

BENCHMARKING PROCESS

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Introduction

If a company is to be successful, it needs to evaluate its performance in a consistent manner.

In order to do so, businesses need to set standards for themselves and measure their processes and performance against recognized industry leaders or against best practices from other industries, which operate in a similar environment.

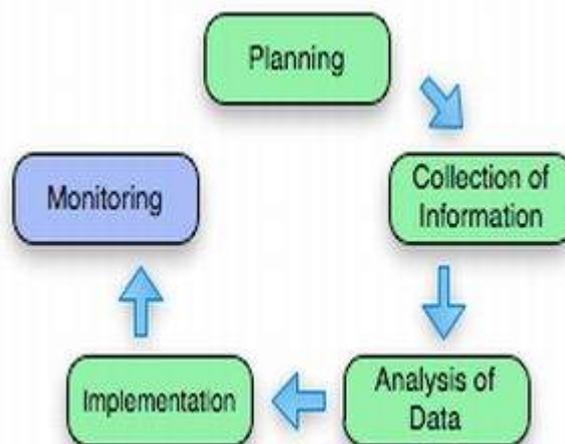
This is commonly referred to as **benchmarking** in management parlance.

The benchmarking process is relatively uncomplicated. Some knowledge and a practical bent is all that is needed to make such a process a success.

Therefore, for the benefit of corporate executives, students and the interested general populace, the key steps in the benchmarking process are highlighted below.

A Step-by-Step Approach to Benchmarking

Following are the steps involved in benchmarking process:



1 Planning

Prior to engaging in benchmarking, it is imperative that corporate stakeholders identify the activities that need to be benchmarked.

For instance, the processes that merit such consideration would generally be core activities that have the potential to give the business in question a competitive edge.

Such processes would generally command a high cost, volume or value. For the optimal results of benchmarking to be reaped, the inputs and outputs need to be redefined; the activities chosen should be measurable and thereby easily comparable, and thus the benchmarking metrics needs to be arrived at.

Prior to engaging in the benchmarking process, the total process flow needs to be given due consideration. For instance, improving one core competency at the detriment to another proves to be of little use.

Therefore, many choose to document such processes in detail *a process flowchart is deemed to be ideal for this purpose*, so that omissions and errors are minimized; thus enabling the company to obtain a clearer idea of its strategic goals, its primary business processes, customer expectations and critical success factors.

An honest appraisal of the company's strengths, weaknesses and problem areas would prove to be of immense use when fine-tuning such a process.

The next step in the planning process would be for the company to choose an appropriate benchmark against which their performance can be measured.

The benchmark can be a single entity or a collective group of companies, which operate at optimal efficiency.

As stated before, if such a company operates in a similar environment or if it adopts a comparable strategic approach to reach their goals, its relevance would, indeed, be greater.

Measures and practices used in such companies should be identified, so that business process alternatives can be examined.

Also, it is always prudent for a company to ascertain its objectives, prior to commencement of the benchmarking process.

The methodology adopted and the way in which output is documented should be given due consideration too. On such instances, a capable team should be found in order to carry out the benchmarking process, with a leader or leaders being duly appointed, so as to ensure the smooth, timely implementation of the project.

2 Collection of Information

Information can be broadly classified under the sub texts of primary data and secondary data.

To clarify further, here, primary data refers to collection of data directly from the benchmarked company/companies itself, while secondary data refers to information garnered from the press, publications or websites.

Exploratory research, market research, quantitative research, informal conversations, interviews and questionnaires, are still, some of the most popular methods of collecting information.

When engaging in primary research, the company that is due to undertake the benchmarking process needs to redefine its data collection methodology.

Drafting a questionnaire or a standardized interview format, carrying out primary research via the telephone, e-mail or in face-to-face interviews, making on-site observations, and documenting such data in a systematic manner is vital, if the benchmarking process is to be a success.

3 Analysis of Data

Once sufficient data is collected, the proper analysis of such information is of foremost importance.

Data analysis, data presentation *preferably in graphical format, for easy reference*, results projection, classifying the performance gaps in processes, and identifying the root cause that leads to the creation of such gaps (commonly referred to as *enablers*), need to be then carried out.

4 Implementation

This is the stage in the benchmarking process where it becomes mandatory to *walk the talk*. This generally means that far-reaching changes need to be made, so that the performance gap between the ideal and the actual is narrowed and eliminated wherever possible.

A formal action plan that promotes change should ideally be formulated keeping the organization's culture in mind, so that the resistance that usually accompanies change is minimized.

Ensuring that the management and staff are fully committed to the process and that sufficient resources are in place to meet facilitate the necessary improvements would be critical in making the benchmarking process, a success.

5 Monitoring

As with most projects, in order to reap the maximum benefits of the benchmarking process, a systematic evaluation should be carried out on a regular basis.

Assimilating the required information, evaluating the progress made, re-iterating the impact of the changes and making any necessary adjustments, are all part of the monitoring process.

Conclusion

As is clearly apparent, benchmarking can add value to the organization's workflow and structure by identifying areas for improvement and rectification.

It is indeed invaluable in an organization's quest for continuous improvement.

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