



# Book The Benchmarking Book

Michael J. Spendolini  
AMACOM, 1992  
First Edition:1992

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## Recommendation

Michael J. Spendolini forgoes the usual generalities of management theory in favor of a how-to practicality. The first edition of his book helped to establish the concept of benchmarking in the mainstream of organizational practice. For those of you who don't know, benchmarking is a continuous-improvement strategy that seeks to improve products, services or operations by comparing them with the best practices of industry competitors and other companies nationally and worldwide. Spendolini offers a five-step model that can be applied by any company. He also provides a helpful, step-by-step guide to applying the process, though he does get a little repetitive as he describes the model and details each step. But *BooksInShort* nevertheless recommends this book to managers and executives as perhaps the best benchmarking primer on the shelf.

## Take-Aways

- Benchmarking is a continuous, systematic process for evaluating organizational best practices.
- Benchmarking can improve products, services and work processes.
- Benchmarking is used for strategic planning, forecasting, developing new ideas, product/process comparisons and goal setting.
- The three major types of benchmarking are internal, competitive and functional/generic.
- The main benchmarking categories are products and services, work processes, support functions, organizational performance and strategy.
- The first step in benchmarking is determining what to benchmark.
- The second step is forming a benchmarking team.
- The third step is identifying your benchmark partners and information sources.
- The fourth step is collecting and analyzing the information you collect.
- The last step is taking action based on your benchmarking investigation.

## Summary

# Benchmarking Origins

In 1982, author Michael Spendolini attended a meeting of Xerox Corp.'s training and organizational-development specialists. They used the term competitive benchmarking in discussing big performance gaps between Xerox and its competitors. As he began to explore the concept, he found two major applications for it. Your company can use benchmarking to understand your competitors and any other organization by isolating and analyzing common functions - such as manufacturing, marketing and engineering - and comparing your practices with them. The other application deals with comparing the details of processes used in designing, manufacturing, marketing or service, as opposed to the finished result.

“Blindly substituting another organization’s business practices in place of one’s own is not the intent of benchmarking.”

As Xerox further developed the concept of competitive benchmarking, other companies began to use the term. The concept spread throughout the 1980s, spurred by the creation of the U.S. National Quality Award in 1987 and by the 1989 publication of Xerox veteran Robert Camp’s book, *Benchmarking: The Search for Industry Best Practices that Lead to Superior Performance*. Eventually, he drew upon the experiences of 24 companies to develop his generic model.

## Types of Benchmarking

The three major types of benchmarking are:

- Internal benchmarking - Look at internal business practices and compare them to identify the best practices inside your organization. This assumes that work processes will differ due to geography, local organizational history, the nature of managers and employees in different locations, and so on. You want to identify the most effective or efficient work processes in different parts of your organization and share them, so they become widely used throughout the organization. This internal understanding becomes a baseline when you examine other companies.
- Competitive benchmarking - Examine the products, services, and work processes of your company’s direct competitors and compare them with your own. This helps you position your company’s products, services and processes relative to other companies in the market. Sometimes you can apply similar practices easily in your own organization, and sometimes you may find that other companies that have already done their own benchmarking are willing to trade information with you. Sometimes companies join forces to benchmark in non-proprietary areas. For instance, 14 American semiconductor manufacturers, including Hewlett-Packard, Intel and IBM, formed SEMATECH to share information on total quality management practices.
- Functional/generic benchmarking - Learn about high-quality products, services, or processes by identifying the best practices of an organization with a reputation for excellence in the area you are benchmarking. For instance, Xerox used L.L. Bean as an example of excellent warehousing and order-fulfillment. This type of benchmarking can contribute to "paradigm shifts," in which you radically change your company’s approach to certain issues or problems. Often, you need to look outside your own industry for such ideas, and you need to have an open mind.

## Benchmarking: What and Why?

Some organizations use benchmarking as part of overall problem solving. Others use it to stay up with state-of-the-art business processes. Benchmarking can help you think outside the box. It will help involve your employees in the discovery process, so they can contribute new ideas. Your benchmarking will be more successful if you begin with a clear purpose or objective, and if you integrate the process into your entire organizational culture, so your employees understand it and feel that your company is behind their involvement. Companies benchmark to achieve these objectives:

- Strategic planning - To gain a better understanding of the marketplace.
- Forecasting - To help forecast market potentials and industry directions.
- New ideas - To determine how to use new products, processes or ways of managing company resources.
- Product/process comparisons - To understand what your competitors are doing.
- Goal setting - To establish performance goals in relation to state-of-the art practices.

“Benchmarking is a process that can be used to understand not only one’s competitors but any organization - competitor or non-competitor, large or small, public or private, foreign or domestic.”

You can benchmark any function or characteristic that you can observe or measure. Typically, the main categories used in benchmarking are:

- Products and services - Including finished goods and features that account for product differentiation.
- Work processes - Including design processes, R&D practices, workplace design, production processes, methods, distribution arrangements and manufacturing equipment.
- Support functions - Including the finance, human resources and marketing departments.
- Organizational performance - Including a look at specific performance indicators, such as yields, asset turnover and depreciation rates.
- Strategy - Including short- or long-term plans and the planning process.

“The key to benchmarking is to isolate common metrics in like functions (e.g., manufacturing, engineering, marketing, finance) and compare one’s own business practices with those of organizations that have established themselves as leaders or innovators in the specific business function.”

Benchmarking is a continuous process that provides information you can use or adapt to improve virtually any corporate activity. It takes considerable time, effort, discipline and labor. It is not a one-time, quick and easy activity that supplies simple answers. The idea is to learn, understand, assimilate and apply (not copy) what you have learned in a pragmatic way that suits your own company.

“Benchmarking is a process of investigating best practices. The information gained from this investigation needs to be incorporated with other information about one’s organization as value-added input to the decision-making process.”

Plan to create a benchmarking team that spends at least 10% of its time each week on benchmarking activities. Most companies have a team of four to six people who spend about four to six months on the process. Moreover, in the companies that do benchmarking successfully, such as Xerox, Motorola and IBM, management not only endorses the process, but managers practice it and incorporate it into their decision-making process.

## The Five-Stage Benchmarking Process

To benchmark successfully, you need a process model that provides structure and a common language. Consider the model like a frame of a house; it provides a basic framework for action. But keep this structure flexible enough so people can modify it as needed for your organization. Then, too, having various steps or stages creates this common language that users can share, so, for example, when one person says the team is in Phase II of the process, others will understand what they are doing. This five-step model is based on processes used by 24 successful companies. The five basic steps are:

### Stage One: Determine What to Benchmark

First identify the customers for the information you are benchmarking and what they want to know about. Define the specific subjects you are benchmarking and the resources you need - such as time, funds and people - to successfully conduct the benchmarking investigation. Based on your customers’ needs, determine the specific measures to use and the information to seek. Identify subjects to study based on need. Focus on exactly what you want to measure. For instance, instead of just examining newsletters, divide the category into particular, measurable areas such as budgets, distribution, production processes and staffing.

“The process of determining what to benchmark begins with a fundamental question: Who is the customer for the benchmarking information.”

Often your customer will be a good source of information about what to investigate, such as the specific companies or types of companies to investigate. The customer will often establish a time frame for completing the investigation and may provide you with needed funding and support. Find out exactly what your customer wants through a customer diagnosis, including the types of benchmarking to engage in, the types of information sought and how this information will be used. Clarify reporting expectations and the scope of your benchmarking activity, such as whether it is a one-time event, periodic or continuous.

### Stage Two: Form a Benchmarking Team

Although an individual can conduct a benchmarking effort, most companies use teams and assign specific roles and responsibilities to team members. The project manager makes sure assignments are clear, coordinates the project and identifies milestones to be reached. When you form your benchmarking team, decide what type of team you want and who will be on the team. The three basic types of teams are intact work groups that already exist; cross-functional, interdepartmental and inter-organizational teams; and ad hoc teams composed of employees with a common interest in the specific benchmarking activity. Participants can include internal benchmarking specialists, external benchmarking specialists, such as consultants, and employees. In some organizations, many employees are trained in benchmarking and stay busy with it. Typically, the team will include a project manager, a benchmarking customer/sponsor, a facilitator and team members, including data collectors and analysts. Support the team with training, library services, clerical assistance, legal input and other forms of counsel.

### Stage Three: Identify Benchmark Partners

Identify the information sources the benchmark team will use to collect information, such as employees, consultants, analysts, government sources, business and trade literature, industry reports and databases. Then, seek benchmark partners. Look for any people or organization that can provide you with information related to your investigation. You want to create your own benchmarking information network. This information can come from internal and external employees, experts, analysts, researchers or consultants, as well as from organizations like the government, universities, and trade and professional associations. When you gather information, search for the best practices in the area you have selected to investigate.

### Stage Four: Collect and Analyze Benchmarking Information

At this stage, you select specific methods for collecting information, employing team members who know how to use these methods. Collect information from benchmark partners using an established protocol. Your team members gather and analyze the information using telephone interviews, personal meetings and site visits, surveys, publications and media research, and research in library archives. Analyze this information based on what your original customers want and then create recommendations for actions to implement your findings.

### Stage Five: Take Action

Finally, you can take action. Base your next step on what your customer wants, considering the information you have collected and the results of your analysis. You might produce a benchmarking report or summary, present your team’s findings to benchmarking customers, communicate your findings or identify possible opportunities for product or process improvements. You might also look at ways you can improve the benchmarking process and identify new areas for additional benchmarking in the future.

“Most benchmarking projects use employees to help plan, conduct, analyze, and present benchmarking efforts.”

Think of these five steps as part of a circular process that looks something like a pie-chart with five segments and five arrows going around this circle. The circle configuration demonstrates that you are aiming for continuous improvement. Thus, any benchmarked information should be periodically reviewed, so you can further develop and improve.

### About the Author

**Michael J. Spendolini** is founder and principal of MJS Associates, an organizational development and training consulting firm. He held a number of managerial positions at Xerox Corp. and is a recognized expert on TQM and benchmarking.

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