

# Benchmarking



# Outline

- ❏ Benchmarking Meaning
- ❏ Benchmarking Definition
- ❏ Benchmarking features & concept.
- ❏ Why Benchmarking?
- ❏ Benchmarking advantages & Disadvantages
- ❏ Benchmarking Process
- ❏ Benchmarking Types

# What is Benchmarking?

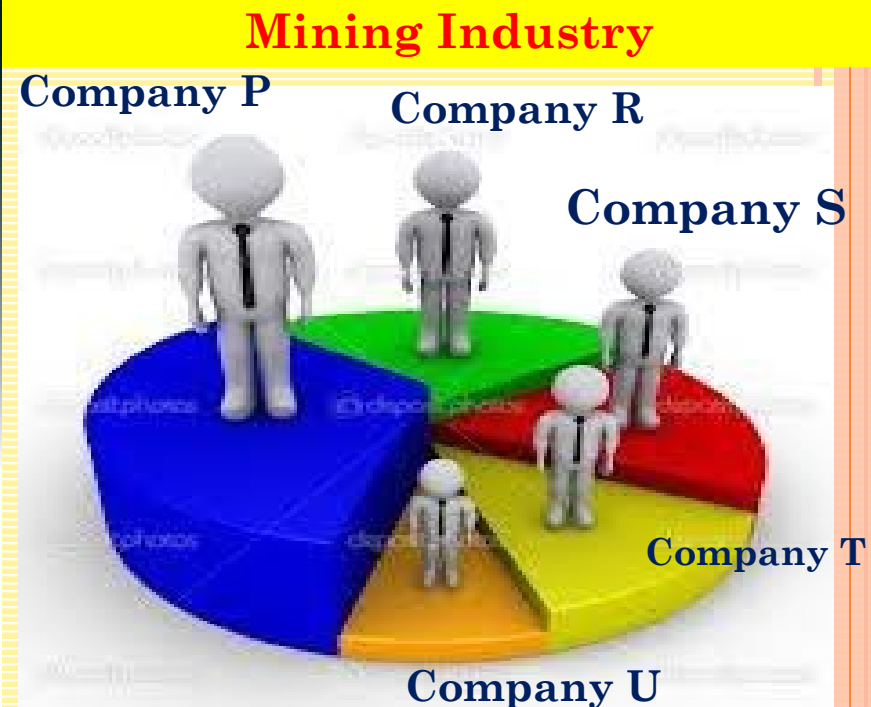
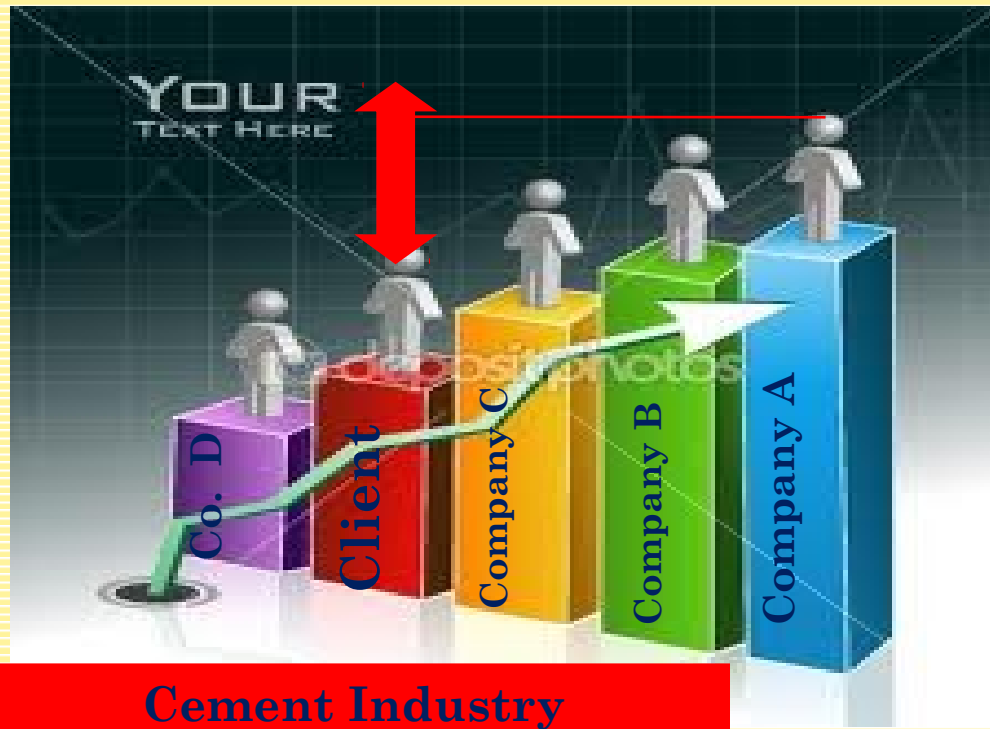
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- ◆ At its simplest, benchmarking means:

**"Improving ourselves by learning from others."**

# WHAT IS BENCHMARKING?

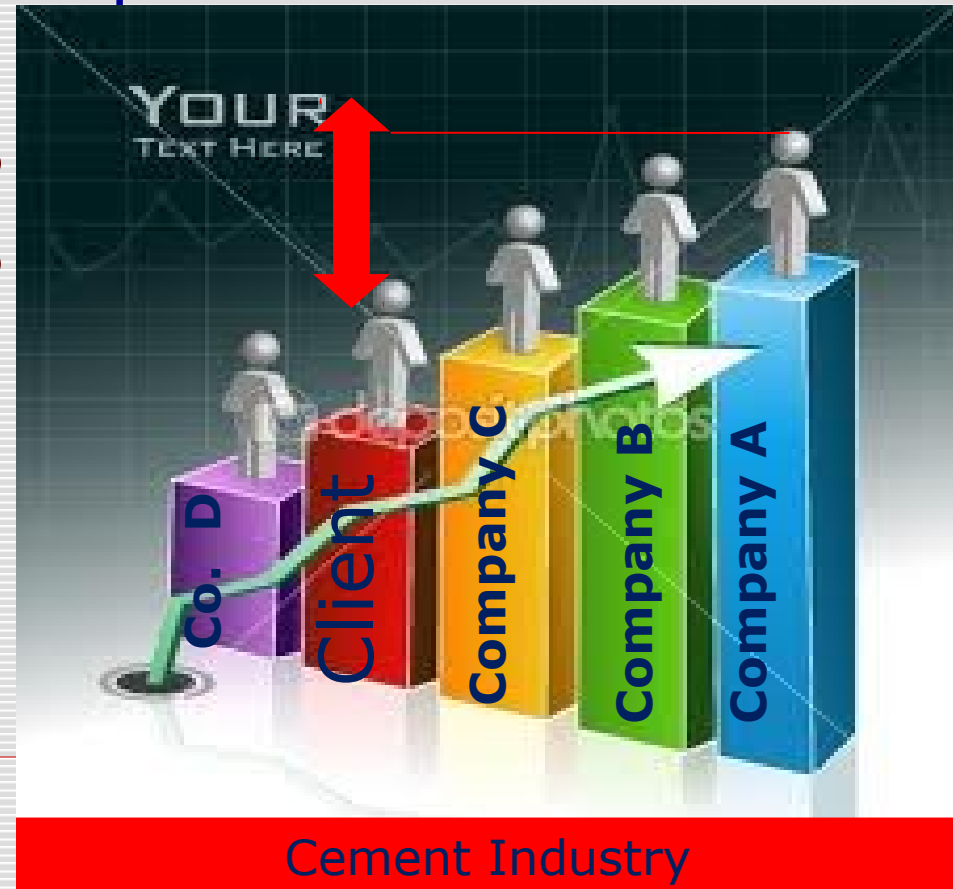
- ❖ Benchmarking is the process of improving performance by continuously identifying, understanding, and adapting outstanding practices found inside and outside the organization.



# What is Benchmarking?

◆ Benchmarking is the process of comparing one's business processes and performance metrics to industry bests and/or best practices from other industries.

- Why are others better ?
- How are others better ?
- What can we learn ?
- How can we catch up ?
- How can we become the best in our industry ?



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# Benchmarking Definition:

**Benchmarking is the practice of being humble enough to admit that someone else is better at something and wise enough to try and learn how to match and even surpass them at it.”**

American Productivity and Quality Center-1988

# Outline

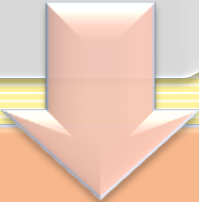
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# BENCHMARKING FEATURES

- ◆ Benchmarking has three main features:

**Continuous method of measuring and comparing a firm's business processes against those of another firm.**



**Discover performance gaps between one's own processes and those of leading firms.**



**Incorporate leading firm's processes into one's own strategy to fill the gaps and improve performance.**

# Benchmark

- ▣ A benchmark is an organization recognized for its exemplary operational performance.
- ▣ There are many benchmarks in the world including:

**Toyota for**

**Processes**

**Intel for**

**Design**

**Motorola for**

**Training**

**Scandinavian Airlines for**

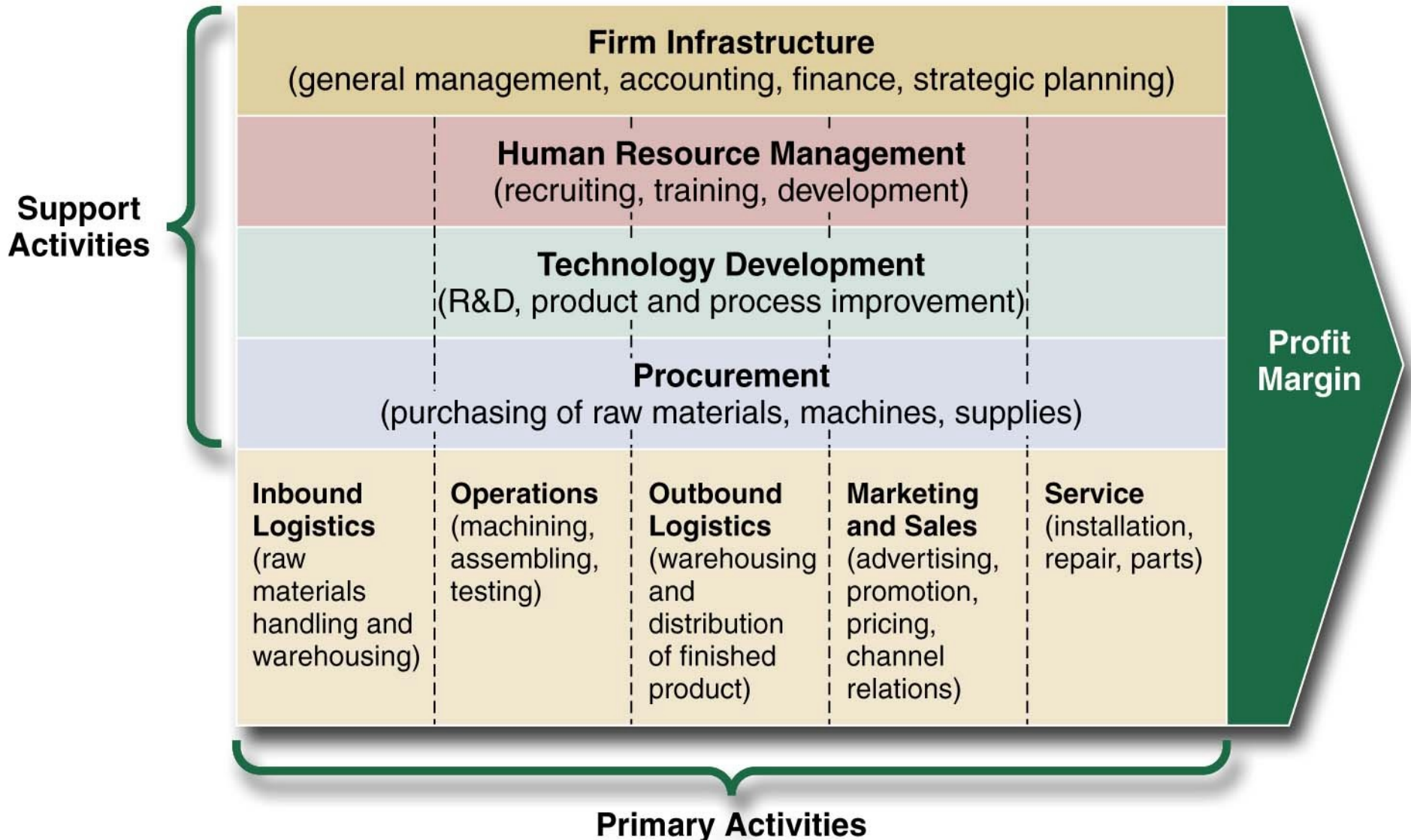
**Service**

**Honda for**

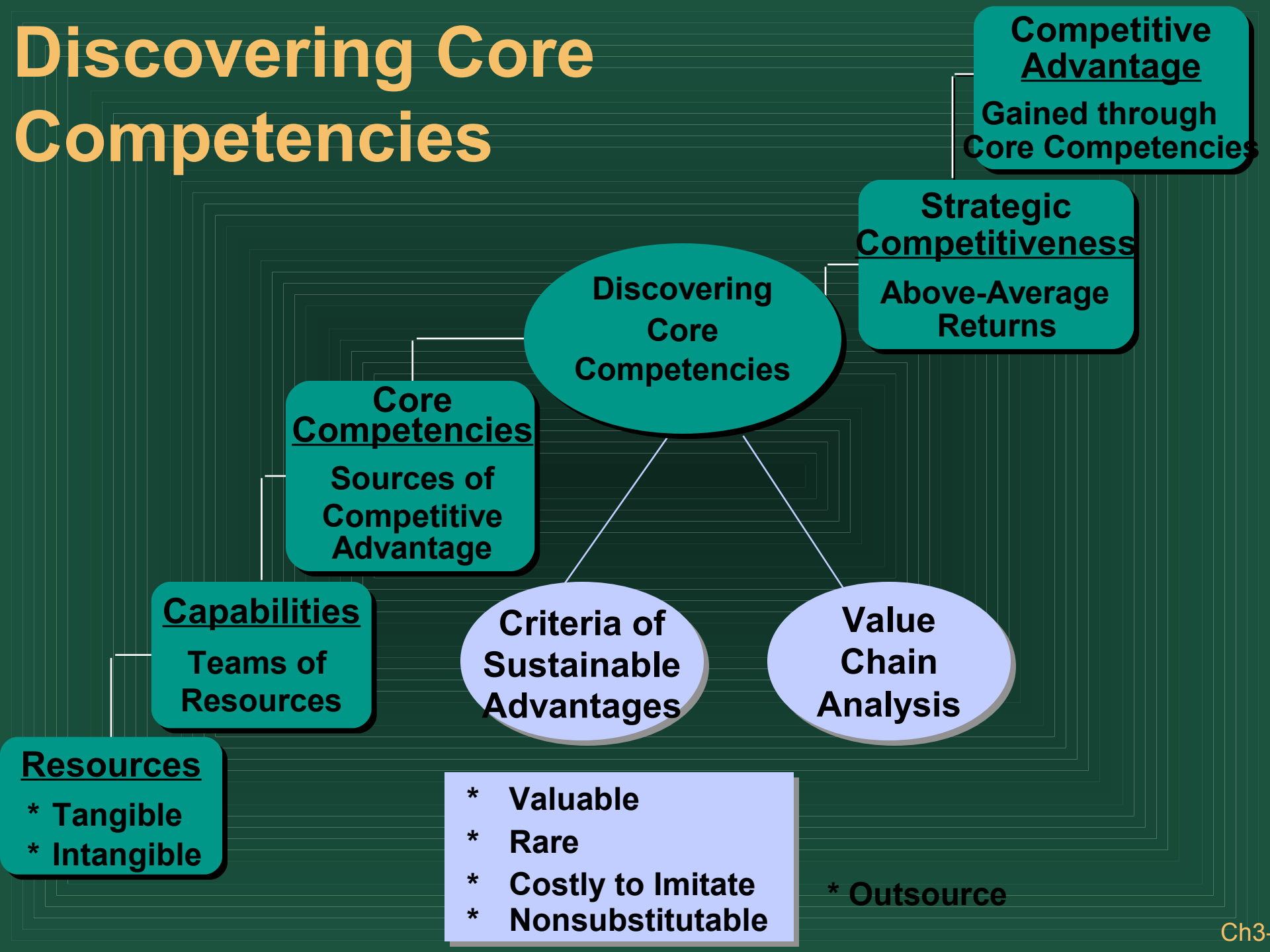
**Rapid product development**

# What to Benchmark?

Identifying Resources and Capabilities That Can Add Value



# Discovering Core Competencies



**Competitive Advantage**  
Gained through Core Competencies

**Strategic Competitiveness**  
Above-Average Returns

**Core Competencies**  
Sources of Competitive Advantage

**Capabilities**  
Teams of Resources

**Resources**  
\* Tangible  
\* Intangible

**Criteria of Sustainable Advantages**

- \* Valuable
- \* Rare
- \* Costly to Imitate
- \* Nonsubstitutable

**Value Chain Analysis**

\* Outsource

# Commonly Benchmarked Performance Measures

**Financial Ratios**

**Productivity Ratios**

**Customer-related Results**

**Operating Results**

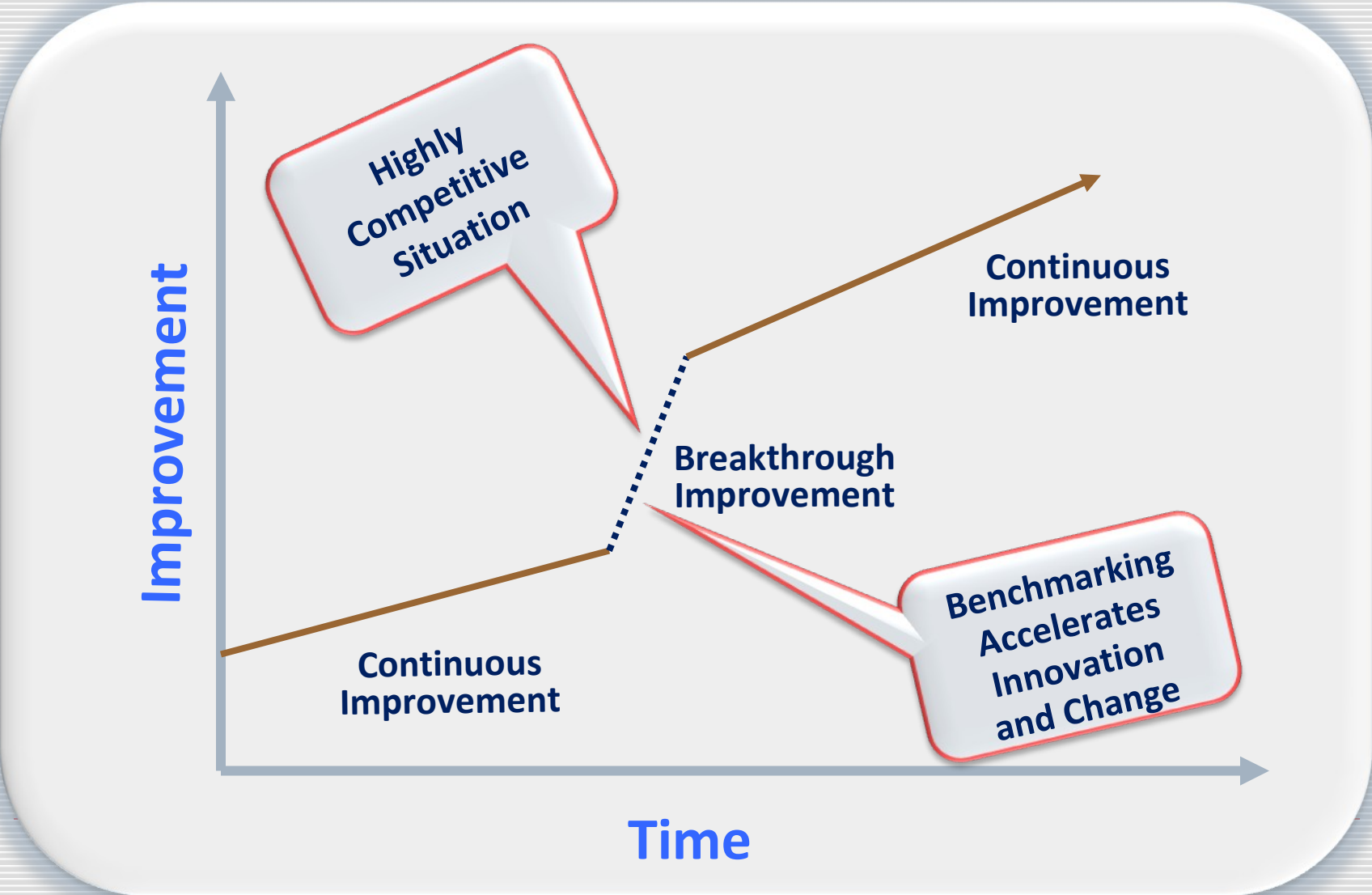
**Human Resource Measures**

**Quality Measures**

**Market Share Data**

**Structural Measures**

# Continuous and Breakthrough Improvement



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# Why Benchmarking?



# Why Benchmarking?

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- ▶ Traditional performance improvement trends seem not to be sufficient for the highly competitive markets. In other words external environment and market conditions change rapidly
  - ▶ Customers' expectations are highly liquid and are driven by standards set by best performer. Any product or service just below these standards may not catch the eyes of customer.
  - ▶ Prevents the “Re-inventing the wheel”.
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# Why Benchmarking?

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## ➤ Benchmarking gives us the chance of gaining:

### ❖ Better Awareness of Ourselves (Us)

- What we are doing
- How we are doing it
- How well we are doing it

### ❖ Better Awareness of the Best (Them)

- What they are doing
  - How they are doing it
  - How well they are doing it
-

# Why Benchmark

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- ② Benchmarking is a more efficient way to make improvements. Managers can eliminate trials and errors.
  - ② Benchmarking speeds up organization's ability to make improvements. Today, time is of the essence.
  - ② Benchmarking has the ability to bring your performance up as a whole significantly.
  - ② Learn from others' experiences
  - ② Set realistic but ambitious targets
-

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# THREE MAJOR ADVANTAGES OF BENCHMARKING

## Product and Process Improvement:

By implementing benchmarking activity, organizations can improve their operation process

## Time & Cost Reduction:

Bench marking is time and cost efficient because it involves imitation and adaptation rather than pure invention.

## Competitive Strategy

By implementing benchmarking activity, organizations can improve their operation process.



# Competitive Strategy

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- Build core competencies that will help to sustain competitive advantage
  - Access to a variety of markets
  - Perceived benefit of product or service will increase
  - Product or service is hard to imitate
  - Low-cost leader
- Target specific shift in strategy
  - Entering new markets
  - Developing new products
- To create a firm more adaptable to change

# Disadvantages

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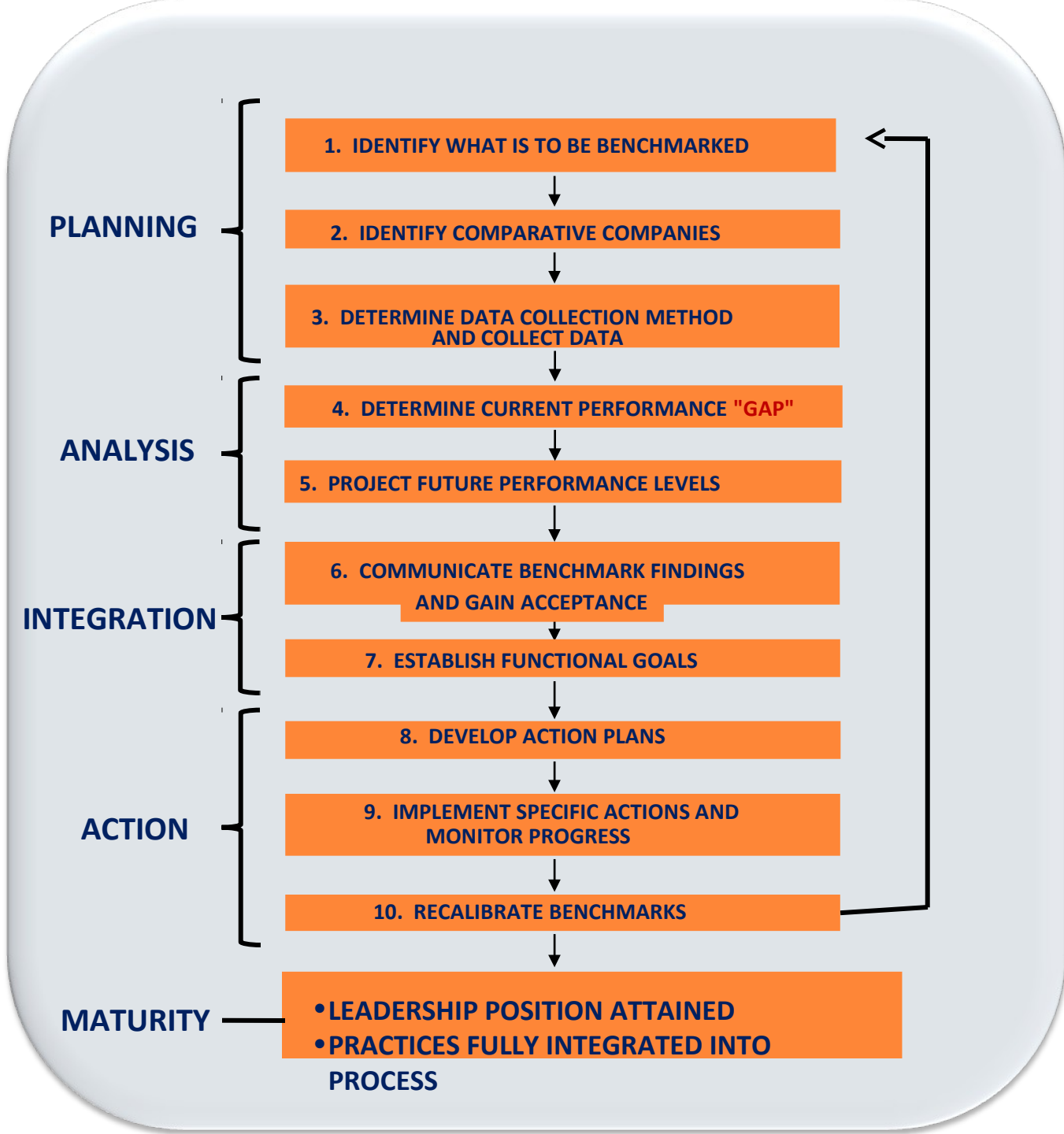
- ❑ What is best for someone else may not suit you
- ❑ Poorly defined benchmarks may lead to wasted effort and meaningless results.
- ❑ Incorrect comparisons
- ❑ Reluctance to share information

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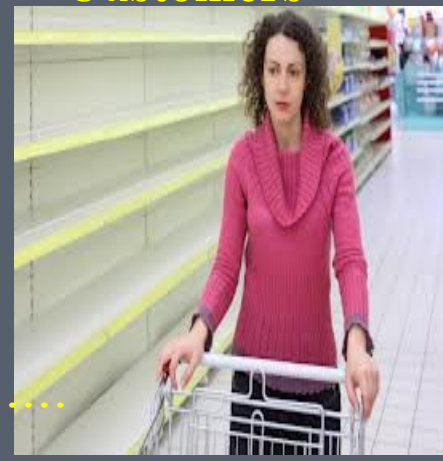


# A BENCHMARKING PROCESS



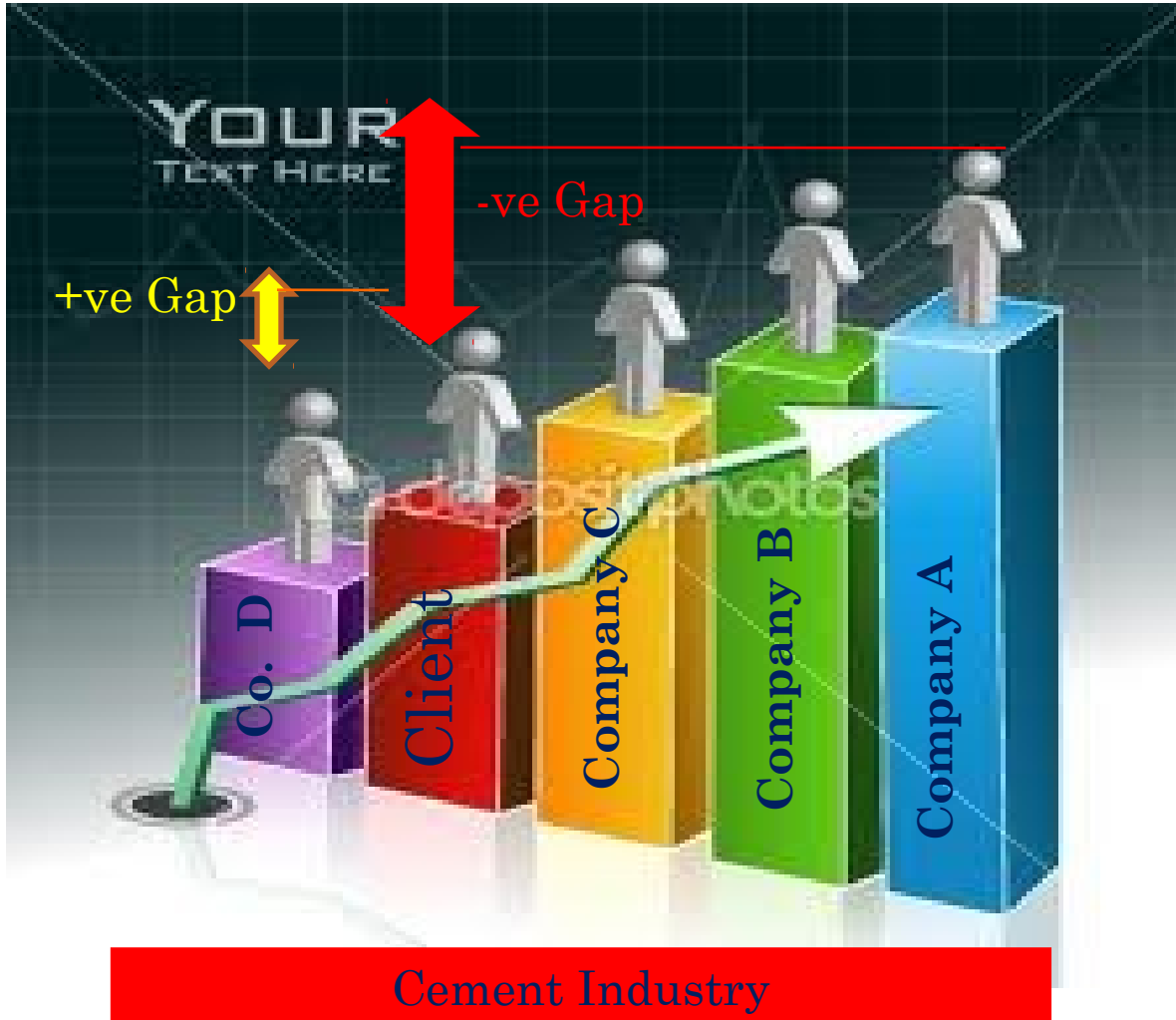


Sales people      Customer service people      Customers



Data Collection Methods.....

# Analysis



Average  
of Peers



# INTERPRETATI



- Two groups must agree on the change:
  - Process owners (those who run the process)
  - Upper Management (incorporating changes and providing resources)
  - Communicate Benchmark findings and recommendation and get approval.
  - Establish Functional Goals



# ACTION



## ○ Generic steps of Action Plan

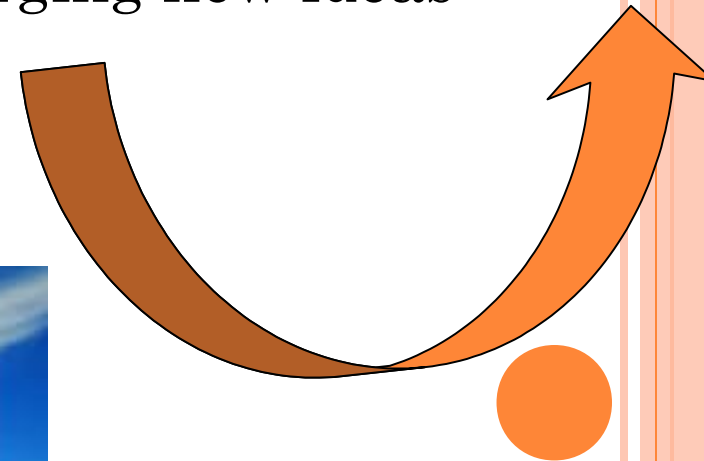
1. Specify tasks
2. Sequence tasks
3. Determine resource needs
4. Establish task schedule
5. Assign responsibility for each
6. Describe expected results
7. Specify methods for monitoring results



# RECALIBRATION



- The next step is to repeat the benchmarking process
- The benchmarking process must be used continuously to pursue emerging new ideas



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# Types of Benchmarking

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- On the basis of “What” is being compared with other organizations and “Who” is being compared with our organization, we can classify benchmarking.

“What” is being compared with other organizations

**VS.**

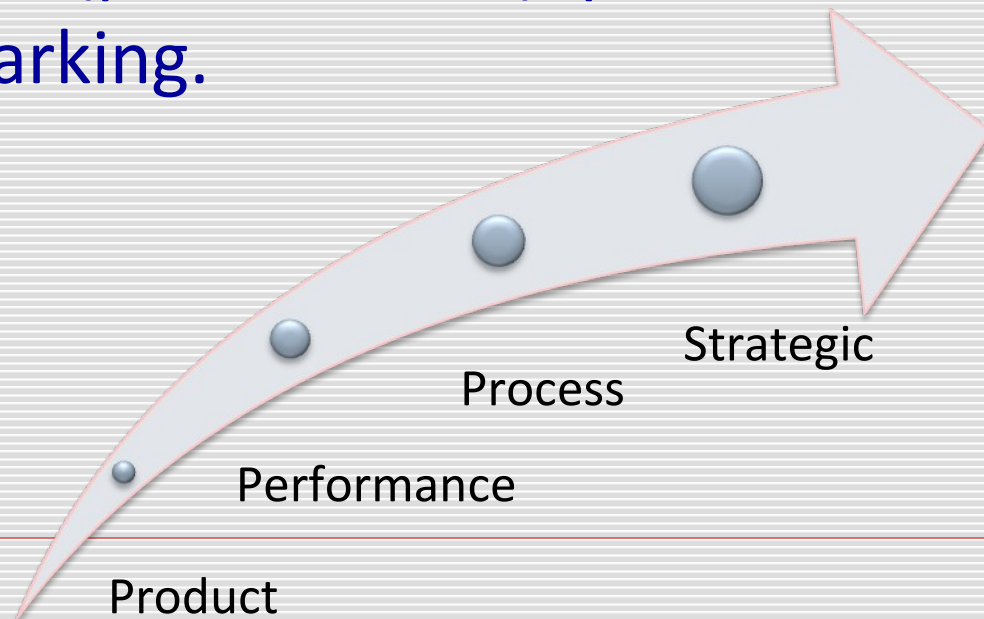
Who” is being compared with our organization



# Types of Benchmarking

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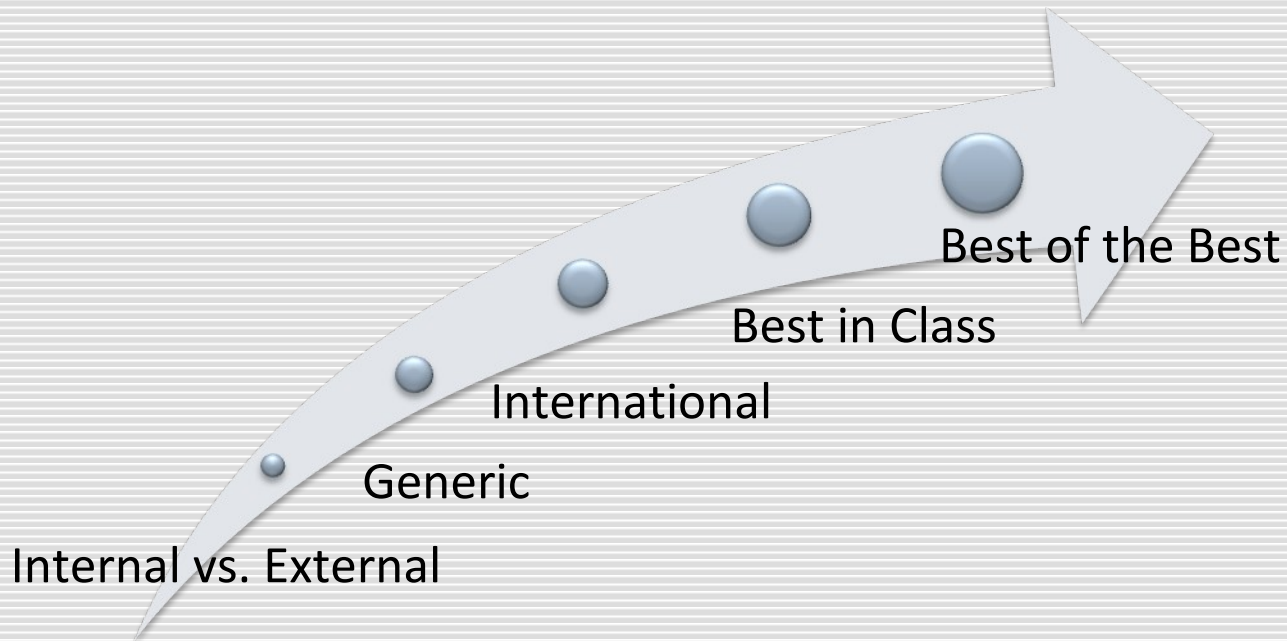
- On the basis of “What” is being compared with other organizations we have four main types. These four major types of benchmarking are evolutionary beginning with product, through to functional (performance), process and strategic benchmarking.



# Types of Benchmarking

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- On the basis of “Who” is being compared with our organization, we have these categories:



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Thank

You

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