

BENCHMARKING



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INTRODUCTION

In order to identify the best way of performing activities and business processes, organizations are turning to benchmarking which involves comparing key activities with the world class best practices. Benchmarking attempts to identify an activity such as customer order processing that needs to be improved and finding out how others who have excelled in the area perform the activity. The objective is to find out how the activity can be improved and ensure how the activity can be improved and ensure.

Products, service and process improvement can take place only in relation to established standards. Benchmarking, an approach thought to have originated in Japan is one of the aspects used to measure an organization's operations, products and services and those of its competitors. It is a means by which targets, priorities and operations that lead to competitive advantage can be established. It is a continuous process of identifying, understanding and adopting the best practices and processes that will lead to superior performance.

Benchmarking is a technique that is increasingly being adopted as a mechanism of achieving continuous improvement. It is a continuous process of measuring a firm's products and services against the other best performing organization, either internal or external to the firm.

The objective is to ascertain how the processes and activities can be improved. Ideally, it should involve external focus on the latest developments, best practice and model examples that can be incorporated within various business organizations.

It is worthy noting that technologies and conditions vary between different industries and markets but the basic concept of benchmarking and measurement is of general validity. The objective is to produce products and services that conform to the requirements of the customers in an ever ending improvement environment. That is, benchmarking can best be accomplished by using a continuous improvement cycle in all the operations. Thus, benchmarking is not a separate science, rather another strategic approach to getting the best out of the people and the processes in order to deliver improved performance.

WHY BENCHMARK

Predominantly, the following are the specific purposes for benchmarking:

- a) Changing the perspectives of executives and managers.
- b) Comparing the business practice with those of a world class organization.
- c) Challenging the current practices and processes which inhibit improvement.
- d) Creating improved goals and practices for the organization

It can also be noted that as a managed process for change, benchmarking uses a disciplined and structured approach to identify what needs to change, how it can be changed and the expected benefit of the change. The desire for change therefore has to be created in the first place. Any process or practice that can be defined can also be benchmarked. However, the focus should be on those processes which impact on customer satisfaction.

Benchmarking is very critical in all organizations since it continuously measures activities and practices against equivalent operations among the toughest direct competitors or organizations with renowned benchmarks

DRIVERS OF BENCHMARKING

These are factors which make organizations or individuals to practice benchmarking. The drivers can either be internal or external to the organization and include the following:

- i. Customers continuously demand better quality services but of lower prices and shorter lead times.
- ii. Competitors are constantly trying to get a head and dominate the markets.
- iii. The ever changing legislation or legal environment which in effect generates greater demand for improvements.
- iv. Targets which call for improvements on an organization best ever performance.

- v. Changes in technology. A fundamental change in the processes is often required to benefit fully from introducing new technologies.
- vi. Self assessment results which provide opportunities to learn from adapting the best practices

CATEGORIES OF BENCHMARKING

Basically, there are four categories of benchmarking. These are:

- 1) **Internal benchmarking:** This type of benchmarking entails the search for the best practices of internal operations by comparison with in-house units such as divisions.
- 2) **Functional Benchmarking:** this is about seeking functional best practices outside the industry. This applies where, for instance, internal functions, regardless of the industry, do not involve direct competitors.
- 3) **Generic benchmarking:** It is a comparison of outstanding processes irrespective of the industry or function.
- 4) **Competitive benchmarking:** This is where a specific competitor of a product or service compares price performance and efficiency among competitors.

STAGES IN BENCHMARKING

The benchmarking process has five main stages which are focused on trying to measure the comparisons with a view to identifying areas for action and change. Their details are as indicated:

- a) **Planning study stage:** This stage entails selecting the processes for benchmarking; bringing together appropriate teams to be involved and by establishing their roles and responsibilities; identifying benchmarks and measures for data collection; identifying best competitors using customer feedback/industry observers and documenting the current processes.
- b) **Data collection and information phase:** Data is collected by deciding on the information and data collection methodology; recording the current performance levels; identifying the benchmarking partners; Conducting the preliminary investigation; preparing site visits if any to interact with target organizations; using the data collection methodology and carrying out actual site visits.
- c) **Analysing the data and information stage:** This entails normalizing the performance data; constructing a matrix to compare the current performance with the competitors or partners; identifying the outstanding practices and isolating them and; understanding the process enablers as well as performance measures.
- d) **Adapting the approach phase :** This stage requires cataloguing information and creating competency profile of the organization; developing new performance level

objectives or targets; having alternative processes which incorporate the best practice enablers; identifying and minimizing barriers to change; developing action plans to adapt and implement best practices; making process changes and achieving goals and finally; implementing specific actions and integrating them into the organization.

- e) **Post-completion or review performance study phase:** The stage calls for monitoring of the results for improvement; assessing the outcomes and learning from the study; reviewing the benchmarks; sharing the experiences and best practices; learning from implementation; reviewing relationships with target or partner organizations and identifying further opportunities for improving and sustaining performance.

BENEFITS OF BENCHMARKING IN ORGANIZATIONS

The benefits of organizations to organizations are numerous. They include:

- i. Benchmarking is used to measure an organization's products, services and processes to establish targets, priorities and improvement which in turn lead to competitive advantage and /or cost reductions.
- ii. It assist organizations to create a better understanding of the current position, heightening the sensitivity to changing customer needs thereby encouraging innovation, developing stretch goals and establishing realistic action plans.
- iii. An important aspect of benchmarking is gaining an understanding on how other organizations achieve superior performance. Some of this knowledge will result in quick wins, with low or minimum risk levels.
- iv. It may be used to drive review in business management systems, facilitating application of new technology and generally assisting people see how processes might be different.
- v. Properly conducted systematic benchmarking studies can aid definition and clarification of clearer objectives and also help their deployment through well-executed change management strategies.
- vi. The baseline performance usually conducted in benchmarking allows the teams to monitor and understand the successes in delivering the beneficial change.
- vii. Through benchmarking teams, organizations are able to define and understand stakeholders which are a wise investment over time as this leads to building and managing good relations.
- viii. Benchmarking predominantly leads to a change perspective through comparing business practices; changing current practices and processes to create improved goals and adopting better practices with the focus on customer satisfaction and business results.

LIMITATIONS OF BENCHMARKING

Despite the foregoing benefits that accrue to organizations which practice benchmarking, it is important to note that the process of has some drawbacks. Therefore, while looking for organizations to compare with, the following limitations have to be taken into account by all those wishing to benchmark:

- i. No two organizations are the same and therefore it is never possible to compare performance of organizations which are not in the same standard or class.
- ii. The culture and practices of one organization of one organization may not be translated well between different organizations.
- iii. It is sometimes difficult to strictly determine which company in the industry is the best to compare with.
- iv. Some organizations fearing competition may also fear to divulge information to another company.
- v. Some organizations find it difficult to distinguish between inputs and outputs.

CONCLUSION

Despite the shortcomings of benchmarking highlighted above, it is worth noting that organizations and people all over the world who embrace benchmarking stand t benefit. Benchmarking can be beneficial since organization can save time and money by avoiding mistakes that other companies have made and or it can avoid duplicating the efforts of other companies.