Benchmarking
Theory and State-of-the-Art

VERITE Benchmarking Congress

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Assist. Prof. Vassilios C. Kelessidis
Technical Univ. of Crete, GREECE
Summary

- 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 a tool for improvement
- It is a change in philosophy
- It is about being:
  - Humble enough to admit someone is better
  - 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

Other SMEs

SMEs can benchmark vs

Larger companies
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
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
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
<table>
<thead>
<tr>
<th>Description</th>
<th>Time frame (weeks)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify process</td>
<td>2</td>
</tr>
<tr>
<td>Create team</td>
<td>4</td>
</tr>
<tr>
<td>Identify organization(s)</td>
<td>6</td>
</tr>
<tr>
<td>Data collection method</td>
<td>8</td>
</tr>
<tr>
<td>Collect data</td>
<td>10</td>
</tr>
<tr>
<td>Determine performance levels</td>
<td>12</td>
</tr>
<tr>
<td>Communicate findings</td>
<td>14</td>
</tr>
<tr>
<td>Action / improvement plan</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>18</td>
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<td></td>
<td>20</td>
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</tbody>
</table>
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
<table>
<thead>
<tr>
<th>Business Process</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Service / Satisfaction</td>
<td>1</td>
</tr>
<tr>
<td>Information Systems / Technology</td>
<td>2</td>
</tr>
<tr>
<td>Employee Development / Training</td>
<td>3</td>
</tr>
<tr>
<td>Process Improvement / Management</td>
<td>4</td>
</tr>
<tr>
<td>Call Centres / Help Desks</td>
<td>5</td>
</tr>
<tr>
<td>Performance Measurement / Improvement</td>
<td>6</td>
</tr>
<tr>
<td>Employee Recruiting / Staffing</td>
<td>7</td>
</tr>
<tr>
<td>Manufacturing / Assembly</td>
<td>8</td>
</tr>
<tr>
<td>Human Resources</td>
<td>9</td>
</tr>
<tr>
<td>Project Management</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: The Benchmarking Exchange, Jan. 2002
Benchmarking Sites

Benchmarking data base
http://www.benchmarkingdatabase.com

The Benchmarking Network
http://www.well.com/user/benchmar/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