

Benchmarking Theory and State-of-the-Art

VERITE Benchmarking Congress

6 – 7 June, 2002, Stuttgart

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Summary

- What is – Why – Who – What
- Four Types
- Benefits & Pitfalls
- Partner Organizations
- Methodology
- Time & Effort Estimates
- Benchmarking on the Web
- Summary

What is Benchmarking ?

A process for improving performance of any organization by continuously identifying, understanding & adopting outstanding practices and processes inside or outside the organization

Benchmarking

- It is tool for improvement
 - It is a change in philosophy
 - It is about being:
 - ❖ Humble enough to admit someone is better
- AND
- ❖ Wise enough to learn how to match and surpass them

Continuously learn by example

Is it for everyone ?

Can be applied to (almost)

- Any company
- Any private organization
- Any public organization

- Mostly done by large companies
- Efforts and support by EC for spreading benchmarking to SMEs and Regional Organizations

Why do benchmarking ?

- Continuous pressure for increased performance
- Always wondering (or should be)
 - ❖ 'Why competition or similar organizations are performing better ?
 - ❖ Are our processes optimum ?
- know where we are → can we predict where we should be ?

What to Benchmark ?

Any activity / process of the organization

- Strategic development
- Operations
- Human resources
- Customer service
-

How does it work ?

Basic idea is SIMPLE

- Find an organization that is best at what you do
- Study how they achieve the results
- Make plans for improving your own performance
- Implement plans
- Monitor, evaluate, update benchmarks

How does it work ?

Benchmarking is about

IDENTIFICATION and IMPLEMENTATION
Of Best Practice (idea **SIMPLE**)

BUT

Putting it into practice
may be

COMPLEX & CHALLENGING

Four types of Benchmarking

Competitive

easier – variables similar

harder – data recuperation

How to overcome difficulties ?

- ❖ different geographical markets
- ❖ indirect data recuperation – not a site visit

Four Types

Internal – vs units of same organization, e.g.

- ❖ Multinationals
- ❖ Sale offices around the country
- ❖ Multiple factory locations

Common language/culture/systems

Access to data

Communication channels

Low threat

Good 'test bed'

Relatively quick returns

Inhibit external focus

Foster complacency

Only adequate return

Four Types

Process

similar processes but different organizations

e.g.

process = catering

Organizations: airline & hospital

Process = e – business

Organizations: sale consumer goods & services

Four Types

Generic

Technological aspects

How else other organizations do it ?

Partners: same or different sectors

e.g.

- ❖ **Waste processing technologies**
- ❖ **Data bases / data mining**
- ❖ **Energy savings**

Expected Results

BENEFITS

- establish own position vs rest & best
- accelerating change
- 'internal audit' –highlights areas requiring intervention & improvement
- identify strengths & weaknesses
- measurement of current performance
- prevents reinventing the wheel

Expected Results

PITFALLS

- Insufficient commitment
- validity of data
- confidentiality (reciprocal)
- insufficient planning
- failing to prioritize – cannot change all at once!
- ensuring improvement initiatives

What it takes for successful benchmarking ?

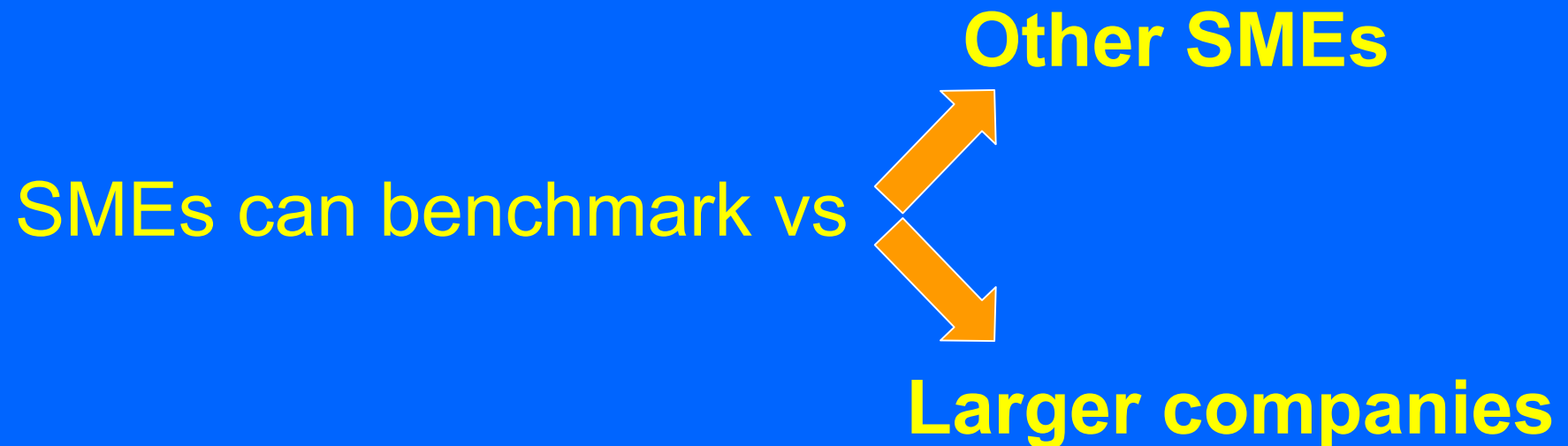
- understand it is a continuous & dynamic process
- sufficient planning - clear objectives
- involvement of organization (management & employees)
- formation of benchmark team
- finding the right partners
- willingness to share information with partners
- understand that it should be win – win

What it takes ?

- adherence to benchmarking process
- understand that it costs time & money
- access to data (TBE, countries: URENIO)
- abide by the Code of Conduct

Which organizations ?

- to date, mostly large companies
- more and more SMEs
- push from EC to spread use of benchmarking to SMEs



Benchmarking partners

Against which companies ?

Benchmarking Organization:

- Widely recognized as achieving standards of performance on key indicators
- Similar / different sectors, e.g.
 - ❖ Oil company with telephone company for underground pipelines (cables)
- Same / other region

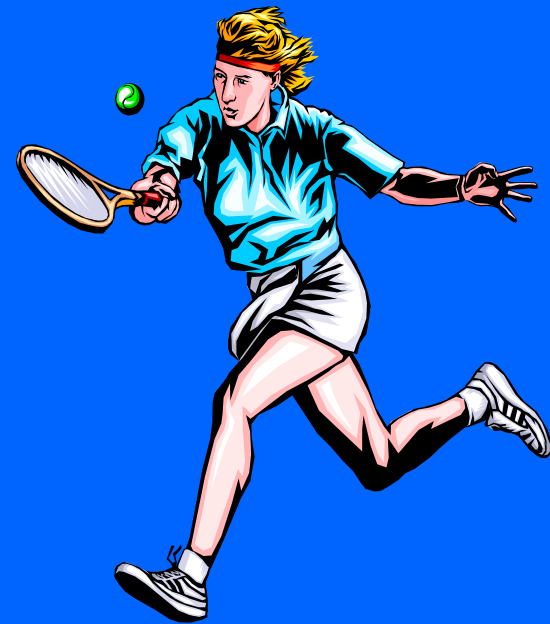
Benchmarking partners

Always compare to best ?

- Best practice companies overwhelmed
- Tremendous gap – look at incremental changes
- Too much data

Benchmarking partners

OLYMPICS



STEPS TO BE FOLLOWED FOR BENCHMARKING

Planning the project

Identify the strategic items

Select the process to benchmark

Identify needs and expectations

Identify critical success factors

Forming the team

Select lead team members

Select preparation team members

Select visit team members

Train all team members

Collection of data

Map and measure current process

Research benchmarking partners

Approach selected partners

Gather data from partners

Analyzing the data

Compare your process with partners

Analyze performance gaps

Take ideas learned from partners

Prepare solutions

Implementing change

Set goals

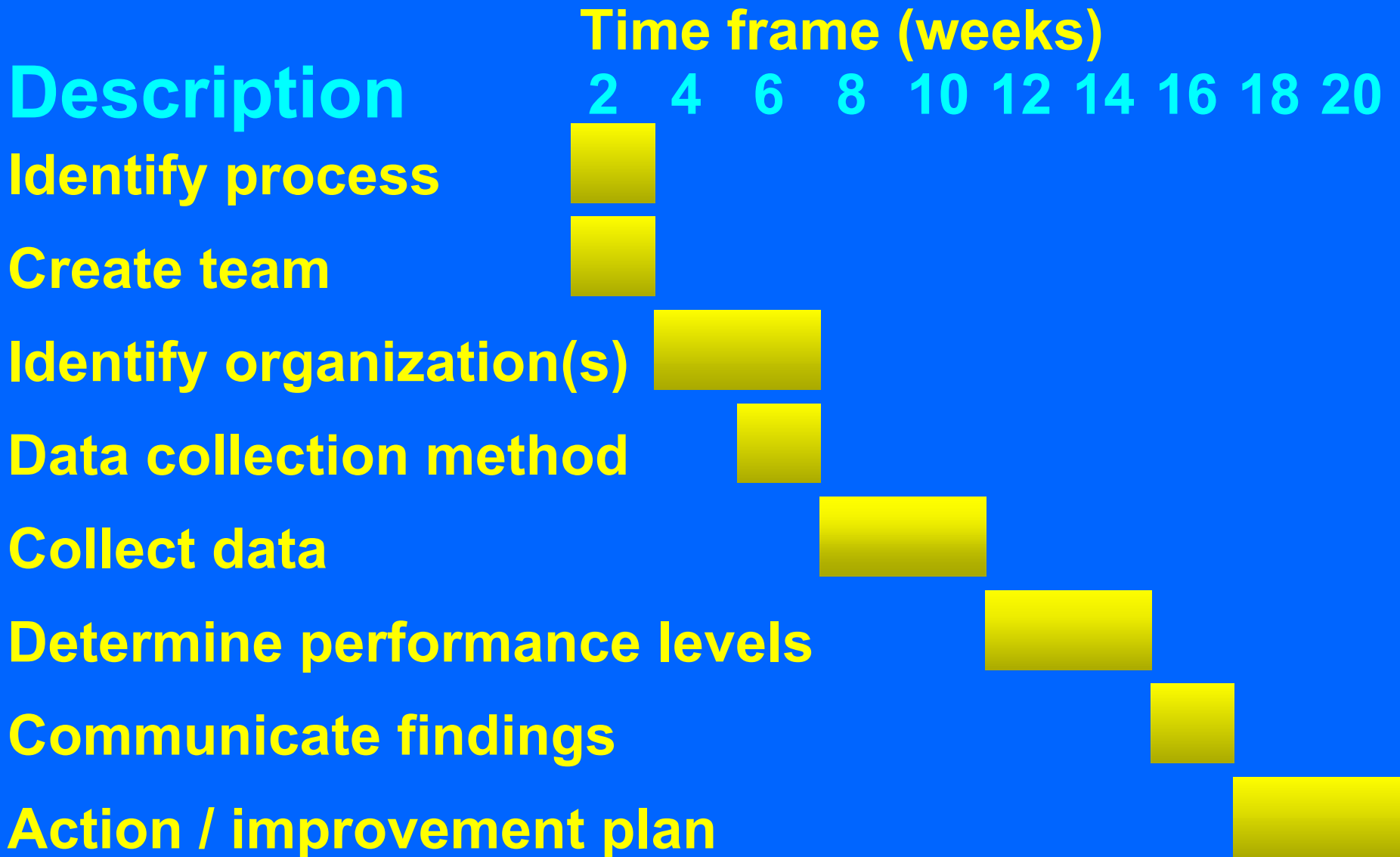
Establish budget

Implement specific actions

Monitor progress

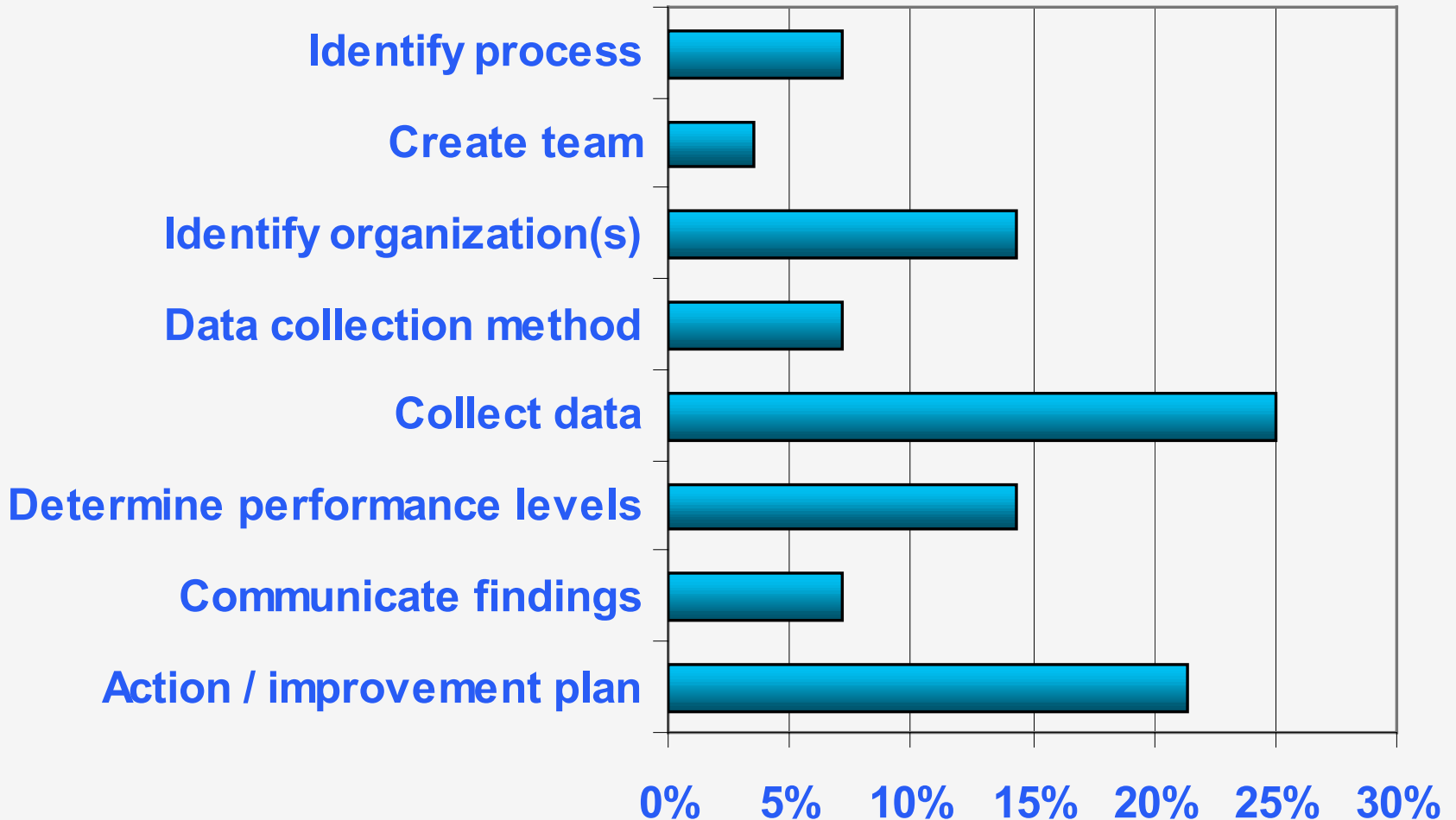
Communicate - Recalibrate

Implementation Schedule



Effort Estimates

Time Effort



Implementation cost

COSTS

- Personnel time
- Travel
- Facilitator / Consultant
- Access to databases

(before implementing action plan)

Company	10 – 20 man days
Facilitator	9 – 11
Partner	5 - 8

Benchmarking Sites

Initiative of European Commission

<http://www.benchmarking-in-europe.com>

European Code of Conduct

Database for Benchmarking Contacts

News & Issues on Benchmarking

Reports & Articles

Links to Benchmarking Related Web Pages

European Foundation for Quality Management

<http://www.efqm.org>

Benchmarking Sites

The Benchmarking Exchange

<http://www.benchnet.com>

Private network – only on WWW

TBE provides services to more than 44,000 members from 79 countries.

TBE claims to be the LARGEST benchmarking and best practice service

Top-10 Benchmarked Business Processes

Business Process	Ranking
Customer Service / Satisfaction	1
Information Systems / Technology	2
Employee Development / Training	3
Process Improvement / Management	4
Call Centres / Help Desks	5
Performance Measurement / Improvement	6
Employee Recruiting / Staffing	7
Manufacturing / Assembly	8
Human Resources	9
Project Management	10

Benchmarking Sites

Benchmarking data base

<http://www.benchmarkingdatabase.com>

The Benchmarking Network

<http://www.well.com/user/benchmark/tbnhome.html>

American Productivity & Quality Center

<http://www.apqc.org/>

Best Practice Site

<http://www.best-practice.com/>

SUMMARY

- Benchmarking is a continuous process
- It can have significant positive impact to organizations
- Proper understanding of process can help avoid pitfalls

SUMMARY

- Find the right partners
- Win – Win situation
- There is help available
- Cannot change all at once !
- **Continuously learn by example**