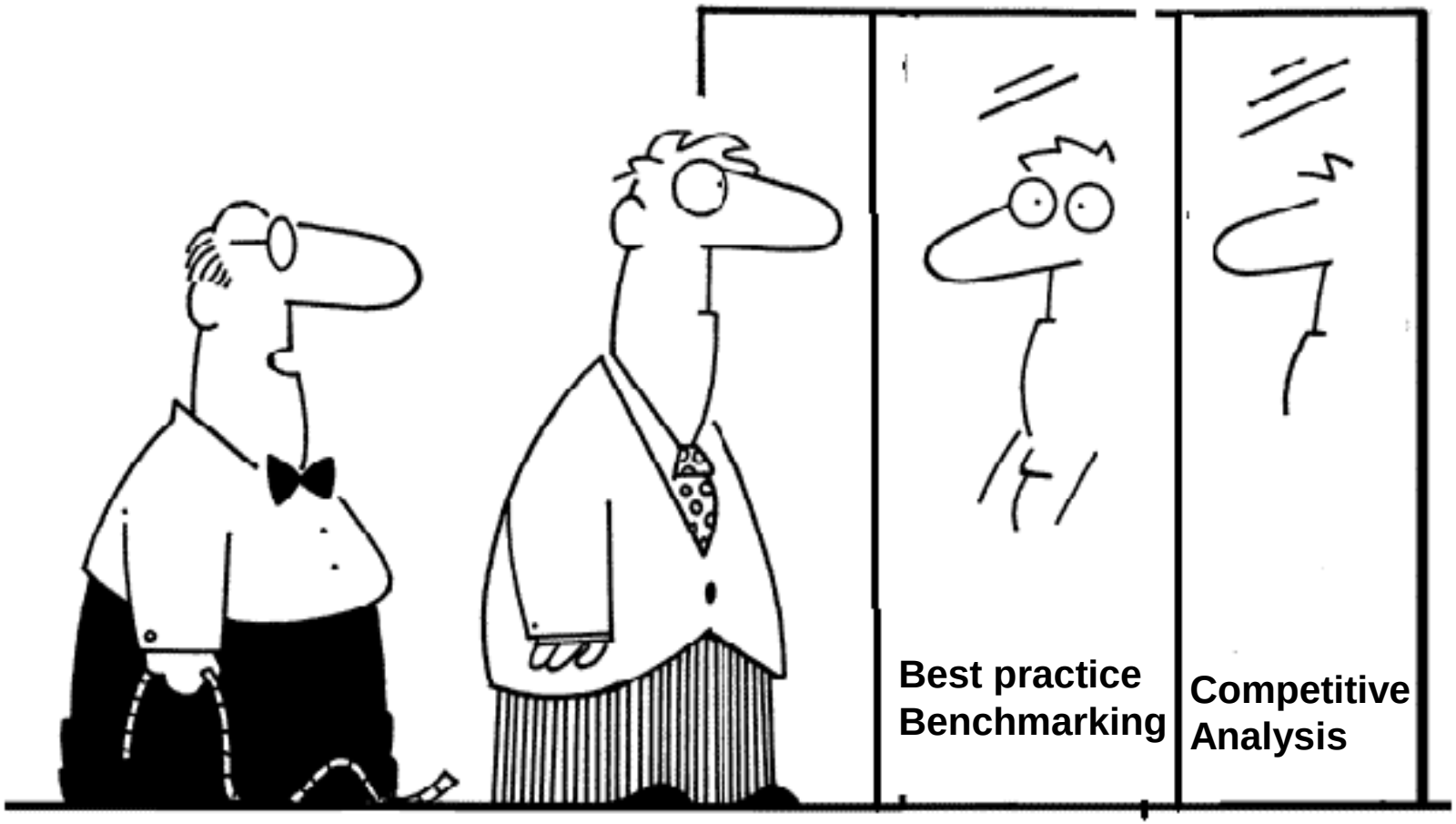
BENCHMARKING - PERSPECTIVE



BEST PRACTICE BENCHMARKING

- Internal
- Competitive
- Functional
- Generic

DIFFERENT TYPES OF BENCHMARKING

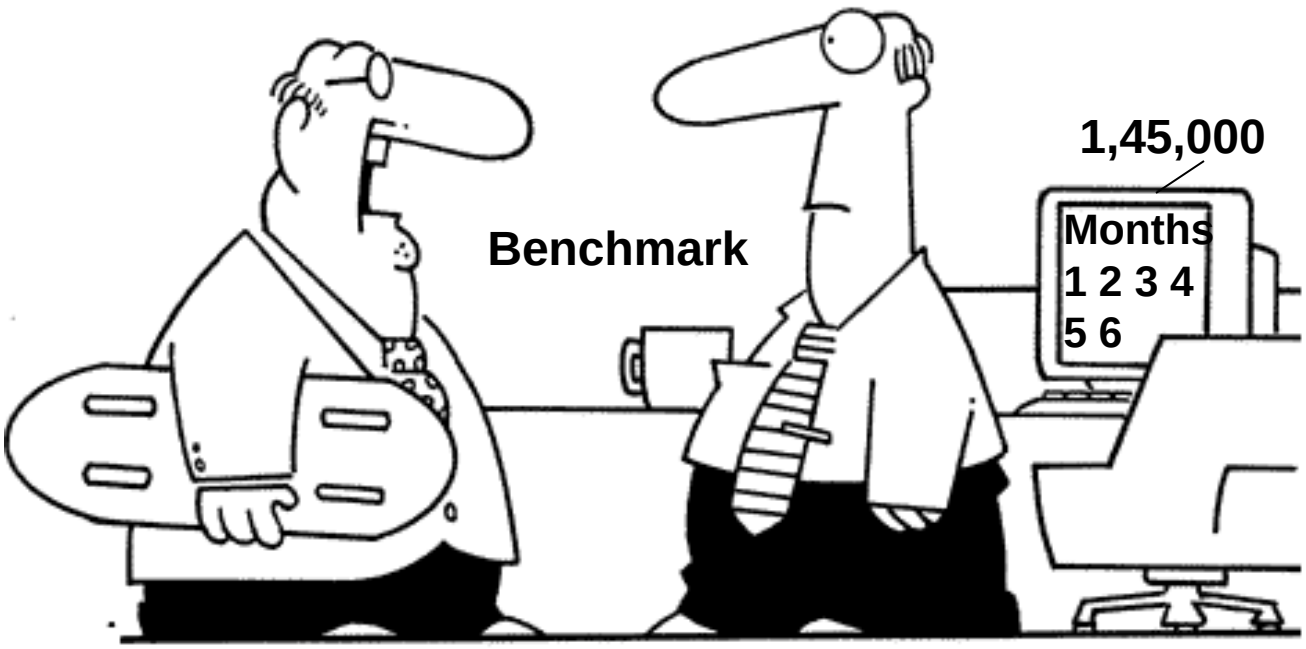


COMPETITIVE ANALYSIS

Focus	Market	Business
Strategic	● Industry Analysis	● Customer satisfaction ● Employee Satisfaction ● Community perception ● Business results
Tactical	● Product positioning ● Reverse engineering	● Process performance ● Measures

Where do we start?

The level of effort



- Reduced costs
- Increased sales
- Greater customer retention
- Enhanced market share

BENCHMARKING

The key factors for success

- Adopting a formal approach to Benchmarking
- The total involvement of the top management
- No competition in the information shared
- Two-way exchange of information
- Building a relationship of trust and alliance
- Benchmarking firms should be of the same size
- Target Managers should not be overburdened.

THE KEY ELEMENTS OF BENCHMARKING EFFORTS

- Management support and direction
- A systematic approach
- Research facilities
- Networking
- A code of conduct
- Training for team members and process owners
- An internal database of study plans, programme reports and results
- Internal communication to share successes learning

THE BENCHMARKING GUIDE

Don’t go on a fishing expedition – Pick a specific area where you want to improve and do your homework well.

Make people implement the changes – It wont help if Senior Executives do the Benchmarking, involve process owners.

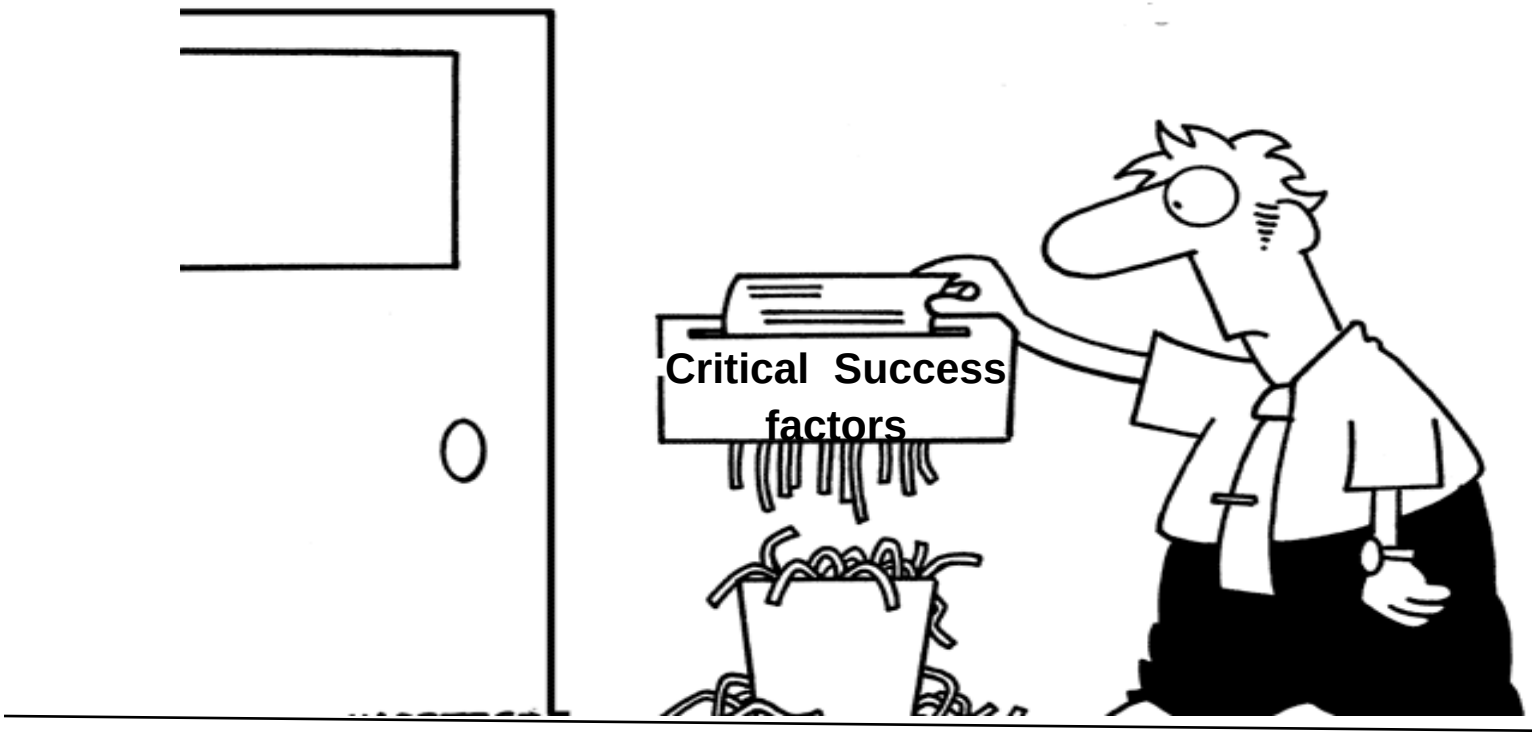
Be prepared to share information – you should be willing to answer any questions you ask another company

Avoid legal problems – Don’t poach information - discussions that imply illegal activities spell trouble.

Respect confidentiality – companies that do not mind sharing data with you may not want it going to a competitor.

PLANNING THE STUDY

- Form the benchmarking team
- Establish the process to be benchmarked
- Document the current process
- Define the topic areas for data collection

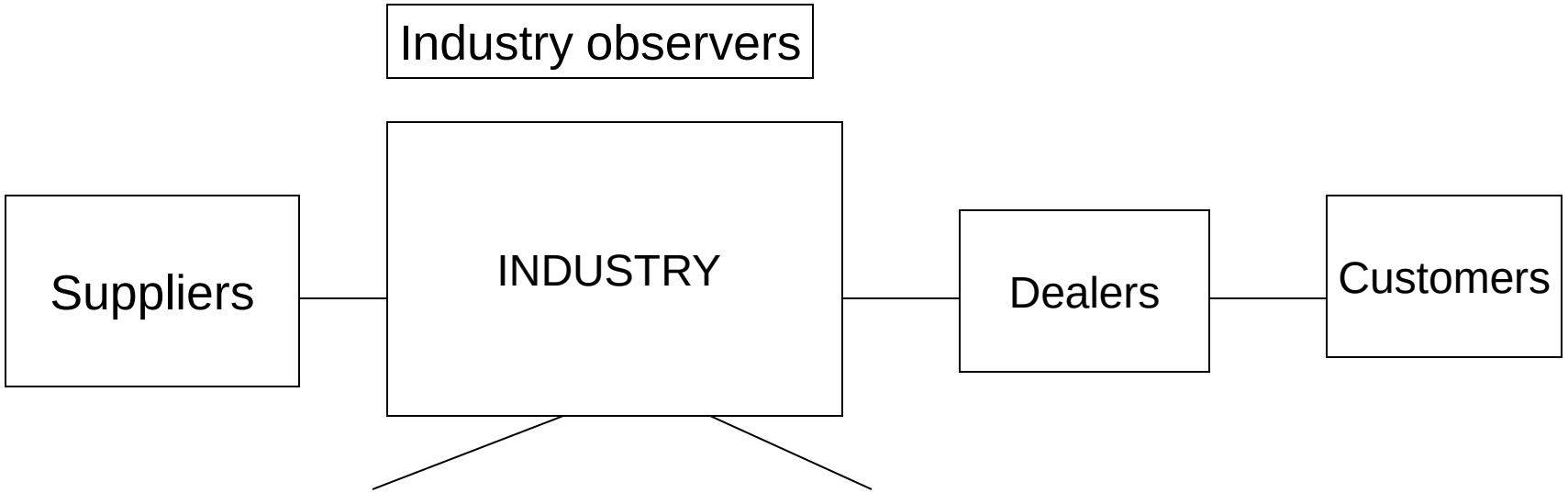


IDENTIFYING POTENTIAL BENCHMARKING PARTNERS

Standard's setting organizations
Opinions
Press, particularly editors of trade and
Local press
Where facilities or headquarters are
Located
Local organizations
Universities and authors who publish
in the field

- Government offices
- Market – research groups
- International organizations
- Watching groups
- Financial community
- Agencies involved in regulation
- industry promotion and financing

IDENTIFYING POTENTIAL BENCHMARKING PARTNERS



Internal sources:

- Market –research staff
- Sales force
- Service organizations
- Engineering staff
- Purchasing department
- Research and development

Service organizations:

- Trade associations
- Investment banks
- Consultants
- Auditors
- Commercial banks

Analyzing and using the Data

- Normalize the performance data
- Construct a comparison matrix
- Identify the best practices
- Isolate the involved process enablers

Constructing a comparison matrix

- The Study Subject
- The Business profile
- The environment / culture
- Organization results
- Study measures

ADAPTING THE BEST PRACTICES AND ENABLERS

Successful implementation will be dependent on two things. These are:

- Support from upper management and process stakeholders
- An organized strategy with realistic, actionable improvement goals

The key steps in the ‘Adapt’ stage are:

- Communicate findings and gain a commitment to change
- Set goals to close the gaps
- Adapt the enablers
- Develop the implementation plan and implement it
- Monitor the report on progress

Constructing a comparison matrix

Study measure	Own Hospital	Hospital A	Hospital B	Hospital C
First contract on entering Casualty department	00:04:00	00:08:30	00:08:30	00:00:30
Patient enters treatment Room	00:28:00	01:07:00	00:12L45	00:15:30
Doctor begins treatment	00:41:00	01:24:00	00:48:00	00:29:00
Number of annual Casualty	44,000	52,500	44,000	36,500
Average number of Visits per day per doctor	60	72	81	67

Study Subject : minimizing the time taken to process a patient (cycle time)

Developing the implementation plan and implementing it

Process studied Related Critical Success Factor			
Process owner:		Date:	
Benchmarking team members			
Objective of study :			
Summary of study results			
Benchmarks observed			
Measure	Our performance	Benchmark	Benchmark company
Short – term goals	Date	Long-terms goals	Date

Bench marking implementation plan summary sheet

The concept of business strategy

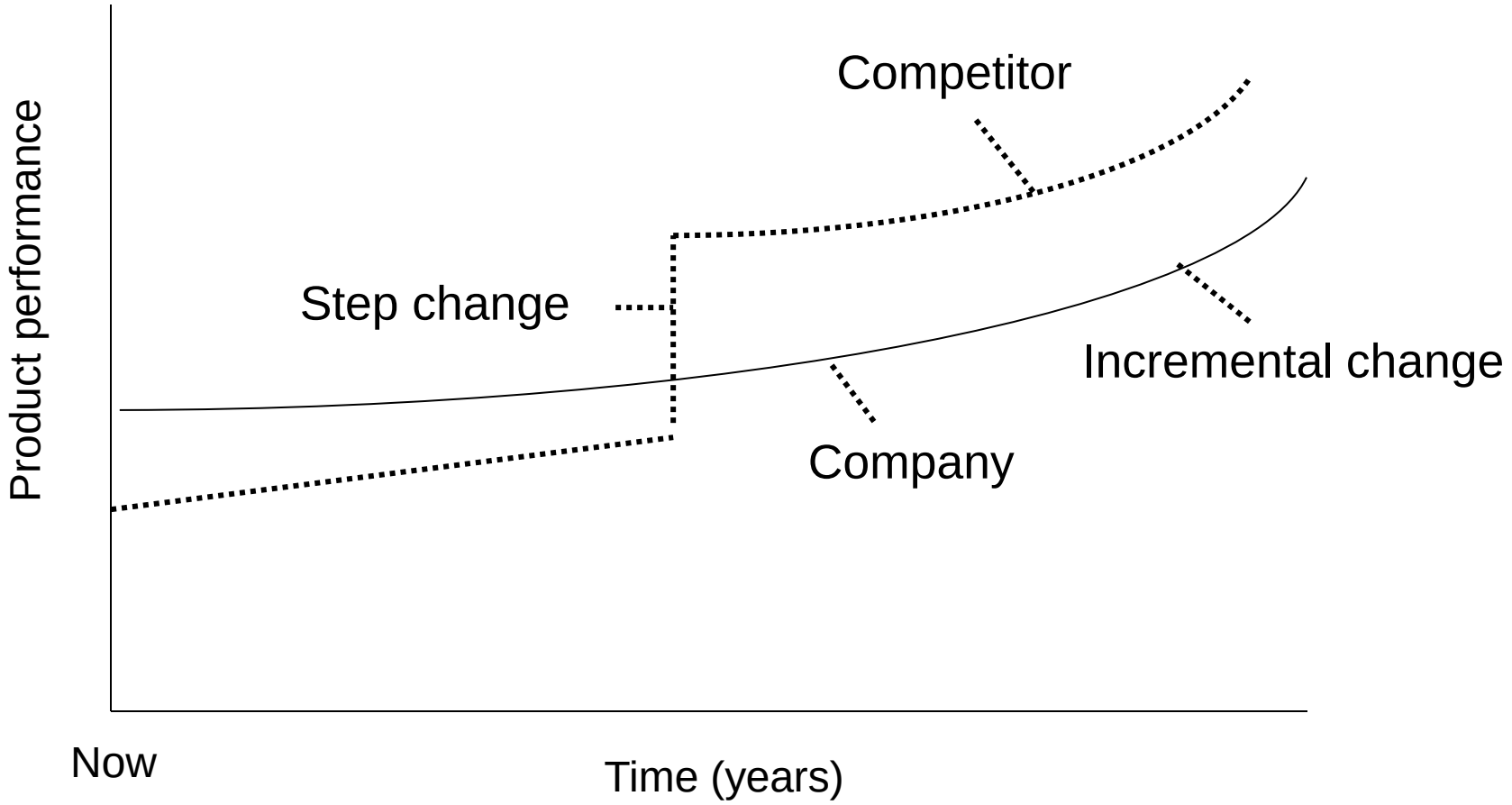
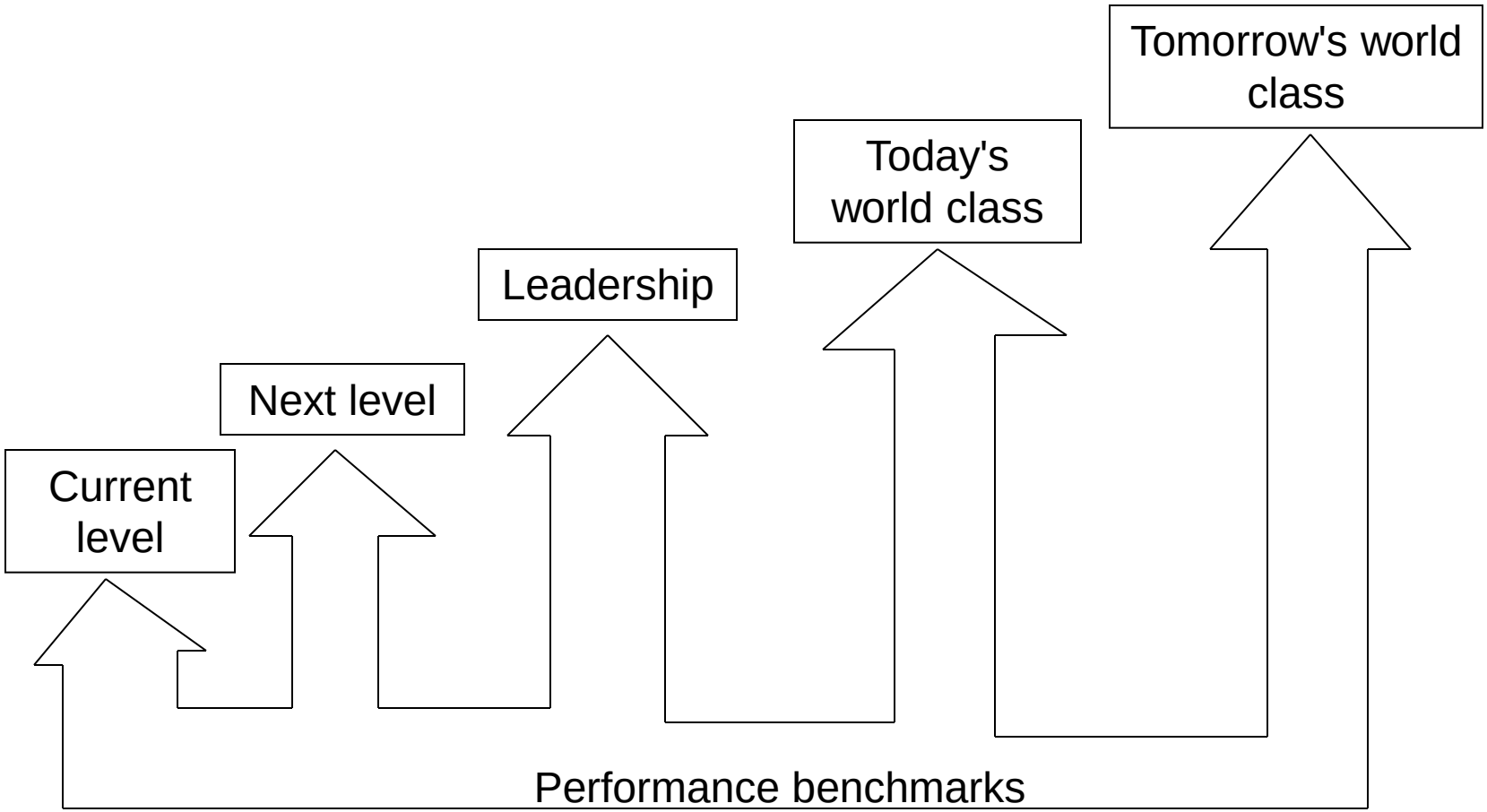


Fig. 1.5 Benchmark projection of product performance.

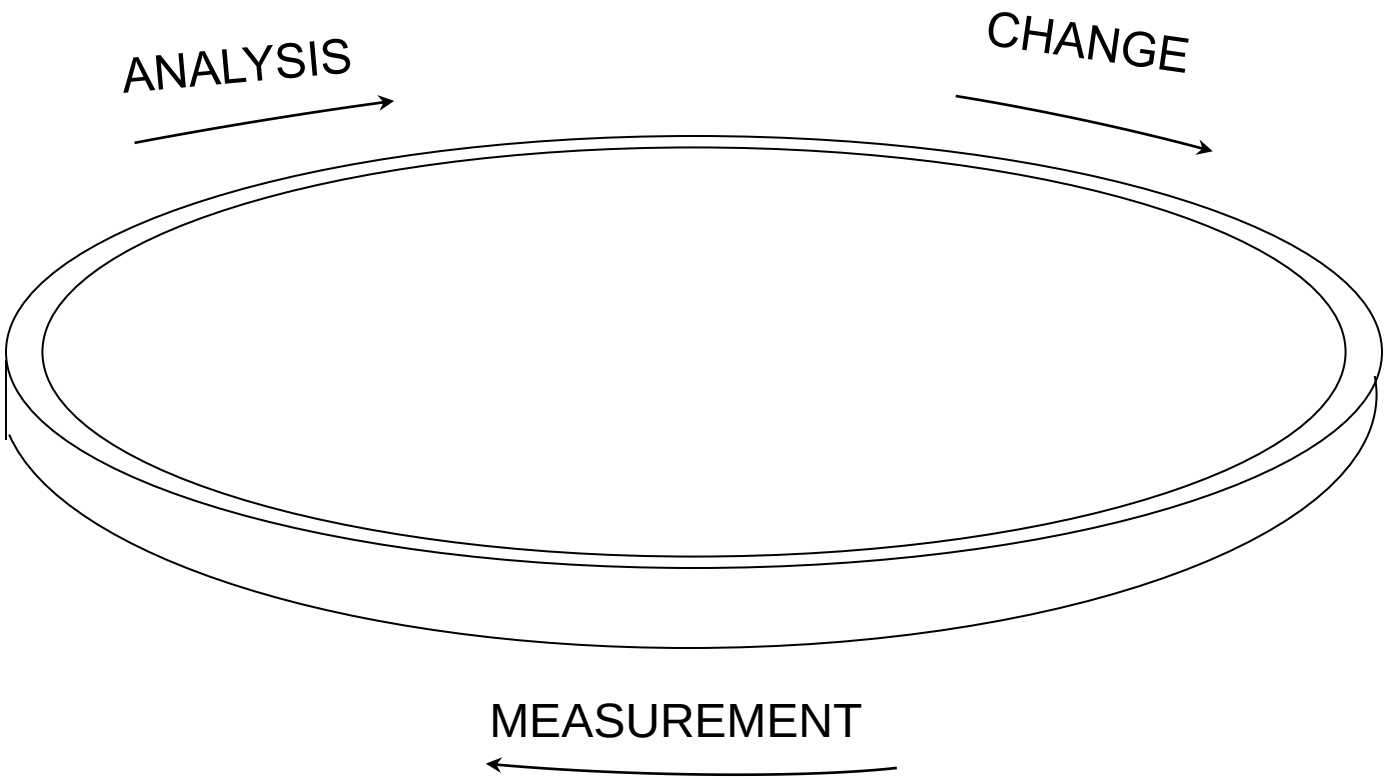
The benchmarking principle:



Source: Adapted from C.Y. McNair and K.H.Y. Leibfried : Benchmarking : A tool of continuous improvement (New York, Harper Business, 1992). P. 33. Copyright 1992 C.J. McNair and K.H.Y. Leibfried. Reprinted by permission of Harper Cottons Publishers. Inc

Outline of Benchmarking steps:

- Interview Internal Staff
- Gather internal information
- Prepare questionnaire
- Conduct external intern vies
- Analyze and contract data
- Report
- Establish entity goals
- Develop action plans
- Communicate results
- Implement specific action
- Monitor programmes
- Recalibrate benchmarks



- Identify scope for benchmarking
- Identify appropriate drivers and performance drivers
- Identify potential external organization to benchmark

Source: W. Kreuz : Competitive benchmarking : Will it change your strategy ? (Unpublished paper, 1992)

THE BENCHMARKING ROADMAP

Key players

1 Stakeholders

2 Executive champions

3 Process sponsor

4 Benchmarking team (leader / facilitator)

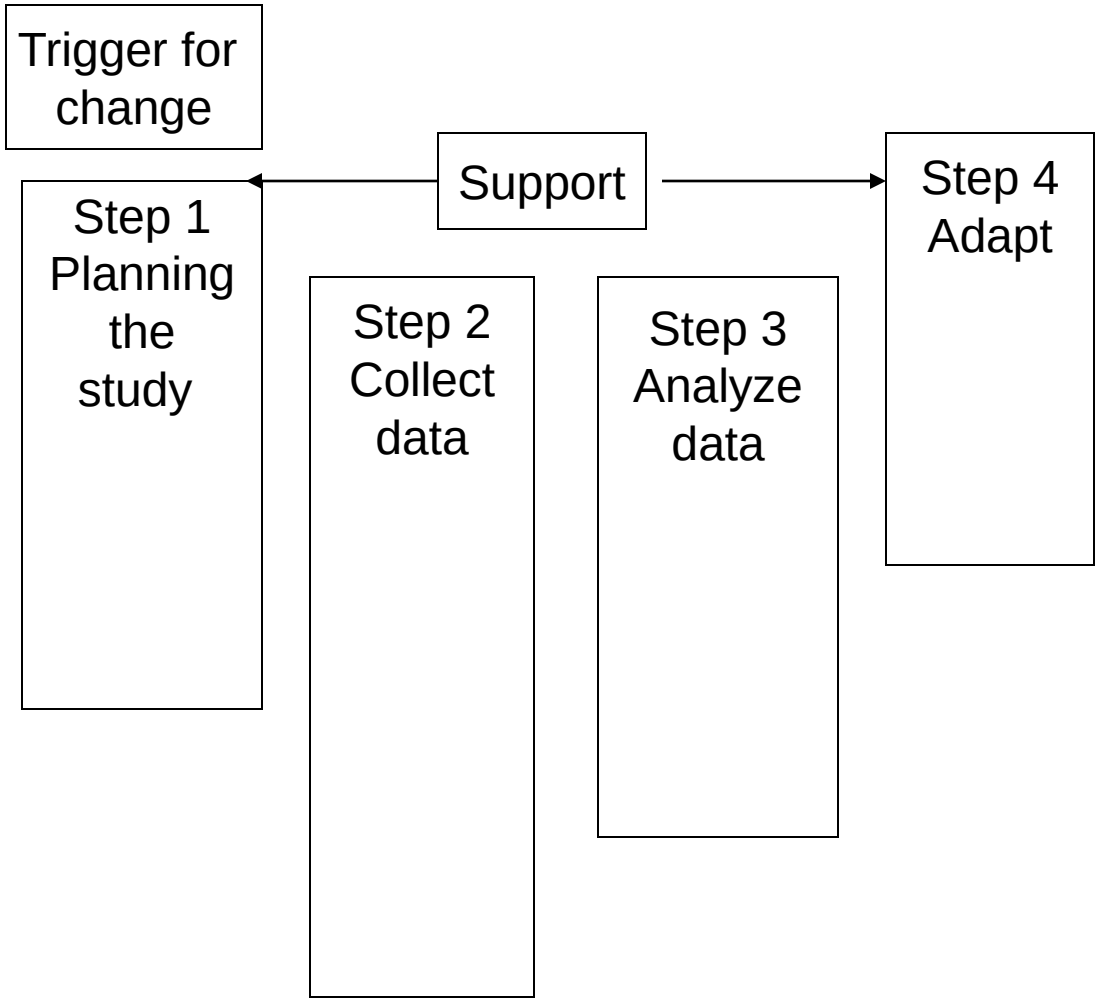
5 Benchmarking (team)

6 Functional/technical (experts)

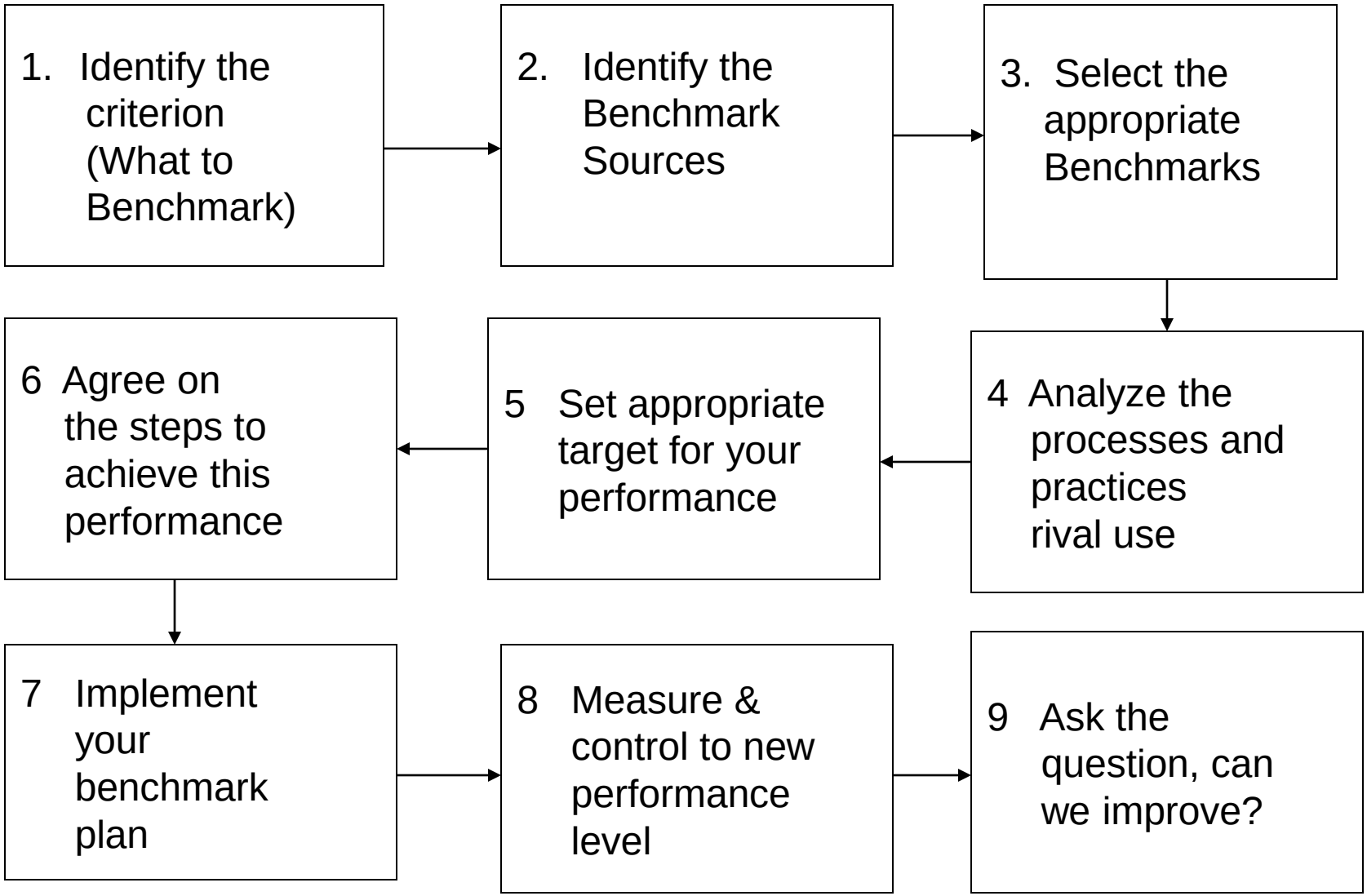
7 Research resource (team)

8 Benchmarking partners

Main steps

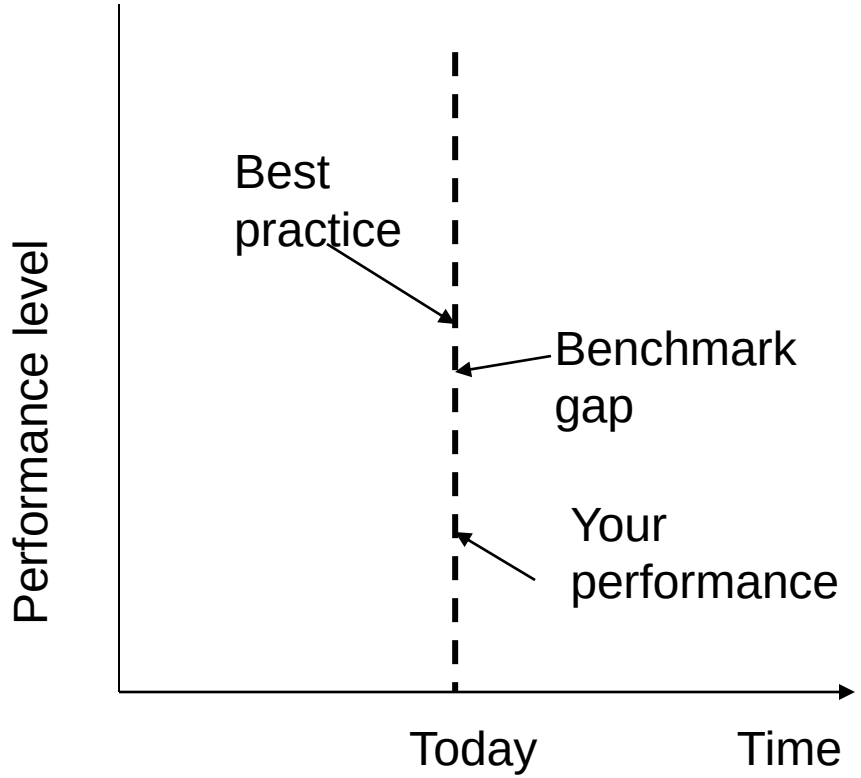


THE BENCHMARKING ROAD MAP

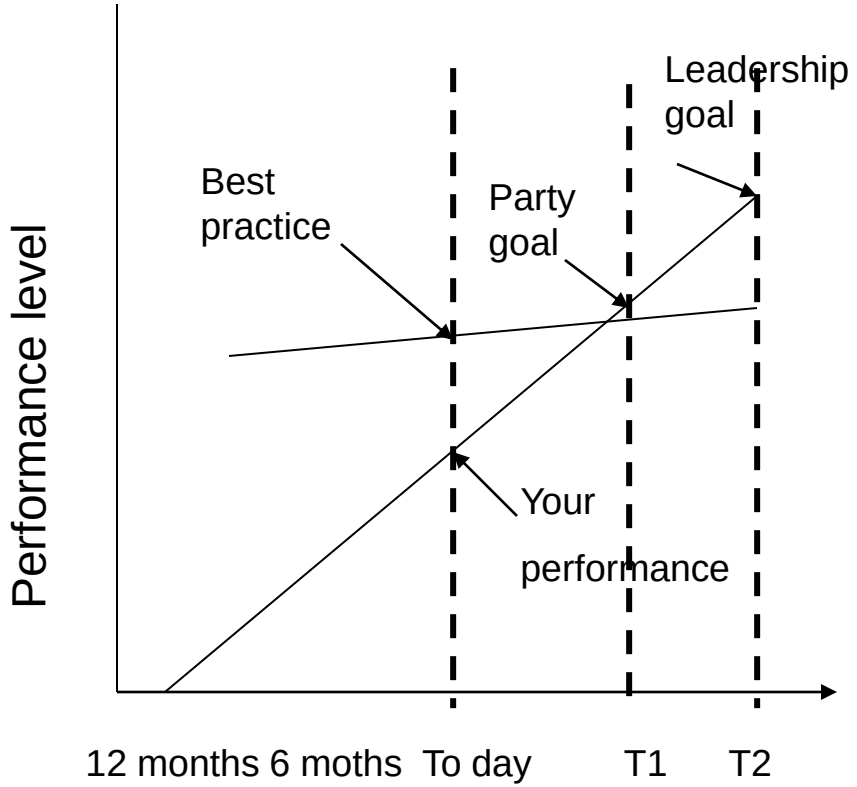


Communicating findings ands gains an commitment to change

Setting goals to close the gaps

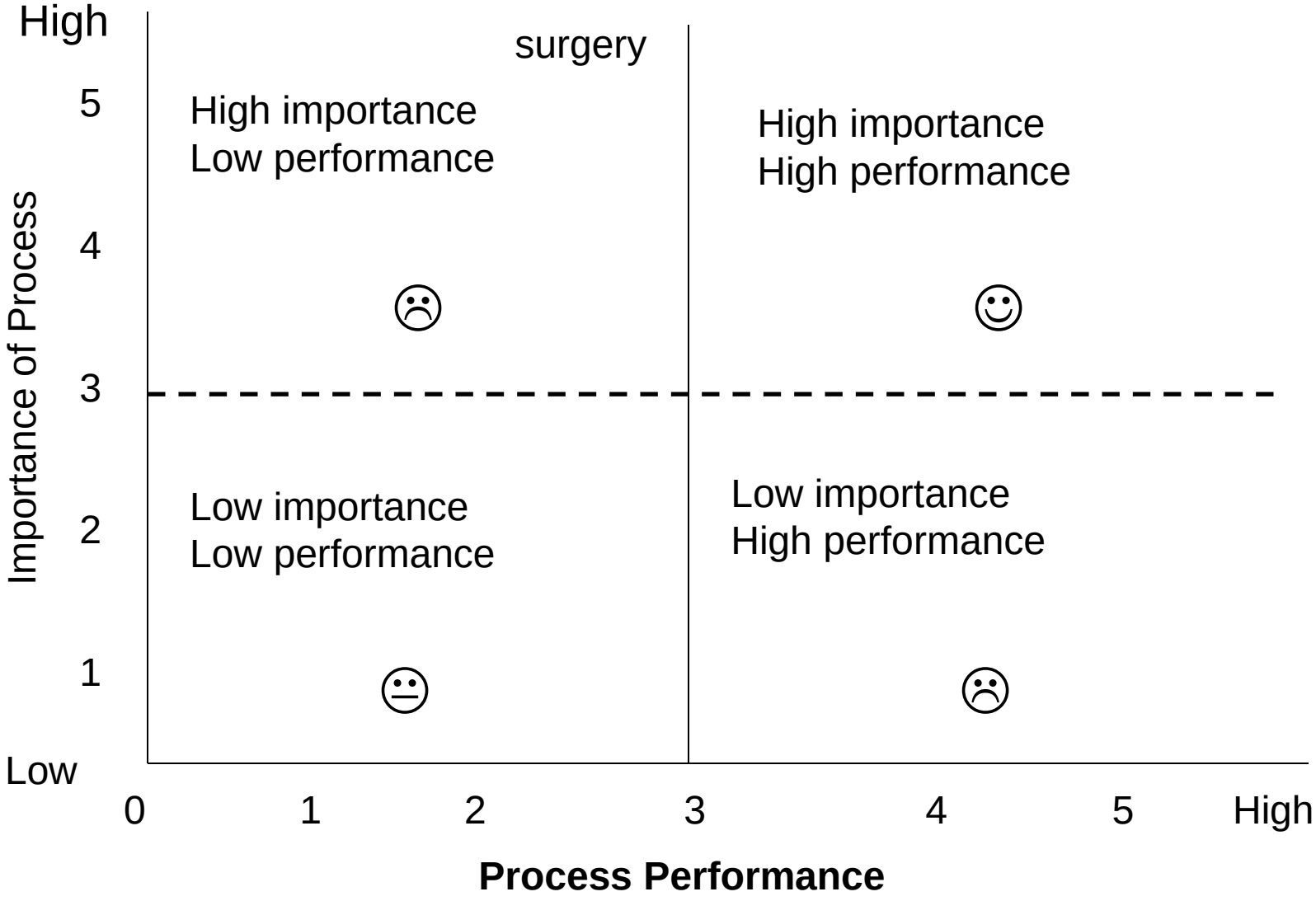


Current performance compared to benchmark

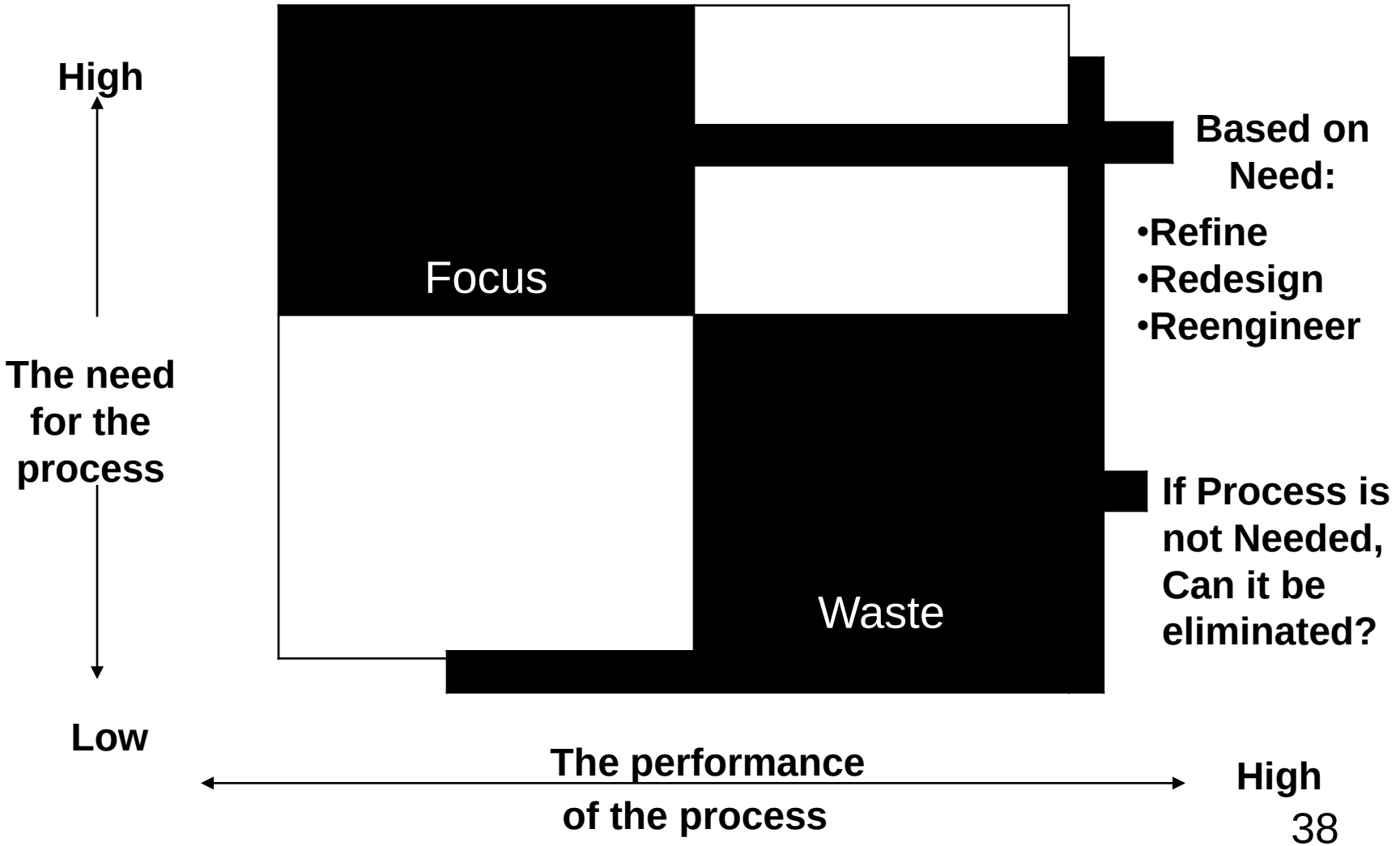


Predicting future performance

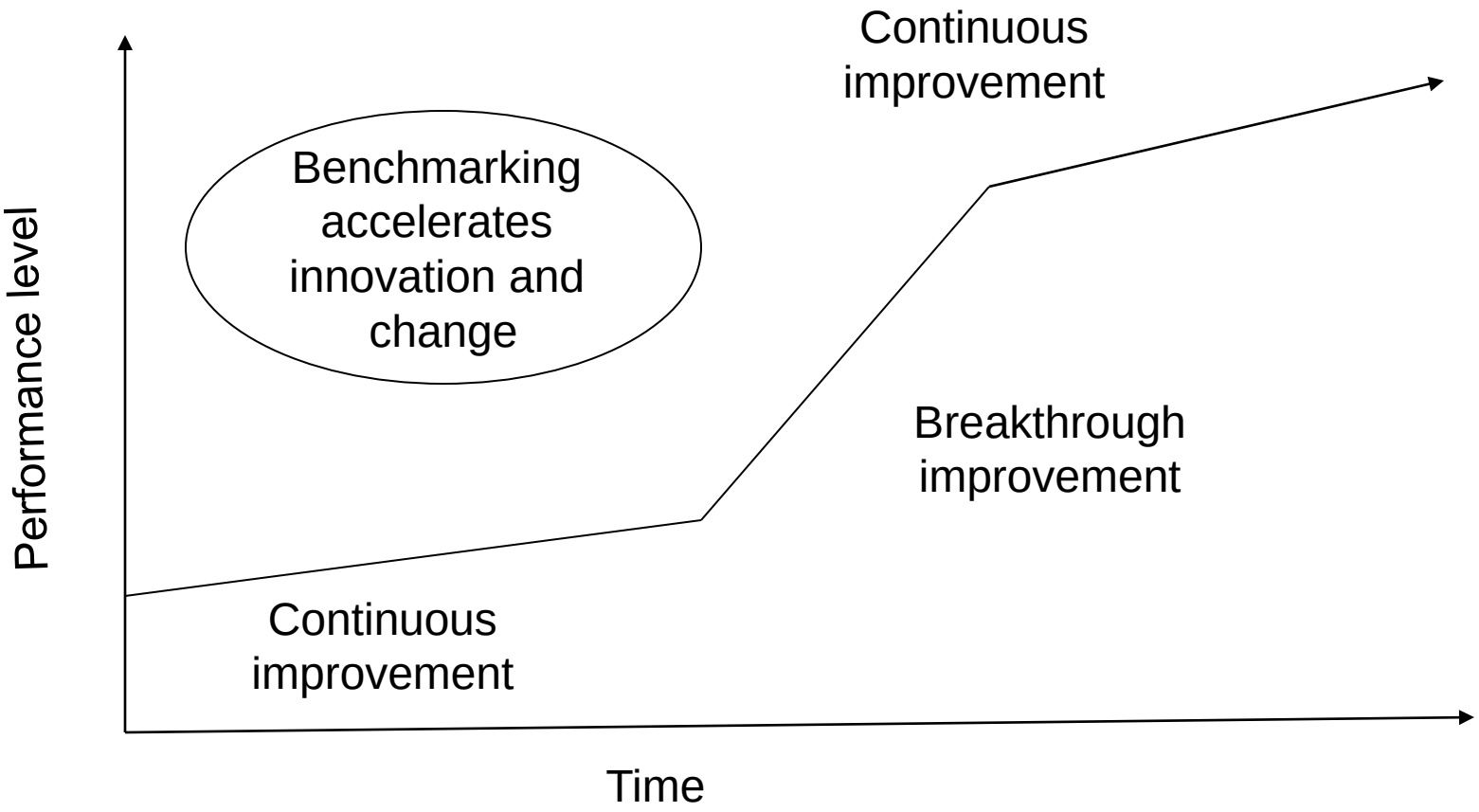
Capability Gap Analysis



A PROCESS FOCUSED APPROACH



Benchmark and BPR



A Word about business process re-engineering

RE-ENGINEERING

The fundamental rethinking and radical redesign of business processes to achieve dramatic improvement in critical, contemporary measures of performance such as cost, quality, service and speed.

Re-Engineering an Imperative
For Survival

The Three C's

- Customer
- Competition
- Change

Re-Engineering –Focus

- Customer Orders
- Customer Service
- Customer Feedback

RE-ENGINEERING

Business Process Reengineering Implies :

Putting aside the wisdom of two hundred years of Industrial Management (based on Adam Smith's Concept)

At the Heart of Business Reengineering lies the notion of Discontinuous Thinking

RE-ENGINEERING

Reengineering revolves round “ processes” rather than on structures, jobs and tasks.

Reengineering challenges much of the wisdom of two hundred years of industrial management and getting free from the influence of Adam Smith’s notion of breaking work into tasks, assigning tasks to people and managing.

Reengineering is not same as reorganizing or flattening or delivering an organization reengineering may result in these.

Reengineering and TQM also have different focus.

Information technology (IT) plays a critical role in reengineering

Focus shifts from

Deductive Thinking To Inductive Thinking

RE-ENGINEERING

Process Centric
Redesign Ruled
Radical
Dramatic

Fragmented process and specialized structures of companies bred for an earlier day are unresponsive to large & change in the External environment and market

To day fragmented organizations display appalling diseconomies
Of scale quite the opposite of what Adam Smith envisioned

Inflexibility
Absence of customer focus
Obsession with
Activity rather than result

→ Should Change To

→ Provide Customer Focus And Overall Performance

RE-ENGINEERING

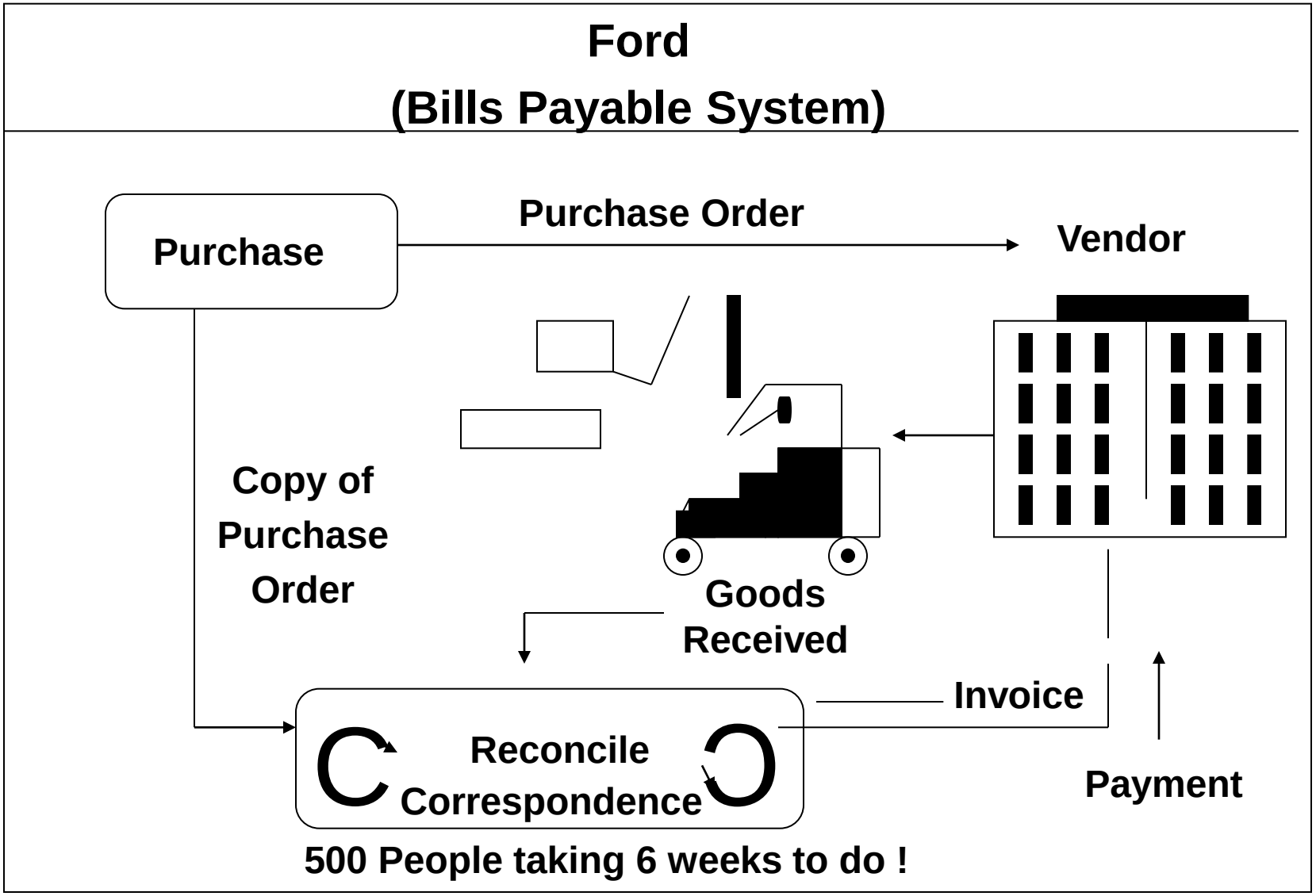
- The need is urgent, the vision exists, and the environment is right. Reengineering is no longer a choice, it is imperative for survival.

- Reengineering, in fact, often involves commonly available technology applied uncommonly well in order to achieve dramatic improvements in process performance.

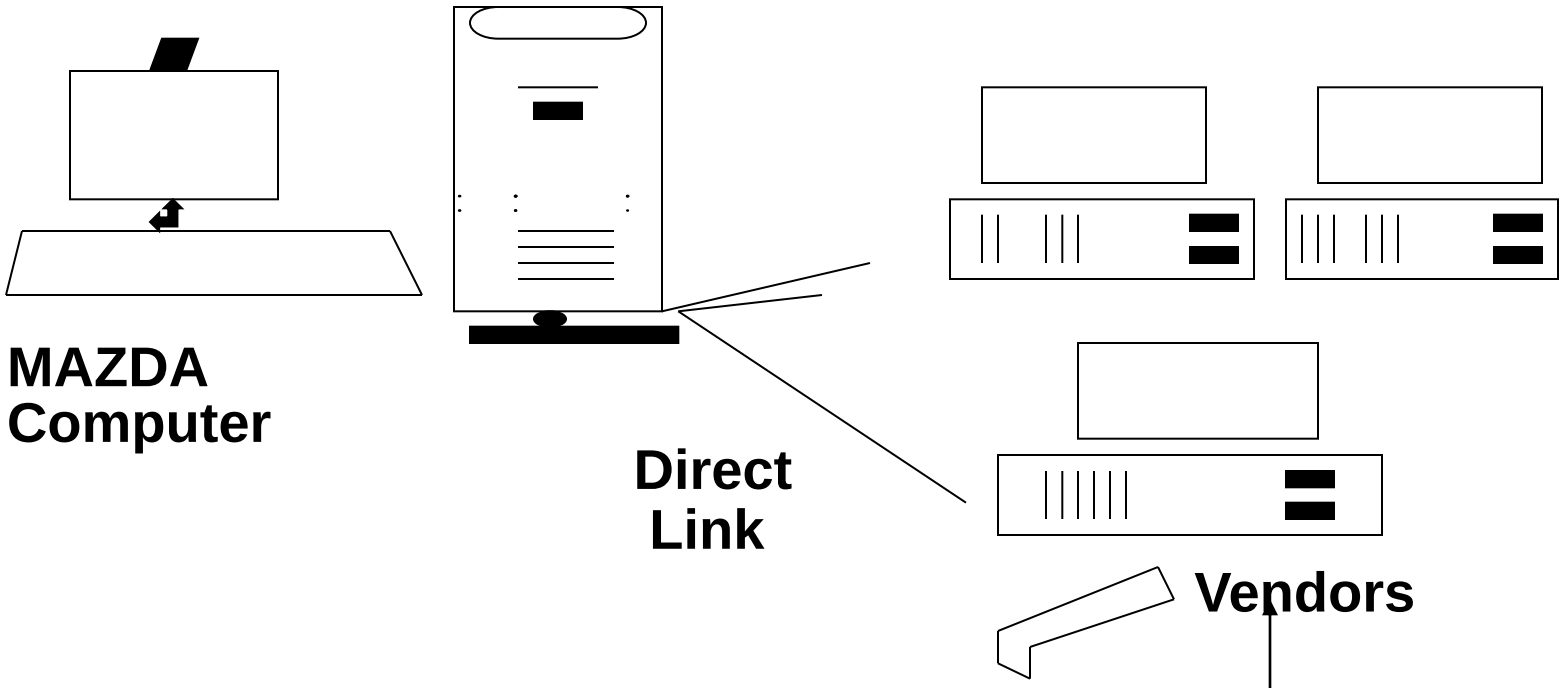
- Any old system that cannot be seamlessly integrated with the new systems has to be eliminated, because allowing it to survive beyond its life expectancy may result in the infant morality of the re-engineering project.

- …… need to transform our enterprise which lie anchored on First Generation systems and procedures, soaked in Second generation perceptions and attitudes, managed through third generation concepts using fourth generation computers to achieve Fifth generation aspirations and longings.

CASE STUDY FORD MOTORS



CASE STUDY FORD MOTORS



Just 5 People Empowered 100 times

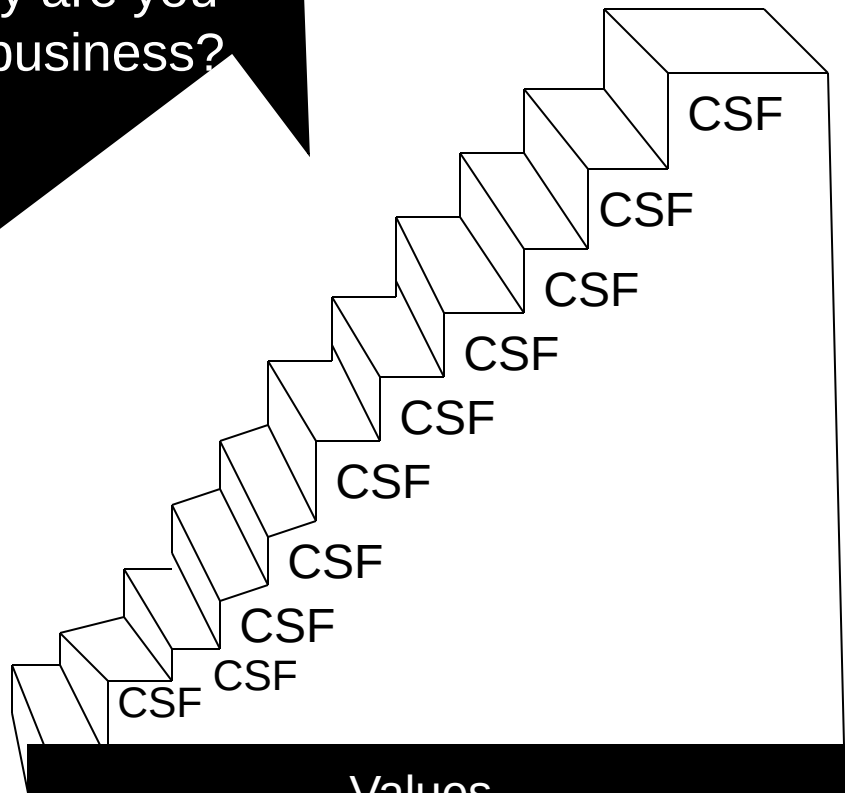
Mission

Envisioning Mission, Vision, Values, CSF's

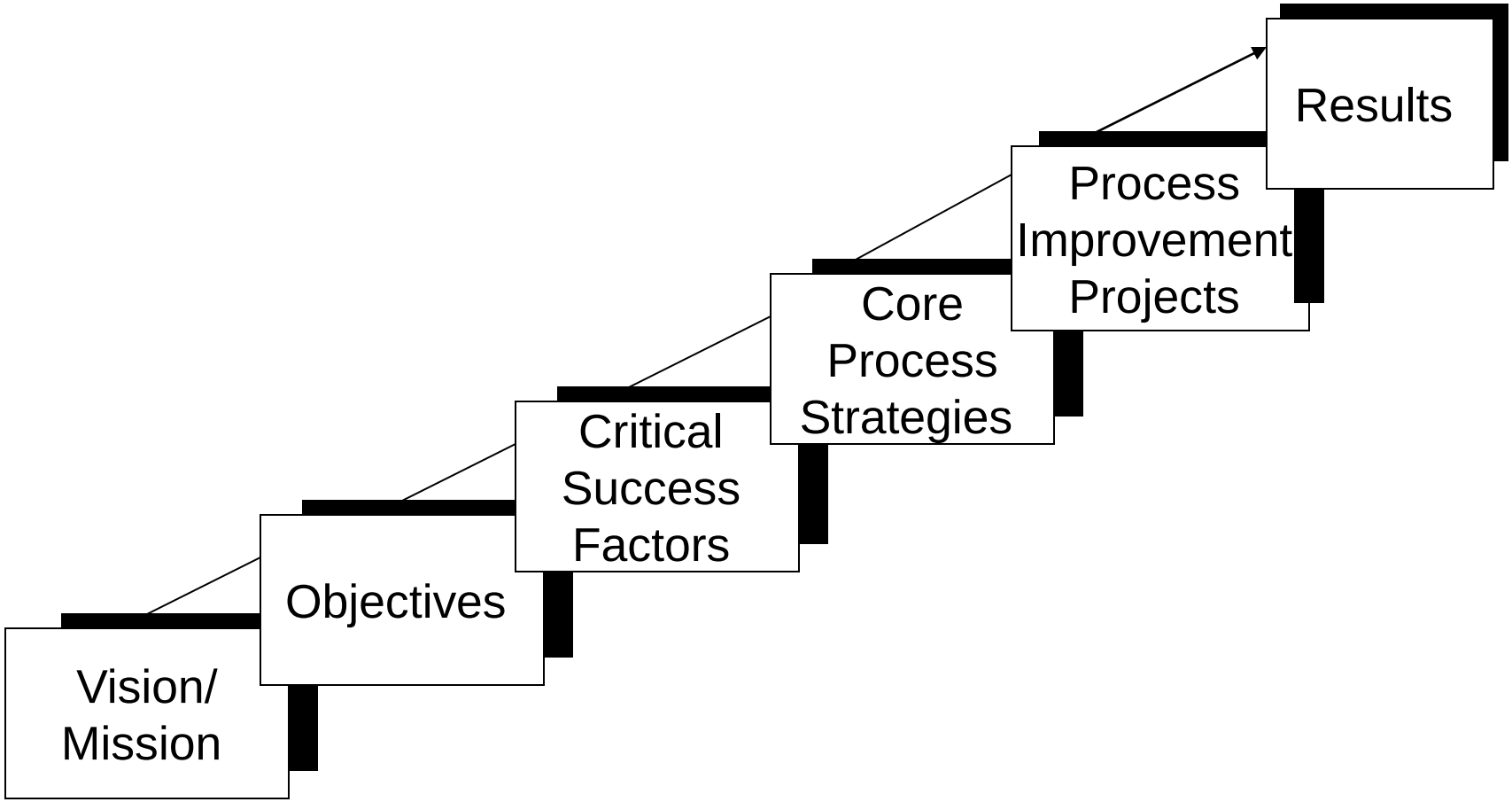
Future state of the Organization

Why are you in business?

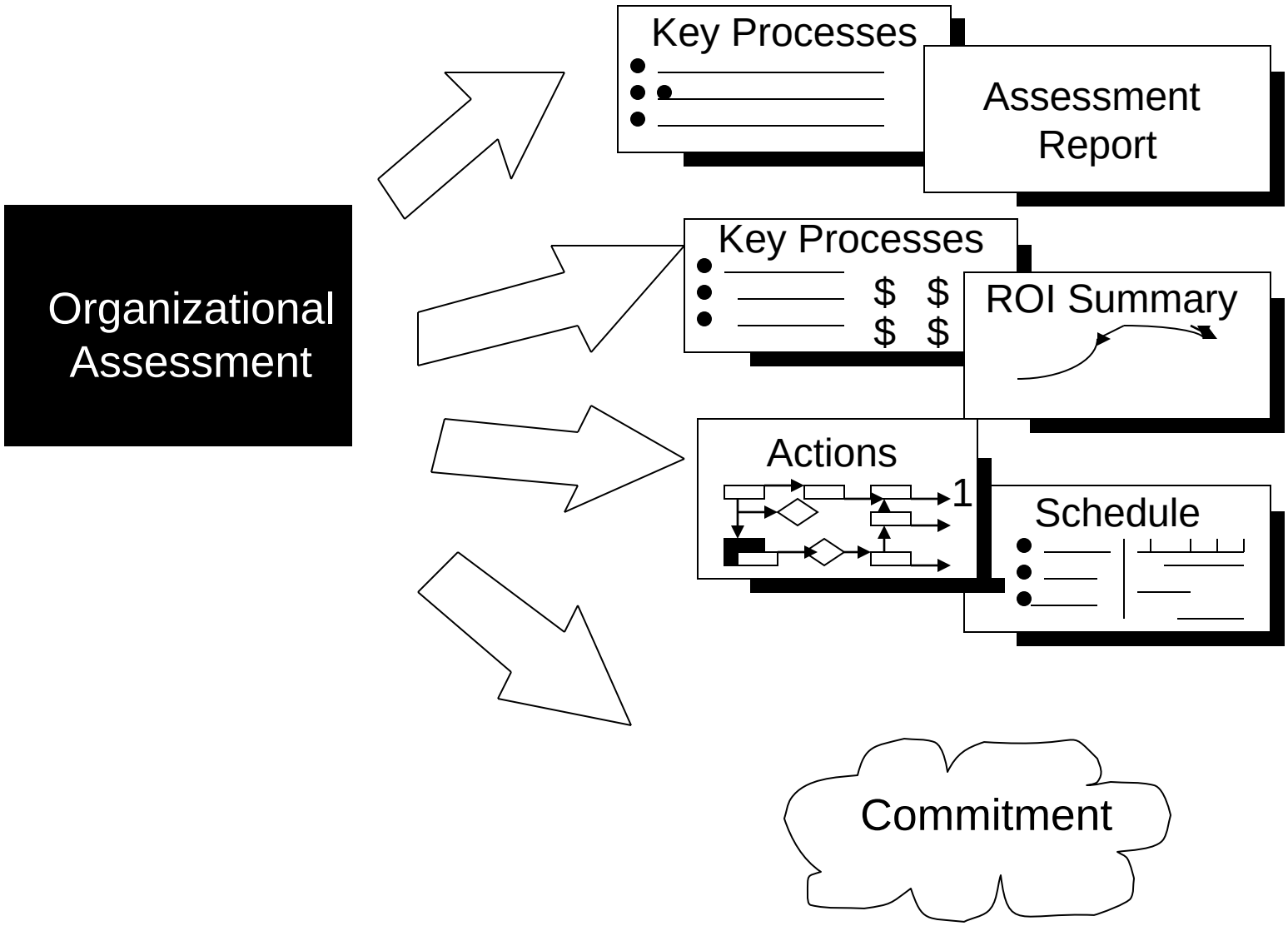
Current State of the Organization



STRATEGIC QUALITY / BUSINESS PLANNING



To move from current state to future state requires a significant change in the way business is conducted. Business is conducted through processes.


Organizational Assessment
Key Processes
Assessment Report
Key Processes
$ $
$ $
ROI Summary
Actions
1
Schedule
Commitment

WHICH PROCESS TO BENCHMARK?

To determine which process to benchmark, your benchmarking team now has the task of correlating the CSFs with the critical processes that have been identified. To do this, complete the following steps:

1. Draw up a matrix, with the CSFs down the left-hand column and the critical processes along the top.

2. Working down each process column, rate the importance of each process for each CSF using the following scale:

   1 = Low impact
   2 = Medium impact
   3 = Major Impact

   Write the impact rating in the top (left) half of each box.

WHICH PROCESS TO BENCHMARK?

3. Now rate the performance of each critical process using the following scale:

   1 to 10

   Write the process performance rating in the horizontal column provided at the top. Find Performance Gap

4. Multiply the CSF impact rating by the process performance Gap for each critical process to get the improvement priority score. Enter the result in the bottom (right) half of each box.

WHICH PROCESS TO BENCHMARK?

5. Total the priority scores for each process. The result will give a measure of the degree of importance, in terms of improvement, of each of the critical processes. The improvement, of each of the critical processes. The highest – scoring process is the one that should be selected as the prime candidate for the benchmarking study.

   The calculation described above is shown graphically in the diagram below. This exercise has assumed that there are five CSFs and three critical processes.

   Rating for impact of critical
   Process 1 on CSF 1

PROCESS PRIORITIZATION MATIRX

Rating Key:		Critical Success Factors										
Process impact **1 Low** **2 Medium** **3 High** **Process Performance** **1 Inadequate** **2 OK** **3 Very well**		**Profit on Investments**	**Responsive to customers**	**Distribution report presence**	**Asset security**	**Cost effective operations**	**Skilled motivated workforce**	**Total Impact**	**Process Performance**	*** Process Performance Gap**	**Weighted Gap**	**Priority**
Key Processes												
1	Marketing	2	2	2	1	1	1	9	7	10-7 = 3	27	
2	Sales	1	2	3	1	3	1	11	8	10-8 = 2	22	
3	Investment Analysis	3	1	2	3	3	1	13	8	10-8 = 2	26	
4	Record Keeping	1	3	1	2	2	1	10	6	10-6 = 4	40	3
5	Customer Services	1	3	2	1	1	1	9	7	10-7 = 3	27	
6	Personnel Selection	2	2	1	2	2	1	10	9	10-9 = 1	10	
7	Distribution & Mailing	1	3	3	2	2	1	12	5	10-5 = 5	60	2
8	Management info systems	3	3	1	2	2	1	12	4	10-4 = 6	72	1

•10 = Perfect Process

PROCESS PRIORITIZATION MATIRX

Rating Key:

Process impact	Process Performance
1 Low	1 Inadequate
2 Medium	2 OK
3 High	3 Very well

	Key Processes	Critical Success Factors							Total Impact	Process Performance	Process performance Gap	Priority
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												