Many organizations now recognize the need to improve the business process. In the past the focus was on productivity, utilization, cost per activity and performance of the organizations. The ultimate-measuring rod is the customer’s perception about the performance. We must compare ourselves to the “Best in the class”. Benchmarking is a process of measuring products, services, and practices against ‘best in class’ companies and ‘world-class practices’. It is a Management process that requires constant updating and the integration of competitive information, practices and performance.

The success of Benchmarking at Xerox motivated other companies to adapt Benchmarking all over the world. Organizations from different sectors found that Benchmarking was a wide spread practice used in organizations across the world irrespective of their location, size or industry. It is mandatory to the organizations to take a broad view and look for possible improvements anywhere by Benchmarking.

5.1 INTRODUCTION

The intense level of competitive activity encountered in most markets has led to a new emphasis on measuring performance of the output. Many organizations now recognize the need to improve the process, if outputs are to be enhanced. In the past it was sufficient to measure internal performance. In other words the focus was on things such as productivity, utilization, and cost per activity and so on.

Now a day there are several dimensions prevail to measure the performance of the organizations. The first key point is that the ultimate measuring rod is the customers that are the customer’s perception on the performance. Secondly, we must compare ourselves to the “Best in the class”. It is not sufficient to compare performance of immediate competitors. Thirdly, the process that produces output should be measured and compared. These three ideas lie at the heart of what today is termed as Competitive Benchmarking.
5.2. DEFINITION

Spendulini defines the Benchmarking as “a continuous, systematic process for evaluating the products services and work process of organizations that are recognized as representing best practices for the purpose of organizational improvement”.

Bench marking can be defined as ‘a process for improving performance, by constantly identifying, adapting understanding and best practices and process followed inside and outside the company and implementing the results’. The main emphasis of Bench marking is on improving a given business operation or a process by exploiting “best practices not best performance”.

5.3. TYPES OF BENCHMARKING

There are essentially three types of benchmarking: strategic, data-based, and process-based benchmarking. They differ depending on the type of information you are trying to gather. Strategic Benchmarking looks at the strategies companies use to compete. Benchmarking to improve improvements in business process performance generally focuses on uncovering how well other companies perform in comparison with you and others, and how they achieve this performance. This is the focus of Database and Process-based benchmarking the organizations can adopt one or more of these types.

5.4. NEED FOR BENCHMARKING

Now a Days the products, competitors, costs, markets, locations, employees, customers, the company, the business environment, company’s objectives, technology, share holders etc change over time. If the organizations don’t respond to these changes, more flexible competitors leave them behind. The competitors are always trying to get an advantage by improving their own operations. It is mandatory to the organizations to take a broad view and look for possible improvements anywhere by Bench marking. The need for Bench marking includes:

1. Long term survival
2. Lower costs
3. Less wastage of resources
4. Increased profits

5. Realistic targets for improving performance.

5.5. BASIC ELEMENTS OF BENCHMARKING

Benchmarking exercise should contain three elements. One is the measurement and understanding of the company’s performance. The second is identifying, measuring and understanding external best practices. Third components concern the ability to direct the search for best practices.

FIGURE 5.1 Benchmarking and other improvement tools
5.6 TQM and Benchmarking

The TQM is probably most accurately categorized as tactics for carrying out strategies requesting high levels of product quality or service quality. TQM pulls together a number of well known managerial principles into a coherent and systematic framework through the systematic interaction of these principles. TQM has the potential to lead increased quality.

5.7 Benchmarking and competitive analysis

Benchmarking world-class performance starts with competitive analysis, but goes far beyond it. While competitive analysis focuses on product comparisons, Benchmarking looks beyond products to the operating and management that produce the products. Moreover while competitive analysis is limited to companies that produce more or less similar products or render similar services, Benchmarking studies are free to search the “best of the breed” of a process or skill whenever it may be found. While competitive analysis is usually carried out as a staff exercise, Benchmarking of any process in depth usually requires the active participation of the line personnel who performs the functions in their own business. Thus, Benchmarking is more than an analytical process; it can be a tool for the encouragement to change.

5.8 Re-engineering and TQM

The organizations have undertaken reengineering by implementing concurrent engineering, lean production, cellular manufacturing, group technology, and pull-type production systems. These represent the fundamental rethinking of the manufacturing process. The concepts of teamwork, worker participation and empowerment, cross-functionality, process analysis and measurement, supplier involvement, and benchmarking are significant contributions from quality management.

5.9 BENCHMARKING PROCESS

With benchmarking an organization compare its performance with the competitors. Benchmarking actually compares an organization’s performance with the practices in the industry. There are several steps in Benchmarking. These steps start with an organization recognizing the need to improve the process, define the most appropriate measures of
performance, identifying the leading competitors in the industry and examine their operations to see how they achieve the superior performance.

5.10 THE BEST PRACTICES OF BENCHMARKING

One of the earliest organizations to adapt Benchmarking was Xerox Corporation, which used the Benchmarking as a major tool in gaining competitive advantage. Xerox first started Benchmarking in their manufacturing activity and it was focused on the product quality and product feature improvements. Following the success in the manufacturing area, the top management directed the Benchmarking be performed by all costs centers and business units and by 1981 it was adapted company-wide. The success of Benchmarking at Xerox motivated other companies to adapt Benchmarking all over the world. A recent survey conducted by the European Center for TQM [ECTQM], The Benchmark Exchange [TBE] and the Benchmarking center (UK) revealed that around 250 organizations from different sectors found that Benchmarking was a wide spread practice used in organizations across the world irrespective of their location, size or industry like FORD, AT&T, IBM, G.E, Motorola, Citicorp etc. In a survey conducted by ‘Business Today’ in 1999, 70% of the Indian companies admitted to use Benchmarking as a diagnostic tool.
FIGURE 5.2 The Benchmarking Process at Xerox

Planning
- Identification of Benchmarking
- Identification of Best Competitors
- Determine data collection method

Analysis
- Determine Current Competitive “GAP”
- Project Future Performances level

Integration
- Establish Functional Goals
- Communication of data
- Acceptance of Analysis
- Development Functional Action Plans

Action
- Implement Specific Plans
- Monitor Result/ Report
- Implement Specific Plans
By 2001, Benchmarking had become a common phenomenon in many companies across the world. Today Xerox is the world role model for quality improvement with some 240 different functional areas of the company routinely involved in Benchmarking against comparable areas.

5.11 BENEFITS OF BENCHMARKING

‘Camp’ has identified a number of benefits a company can derive from Benchmarking such as:

1. It enables the best practices from any industry to be creatively incorporated into processes of the Bench marked function.
2. It can provide stimulation and motivation to the professionals whose creativity is required to perform and implement Benchmark findings.
3. Bench marking breaks down the ingrained reluctance of operations to change.
4. Bench marking may also identify a technological breakthrough.

5.12 GUIDELINES FOR SUCCESSFUL BENCHMARKING

1. Thorough understanding of one’s own process.
2. Emphasis on industry best practices.
3. Industrial visit.
4. Selection of appropriate benchmarking partners and techniques.
5. Maintaining confidentiality of critical information.
6. Involvement of management and employees.
7. Bench marking should be a continuous process.
8. Commitment towards adaptation and implementation of best practices.
9. Selection and empowerment of benchmarking teams.
10. Willingness to change as per the finding of bench mark study.
5.13 CONCLUSION

Benchmarking has revolutionized the business all over the world. It has transformed the way of business are organized, managed and run. Benchmarking now encompasses sectors such as Healthcare, Insurance, Financial services, construction, Real-estate, Banking, Education and local Government. Benchmarking has become an obsession with companies. The practice of Benchmarking is likely to become more widespread in the years to come.