

# BENCHMARKING CONSIDERATIONS

CUSTOMER & COMPETITIVE INTELLIGENCE FOR  
PRODUCT, PROCESS, SYSTEMS & ENTERPRISE EXCELLENCE

DEPARTMENT OF STATISTICS



REDGEMAN@UIDAHO.EDU

OFFICE: +1-208-885-4410

DR. RICK EDGEMAN, PROFESSOR & CHAIR – SIX SIGMA BLACK BELT

Performance

Time

Expectations

Continuous Improvement

Performance Gap

# Customer Expectation Dilemma

# Benchmarking

Benchmarking is the process of continually searching for the best methods, practices and processes, and either adopting or adapting their good features and implementing them to become the “best of the best.”

Use benchmarking both for comparison of performance as well as to understand the potential for improvement

How is benchmarking used?

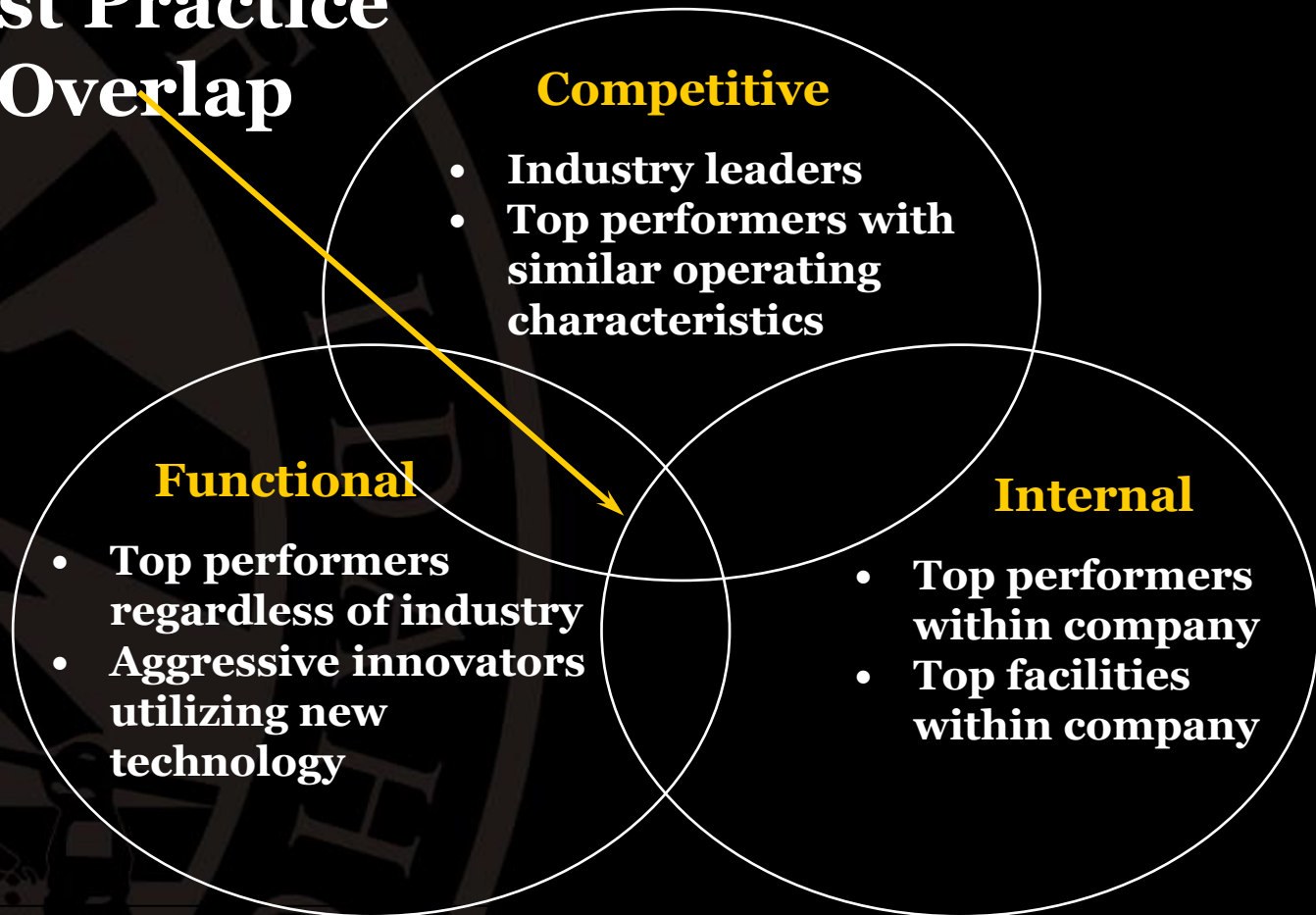
- Compare performance of an existing process against other companies' best-in-class practices
- Determine how those companies achieve their performance levels
- Improve internal performance levels

# Types of Benchmarking

Competitive Benchmarking  
Functional Benchmarking  
Internal Benchmarking  
Product Benchmarking  
Process Benchmarking  
Best Practices Benchmarking  
Strategic Benchmarking  
Parameter Benchmarking

# *Benchmarking Methodology*

## **Best Practice Overlap**



# *Benchmarking Methodology*

## Checklist

### **1. Identify Process to Benchmark**

- Select process and define defect and opportunities
- Measure current process capability and establish goals
- Understand detailed process that needs improvement





# *Benchmarking Methodology*

## **2. Select Organizations to Benchmark**

- Outline industries/functions which perform your process
- Formulate list of world class performers
- Contact the organization and network through to key contact



# *Benchmarking Methodology*

## **3. Prepare for the Visit**

- Research the organization and ground yourself in their processes
- Develop a detailed questionnaire to obtain desired information
- Set up logistics and send preliminary documents to organization





# *Benchmarking Methodology*

## **4. Visit the Organization**

- Feel comfortable with and confident about your homework
- Foster the right atmosphere to maximize results
- Conclude in thanking organization and ensure follow-up if necessary



# *Benchmarking Methodology*

## **5. Debrief and Develop an Action Plan**

- Review team observations and compile report of visit
- Compile list of best practices and match to improvement needs
- Structure action items, identify owners and move into Improve phase



# *Benchmarking Methodology*

## **6. Retain and Communicate**

- Report out to business management and 6σ leaders
- Post findings and/or visit report on local server/6σ bulletin board
- Enter information on benchmarking project database

# Sources of Information

**Library Database**

**Internal Publications**

**Industry Publications**

**Functional Trade Publications**

**Industry Data Firms**

**University Sources**

**Newspapers**

**Newsletters**

**Customer Feedback**

**Telephone Surveys**

**Networks**

**Internal Reviews**

**Professional Associations**

**Special Industry Reports**

**Seminars**

**Industry Experts**

**Company Watches**

**Advertisements**

**Original Research**

**Supplier Feedback**

**Inquiry Service**

**World Wide Web**

- Policy regarding benchmarking protocol should be communicated to all employees involved, prior to contacting external organizations. Guidelines should address the following areas:
  - **Misrepresentation** – do not misrepresent your identity in order to gather information
  - **Information requests** – a request should be made only for information your organization would be willing to share with another company
  - **Sensitive / proprietary information** – avoid direct benchmarking of sensitive or proprietary information
  - **Confidentiality** – treat all information as confidential

# Benchmarking Compliance



# Benchmarking Compliance

- Avoiding inappropriate communication and contacts with competitors.
- Never propose, enter, or engage in a discussion related to any agreements with a competitor to fix prices, in terms or conditions of sale, costs, profit margins, or other aspects of the competition.
- Keep communications with competitors to a minimum – make sure there is a legitimate business reason for all such communications



# Benchmarking



Best Practices, Processes & Products

# Benchmarking

**(A)** The process of identifying and learning from best practices anywhere in the world is a powerful tool in the quest for continuous improvement.

**(B)** The systematic process of searching for best practices, innovative ideas, and highly effective operating procedures that lead to superior performance.

Learning by borrowing from the best and adapting their approaches to fit your own needs is the essence of benchmarking. It has broad applications in problem solving, planning, goal setting, process improvement, innovation, reengineering, and strategy setting. It is a fundamental business skill that supports quality excellence.

# Benchmarks & Benchmarking:

## Ideas & Definitions

- **Benchmarking**: is the on-going search for best practices that produce superior performance when adapted and implemented in one's own organization.
- **Emphasis**: On-going outreach activity
- **Goal**: Identification of best operating practices
- **When Implemented**: Produces superior performance.
- **Benchmarking**: is the actual process of investigation and discovery that emphasizes the operating procedures as the things of greatest interest and value.
- **Benchmarks**: are measurements to gauge the performance of a function, operation, or business relative to others.

# Enablers - the Means to the Ends

## **SOFT**

**Training**

**Communication**

**Empowerment**

**Attitude**

**Management  
Involvement**

## **MEDIUM**

**Goals & Objectives**

**Sequence**

**Controls**

**Measures**

**Policies &  
Procedures**

## **HARD**

**Plant**

**Suppliers**

**Money**

**Technology**

**Equipment**

# Benchmarks & Benchmarking: Managing Change

- **Best Practices Benchmarking** can be described as the process of seeking out and studying the best internal and external practices that produce superior performance.
  - Don't reinvent what others have learned to do better!
  - Borrow shamelessly!
  - Adopt, adapt, advance!
  - Imitate creatively!
  - Adapt innovatively!



# Process Benchmarking

- **Process benchmarking** focuses on discrete work processes and operating systems, such as the customer complaint process, the order-and-fulfillment process, or the strategic planning process.
- **Process benchmarking** seeks to identify the most effective operating practices from many companies that perform similar work functions.
- Its power lies in its ability to produce bottom-line results. If an organization improves a core process, for instance, it can then quickly deliver process improvement



# Performance Benchmarking

- **Performance benchmarking** enables managers to assess their competitive positions through product and service comparisons.
- **Performance benchmarking** usually focuses on elements of price, technical quality, ancillary product or service features, speed, reliability, and other performance characteristics.
- Reverse engineering, direct product or service comparisons, and analysis of operating statistics are the primary techniques applied during performance benchmarking.

# Strategic Benchmarking

- **Strategic benchmarking** examines how companies compete and is seldom industry-focused. It roves across industries seeking to identify the winning strategies that have enable high-performing companies to be successful in their marketplaces.
- **Strategic benchmarking** influences the longer-term competitive patterns of a company. Consequently, the benefits may accrue slowly.

# Benchmarking



## Code of Conduct

# Benchmarking Whys & Hows

- **Benchmarking** represents a versatile process management tool that helps organizations identify and understand what constitutes best operating practices.
- **Benchmarks** are the operating statistics or measures that define the achievement level of any given practice or system.
- These are not in and of themselves enough since they provide *no insight* into the root causes of performance differences.
- **A flexible set of benchmarks** reflects full process or system capabilities. Performance indicators may include dimensions such as cost, productivity, cycle time, yields, error rates, waste and turnover.



# Range of Benchmarks

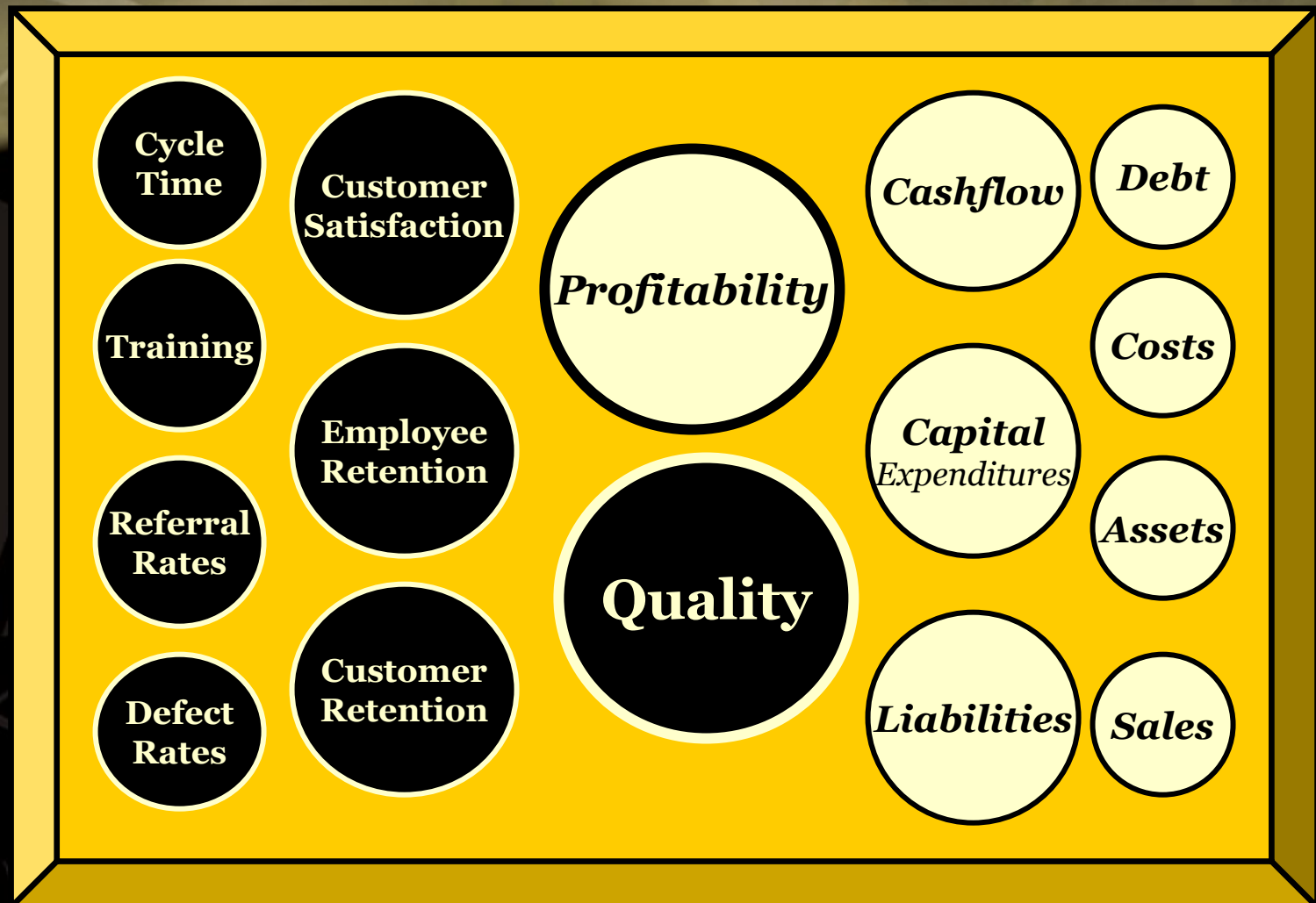
FOCUS	Benchmark	Levels	Type	Improvement Benefit
<b><u>STRATEGIC</u></b>	<b>Best-in-World</b>	7	Generic Processes	30%
* Product / Services				
* Business Processes				
* Business Function				
	<b>Best-in-Country</b>	6	Functional Areas	30%-40%
<b><u>PERFORMANCE</u></b>	<b>Industry Leader</b>	5	Direct Competitor	15%-20%
* Customer Satisfaction	<b>Norm</b>	4		
* Output : --Products & Services	<b>Standard</b>	3		
<b><u>PROCESS</u></b>	<b>Best-in-Company</b>	2	Internal	15%
* Practices & Capability				
* Inputs: -- Material/Supplier	<b>Baseline</b>	1		

# Benchmarking Architecture



## Performance Measures





# Dashboard of New Performance Measures

# Designing Successful Benchmarks:

Effective Performance Benchmarks Reflect the Most Important Operating Dimensions of a Business Process, System, or Function.

- **MEASUREMENT FOCUS**

- Determine where in a work area or process that value for the customer is created;
- Determine where value is detracted through high costs, errors, rework, or accidents; and
- Target benchmarks in areas where performance diverges from designated standards, or where variation above and below standards is greatest.

- **MEASUREMENT PERSPECTIVE**

- Leading indicators foreshadow or anticipate future system outcomes. Leading indicators are thus “proactive” or “preventative”.
- Lagging indicators such as traditional financial measures are “reactive” or “descriptive” of the actual results of a system or process in a given time period.
- Traditional companies employ lagging indicators while high-performance companies embrace both types since leading indicators intervene upstream.

# Designing Successful Benchmarks

- **MEASUREMENT CONTROL**

- People are always the principal factor affecting the degree of measurement control. Managers fail at performance improvement when they evaluate individual or system performance using benchmark measures that are uncontrollable by the people overseeing the process.
- Therefore benchmarks that are designed for performance improvement must be crafted to reflect the individual level of authority, responsibility, and skills of those people expected to work with the benchmarks.

- **DATA COLLECTION**

- After defining performance measures, managers must be able to readily collect the data from which performance benchmarks are constructed.
- Many organizations develop interesting performance measures only to discover that they currently do not collect the required information and do not have the resources to do so.
- The best performance benchmarks can be collected without excessive investment of time, systems, staff, or capital.

# A Benchmark Design Architecture

- ❖ **The first step** in designing a performance benchmark system is to *create measures* that will *enable* management to achieve the organization's strategic objectives.
- ❖ **The second step** in designing a benchmark architecture requires managers to *create an agreed upon vocabulary* describing performance measurement in your organization.
- ❖ **The third step** is to *develop plans* to collect, process, and *analyze* the performance measures.

# **Designing a Benchmark Architecture:**

## **Ten Generic Benchmark Categories**

- ❖ **Customer-service performance;**
- ❖ **Product / service performance;**
- ❖ **Core business process performance;**
- ❖ **Support processes and services performance;**
  - ❖ **Employee performance;**
  - ❖ **Supplier performance;**
  - ❖ **Technology performance;**
- ❖ **New product/service development and innovation performance;**
  - ❖ **Cost performance;**
  - ❖ **Financial performance.**




# Benchmarking

## Critical Success Factors

- ❖ ***Adopt, Adapt, and Advance:*** A well-designed performance measurement and benchmark system is essential, but there are other critical success factors:
- Senior management support;
  - Benchmarking training for the project team;
  - Useful information technology systems;
  - Cultural practices that encourage learning;
  - Resource dedication - especially in the form of time, funding, and useful equipment.



# Selected



A collage artwork featuring a handprint made of newspaper clippings, with numbers 2 through 6 on the fingers, set against a brown background.

# Benchmarking Processes

University of Idaho



# Benchmarking Processes

# *A Generic Benchmarking Process: The Simple, Consensus Model*

❖ From the Strategic Planning Institute's (SPI) Council on Benchmarking has developed the following model:

- 1. Launch
- 2. Organize
- 3. Reach Out
- 4. Assimilate
- 5. Act

# Xerox 12-Step Benchmarking Process

## ❖ Phase 1: Planning

- 1. Identify what to benchmark;
- 2. Identify comparative companies;
- 3. Determine data collection method & collect data.

## ❖ Phase 2: Analysis

- 4. Determine current performance gap;
- 5. Project future performance levels.

## ❖ Phase 3: Integration

- 6. Communicate finding and gain acceptance;
- 7. Establish functional goals.

# The Xerox 12-Step Benchmarking Process

(continued)

## ❖ Phase 4: Action

- 8. Develop action plans;
- 9. Implement specific actions & monitor progress;
- 10. Recalibrate benchmarks.

## ❖ Phase 5: Maturity

- 11. Attain leadership position ;
- 12. Fully integrate practices into processes.



# *Attributes of Benchmarking Studies: Success vs. Failure*

## **Success**

Process Owner Involvement

Customer Driven Objectives

Linked to Strategic Plan

Best Practices & Enablers

Consider Cultural Attributes

Disciplined Methodology

Quantum Change

Clear Project Life Cycle

Integrated with Existing  
Quality Efforts



## **Failure**

Sponsorship Uncertain

Amorphous Objectives

No Strategic Integration

Performance Metrics Only

“Hard” Data Only

Arbitrary / Casual Approach

Incremental / No Change

Keep Going and Going and .....

A la carte Program



# *Management's Benchmarking Challenge*

- ❖ Commit required resources to key projects;
- ❖ Provide focused training / facilitation to project participants;
- ❖ Proactively manage the direction and momentum of benchmarking within the organization;
- ❖ Create visibility of the benchmarking process;
- ❖ Recognize benchmarking team efforts.

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End of Session

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