Tools

Benchmarking

Why and When Is It Used?

Benchmarking is the general name given to a range of techniques which involve comparisons between two examples of the same process so as to provide opportunities for learning. Benchmarking can, for example, be used to compare how different companies manage the product development processes; where one is faster than the other there are learning opportunities in trying to understand how they achieve this. The approach has been widely used — for example, in the field of quality management where it is used to drive the development of improvements in business performance, in software development and in developing continuous improvement systems.

One of the best-known examples of benchmarking as a learning resource are the activities within the International Motor Vehicle Programme, which has systematically collected and exchanged information on nearly all car assembly plants in the world. It can show how different plants are more or less effective on a range of measures — and in doing so it focuses the attention of other plant managers on how this is being achieved. It has acted as a powerful catalyst for learning in that industry and the model of benchmarking has been extended to other domains such as aerospace manufacturing and construction.

How Does It Work?

In this process firms select examples of notional or actual 'best practice' and then compare their performance with this. Benchmarks can be constructed along several dimensions of performance — quality, productivity, flexibility, customer service, etc. — and comparisons can be made with similar firms (in terms of size, sector and product/markets) or with different ones but which are noted for world-class performance along a key dimension. The underlying principle is one of auditing the strengths and weaknesses of the firm and identifying the directions for future development of competitive advantage (Camp 1989).

Benchmarking works in two ways to facilitate learning:

- It provides a powerful motivator since comparison often highlights gaps which – if not closed – might well lead to problems in competitiveness later.
- It provides a structured way of looking at new concepts and ideas.

It can take several forms:

Activity level	In which the comparison is made between how similar activities are carried out within the same organization — for example, who is the fastest at processing paperwork, who has the lowest stock levels, who is most flexible, and how?
Division level	In which the comparison is made between different divisions in an organization doing the same basic processes.
Inter-firm	In which the comparison is between different firms carrying out similar processes. The car industry example is an illustration of this.
Out-of-industry benchmarking	In which a similar process is carried out in different sectors; and in which there may be opportunities for learning. For example, SouthWest Airlines became one of the most effective operators in the USA by reducing its turnaround times at airport terminals. It obtained many of the insights for this from studying the process of pitstops in motor racing. Similarly, the Karolinska Hospital in Stockholm dramatically reduced patient waiting times by studying production flow techniques from manufacturing (Kaplinsky, den Hertog *et al.*, 1995).

The last group is often the most challenging, because it brings completely new perspectives.

By looking at, for example, how a supermarket manages its supply chain, a manufacturer can gain new insights into logistics. By looking at how an engineering shop can rapidly set up and changeover between different products can help a hospital use its expensive operating theatres more effectively.

Benchmarking offers a structured methodology for learning. It is increasingly being used by external agencies who see it as a lever with which to motivate particularly smaller enterprises to learn and change. Examples here include the PROBE approach and the National Benchmarking Index, both being used in the UK and supported by the Department of Trade and Industry. (More information on these can be found on the DTI's website at http://www.dti.gov.uk/.)

The potential of benchmarking is both in the early stages of the technology management process — as part of the scanning for signals for change — and also at the end, as a way of assessing whether the process could be managed better.

More information about benchmarking tools, techniques and applications can be found at many sites including:

http://www.benchmarking.gov.uk/

http://www.benchmarkingnetwork.com/

http://www.benchmarking.co.uk/