



## **Benchmarking**

The importance of product and process benchmarking was highlighted back in the late 1980s when Xerox credited benchmarking as one of the most important factors responsible for successfully winning the Malcolm Baldrige Award. Since that time benchmarking has become a key part of the criteria for all of the state, national, and international excellence awards. There is just no reason to take a chance on making an improvement change when someone else already has worked all of the bugs out of the process.

At a very minimum, organizations need to have benchmarks to measure their product and processes against. Of course, there is a big difference between benchmark and benchmarking.

- Benchmark – a standard by which an item can be measured or judged
- Benchmarking – a systematic way to identify, understand, and creatively evolve superior products, services, designs, equipment, processes, and practices to improve your organization's real performance. It is a process where you adapt or adopt another organization's process or product concept to your process or product.

The two primary reasons for using the benchmarking process are setting goals and identifying how the goals can be accomplished. There is nothing like seeing someone else achieving what you thought to be impossible to make believers out of the most skeptical of us. There are many benefits from implementing a benchmarking program. Some of them are:

- Increases the desire to change
- Focuses on meeting end-user expectations
- Improves the benchmark item
- Improves key financial indicators
- Focuses on the use of best worldwide practices
- Provides a way to improve customer satisfaction
- Helps eliminate the not-invented-here syndrome
- Includes the use of proven approaches, methods, processes, and technologies
- Improves employee morale and price
- Improves relationships and understanding between benchmarking partners
- Identifies your competitive position
- Identifies strengths and weaknesses
- Increases the effectiveness, efficiency, and adaptability of your processes
- Transforms complacency into an urgent desire to improve
- Defines and incorporates best applicable processes and management practices
- Helps set attainable, but aggressive, targets
- Provides breakthrough types of improvement
- Concentrates on the major contributors to the success of the organization
- Allows you to project future trends in your industry
- Sets new standards of performance
- Prioritizes improvement activities

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- Provides a faster, lower-risk approach to meeting aggressive targets
- Provides your organization with a competitive advantage
- Creates a culture of continuous improvement
- Reduces the cost of the improvement process
- Develops a professional interface with other organizations

When organizations start to apply the benchmarking process, a significant internal attitude change takes place

<b>BEFORE BENCHMARKING</b>	<b>AFTER BENCHMARKING</b>
Not invented here	Let's use that good idea
One answer to a problem	Many options
Internal focus	External focus
History-based targets	Best-performance targets
Low market understanding	High market understanding
Internal priorities	Customer priorities
Reactive improvements	Proactive improvements
Problem focus	Opportunity focus
Driven by personality	Driven by best industry practices
Path of least resistance	Best-value path
We are good	We need to be better
Managed by experience	Managed by facts
Following the industry	Leading the industry

At Harrington Institute we provide classes to train your personnel on how to conduct a benchmarking study. We use a methodology consisting of five-phases with 20 activities in our benchmarking process.

## Benchmarking Phases

## Benchmarking Activities

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<u>Phase I:</u> Planning The Benchmarking Process And Characterization Of The Item(s)	1. Identify What to Benchmark 2. Obtain Top Management Support 3. Develop the Measurement Plan 4. Develop the Data Collection Plan 5. Review Plans with Location Experts 6. Characterize Your Benchmark Item
<u>Phase II:</u> Internal Data Collection & Analysis	7. Collect and Analyze Internal Published Information 8. Select Potential Internal Benchmarking Sites 9. Collect Internal Original Research Information 10. Conduct Interviews and Surveys 11. Form an Internal Benchmarking Committee 12. Conduct Internal Site Visits
<u>Phase III:</u> External Data Collection & Analysis	13. Collect External Published Information 14. Collect External Original Research Information
<u>Phase IV:</u> Improvement Of The Item's Performance	15. Identify Corrective Actions 16. Develop an Implementation Plan 17. Gain Top Management Approval of the FSS 18. Implement the FSS and Measure Impact
<u>Phase V:</u> Continuous Improvement	19. Maintain the Benchmarking Database 20. Implement Continuous Performance Improvement

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Harrington Institute also conducts benchmark studies for organizations. We find that often competitors won't share their data with each other but benefit from receiving performance data related to their industry. In other cases, we do the benchmarking for an organization because they don't have the time or the skills to do it themselves. We have set up alliances with different international Benchmarking clearinghouses that allows us to collect more and better data faster than most.