

Benchmarking



CMQ/OE III.E.3 Other quality methodologies (Apply)

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The Global Voice of Quality®

CQE BoK I.B.2.a Deployment techniques

Define the concept of benchmarking and why it may be used.
(Remember)

CMQ/OE BoK III.E.3 Other quality methodologies

Describe and differentiate methods such as total quality management (TQM), continuous improvement, and benchmarking. (Apply)

References used by CMQ/OE item writers

Camp, Robert C., *Business Process Benchmarking: Finding and Implementing Best Practices*, Milwaukee, WI: ASQC Quality Press, 1995. ISBN: 0873892968

Evans, James R., and William M. Lindsay, *Managing for Quality and Performance Excellence, 7th ed.*, Mason, OH: Thomson-Southwestern College Pub, 2008. ISBN 0324382278

Westcott, Russell T., *Certified Manager of Quality/Organizational Excellence Handbook, 3rd ed.*, Milwaukee, WI: ASQ Quality Press, 2006. H1264



Definitions:

- Benchmarking is a process for identifying, comprehending, and adapting knowledge of exemplary practices and processes from organizations worldwide to assist an organization in improving its process or product performance. (Westcott, 2014)
- Benchmarks are the measures of a best-in-class process.

Basic steps in Benchmarking

- 1) Gain a complete understanding of one's own process
 - a) Identify the boundaries of the process intended for benchmarking
 - b) Map the process
 - c) Measure the current performance level of the process

- 2) Identify potential sources of best practices

Benchmarking levels include:

1. *Internal benchmarking*: Comparing a process in one function with that of another function or comparing the same process across locations.
2. *Competitive benchmarking*: Comparing with direct competitors; locally, nationally or worldwide.
3. *Functional benchmarking*: Comparing processes to other organizations with similar processes in the same functions, but outside the industry.
4. *Generic benchmarking*: Finding organizations that have best in class processes and approaches from which one may learn and translate to improvements at one's own organization.



Westcott: 2014

Types of Benchmarking

- **Internal:** With other units in the same organization to share Best-In-Organization practices
- **Competitive:** Analysis of processes and practices with competitors and companies in the same industry
- **Product:** Focus on product development and manufacturing – extensive product tear-downs

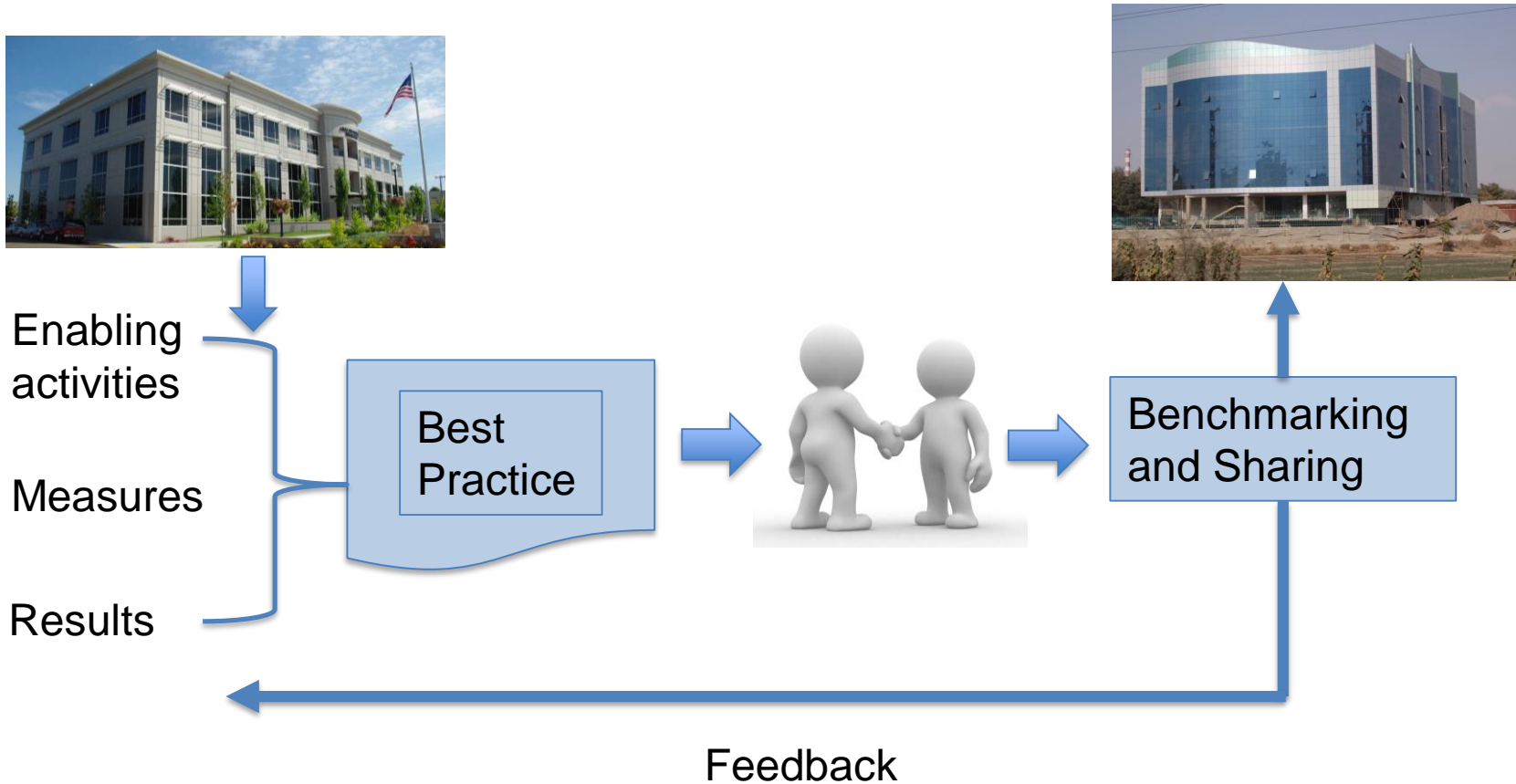
Types of Benchmarking

- **Strategic:** Proactive analysis of emerging trends in markets, processes and technologies that may impact strategic direction and deployment
- **Best Practices:** Analysis of best practices and functions regardless of industry, also known as *process benchmarking*

Definition: Best Practice

A best practice is a technique, working method or activity that has proven itself more effective than any other technique, method, etc. The idea is that you can execute a project with the best techniques with fewer problems, fewer unforeseen complications and better outcomes. It is therefore important for organizations to know the "Best Practices" in their field and to compare these with their own way of working.

Best Practice precedes Benchmarking



Benchmarking Can be...

**Informal
Studies**

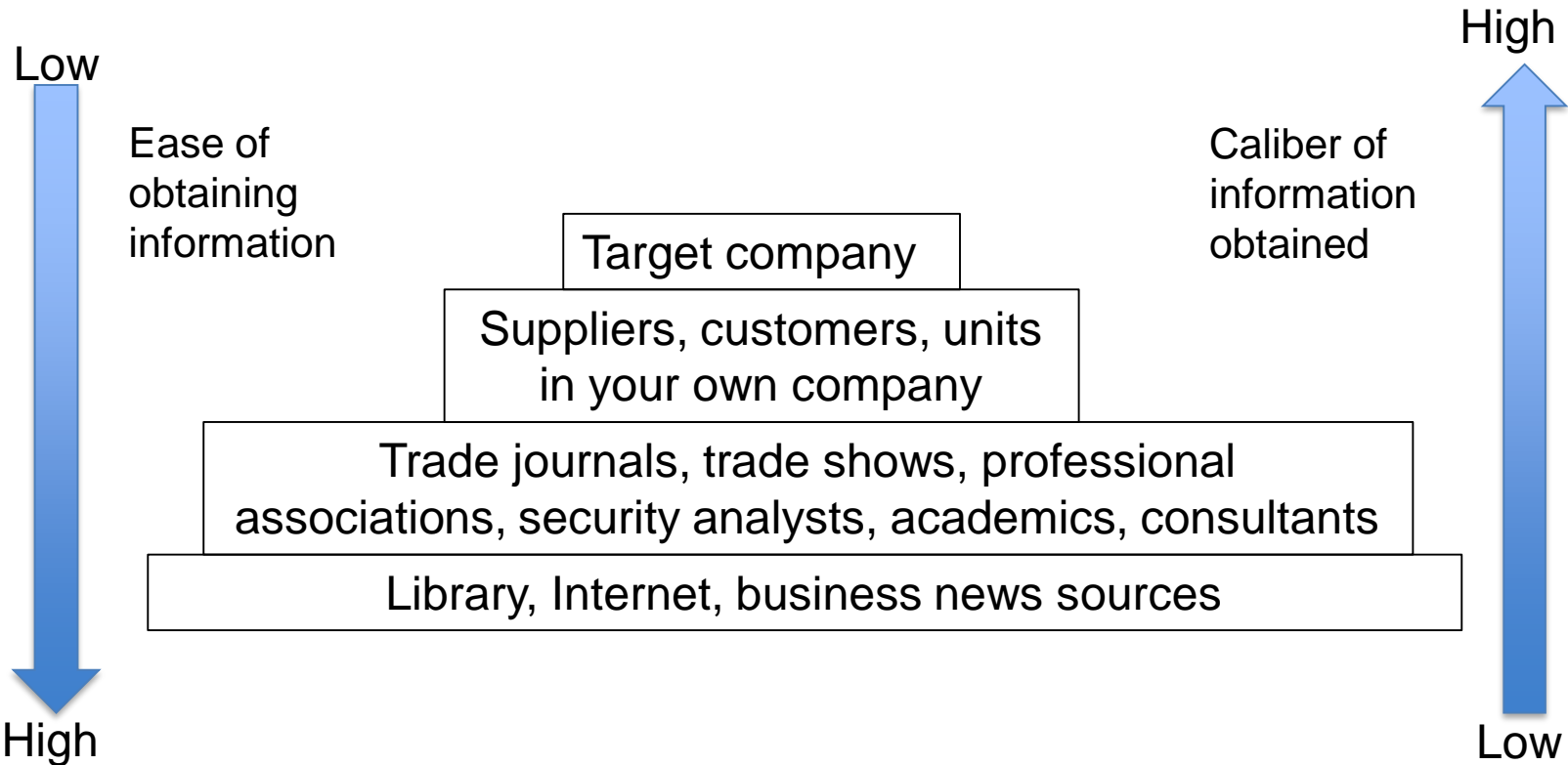
**Formal
Process**



The Benchmarking Continuum

As simple as an informal study or as disciplined as using a formal Benchmarking process

Sources of benchmarking information



Westcott, 2014

Benefits of Benchmarking

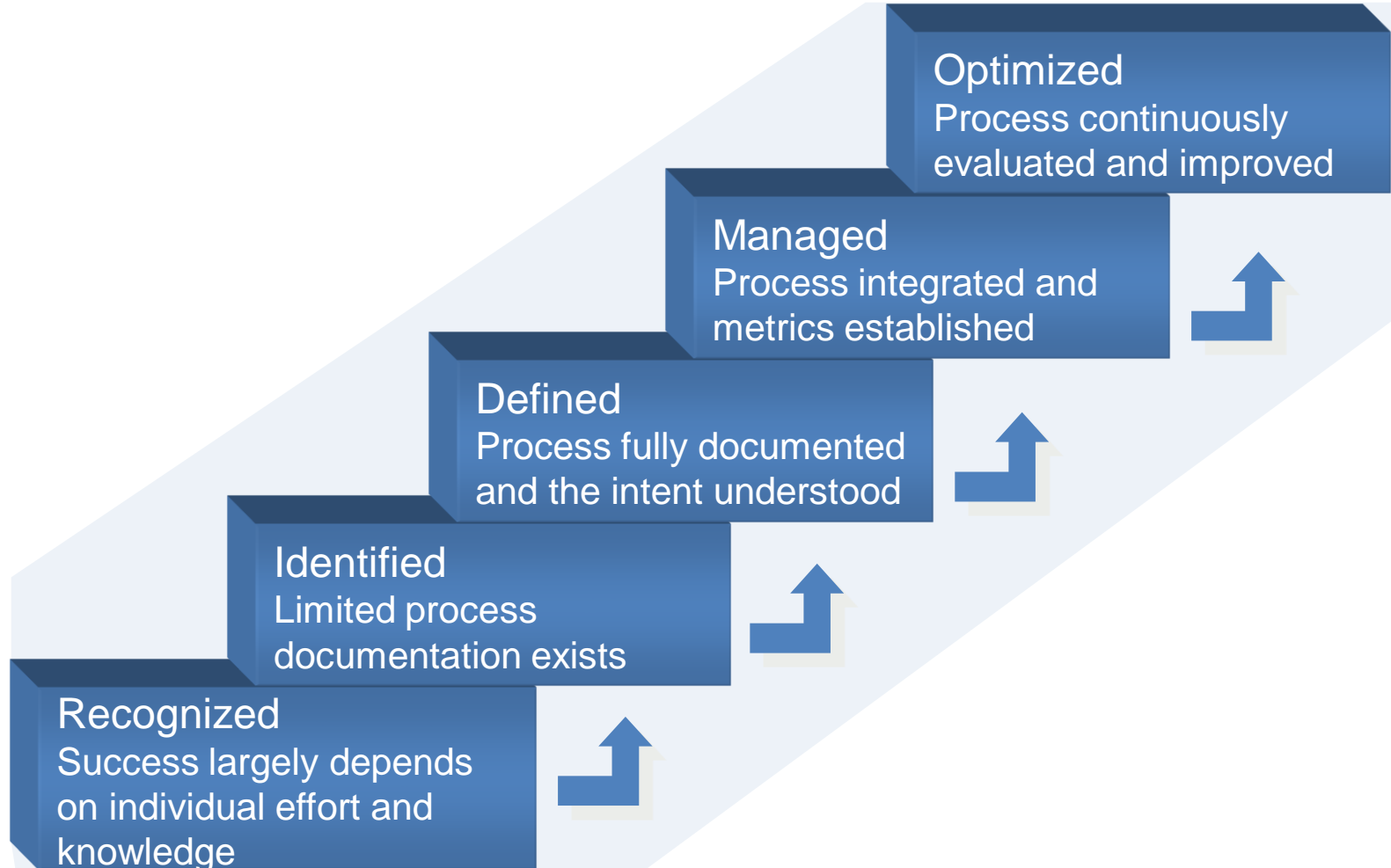
- Assures management that chosen goals and objectives are competitive and attainable.
- Discovering whether anyone has overcome the same constraints.
- Allows team to look beyond its own organization and industry.
- Encourages new ideas to emerge.
- Create a mutually beneficial sales tool for both benchmarking partners.
- Enables an organization to gain ground on the competition in a very short time.



Successful benchmarking includes:

- Having the right and best people on the team
- The ability to successfully break a process into its components
- Avoiding taking on too large a process for the resources available
- A long-term management commitment
- Focusing on a process rather than on just performance metrics
- Integrating the benchmarking initiative with broader goals
- Realizing that differences in culture, the portfolio of processes, and skill levels will likely make just copying a process from one organization to another ineffective
- Awareness of a diligent concern for proprietary and ethical issues

Who benefits from benchmarking?



BPM Maturity Model

Black & Veatch, 2009

Examples of what to benchmark

Systems, processes, or practices that:

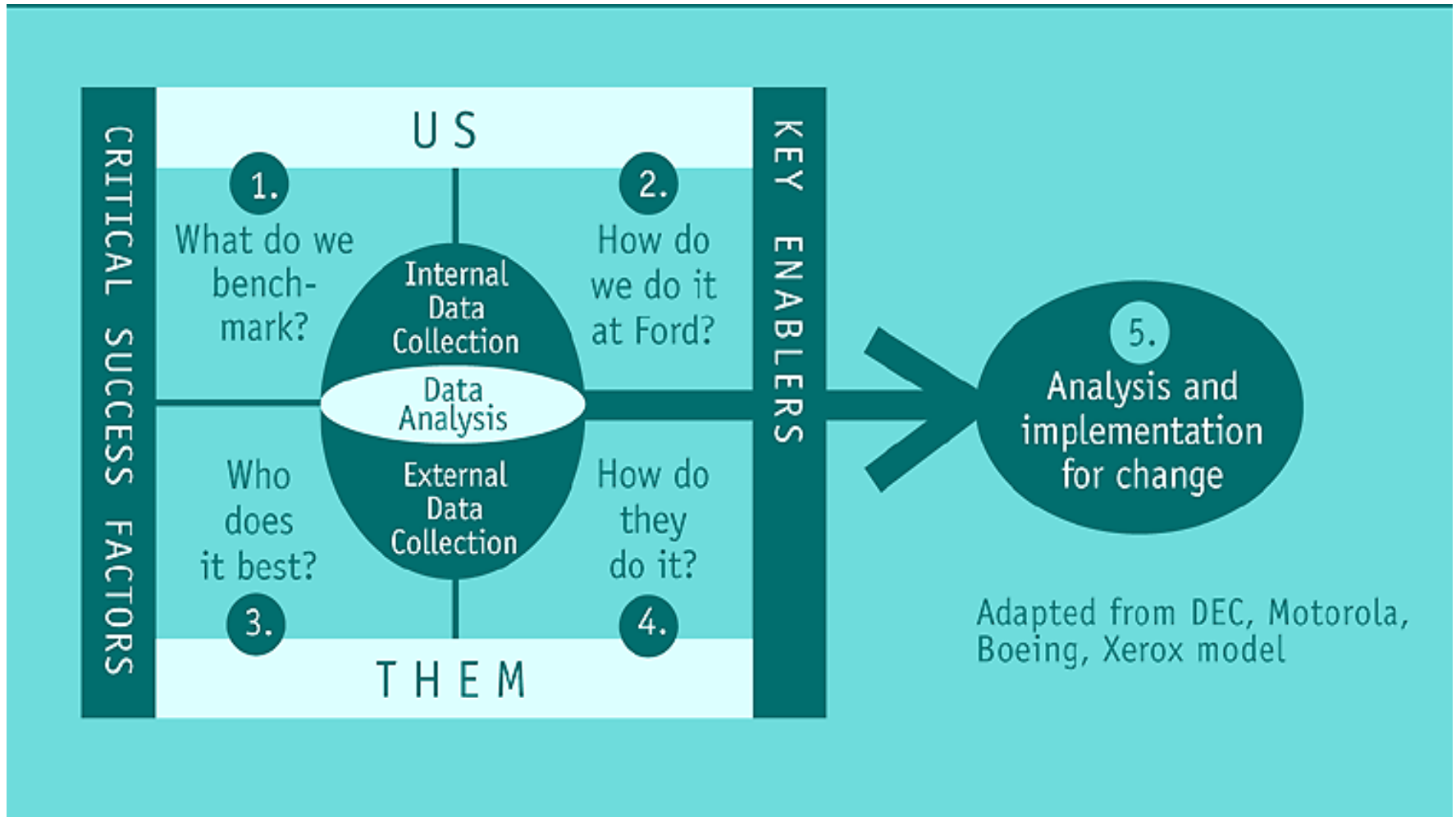
- Incur the highest costs
- Have a major impact on customer satisfaction, quality , and process cycle time
- Strategically impact the business
- Have the potential for high impact on competitive position in the marketplace
- Present the most significant area for improvement
- Have the highest probability of support and resources if selected for improvement

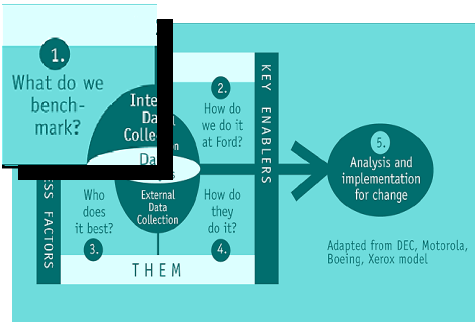
Benchmarking is NOT:

- Industrial spying
- Competitive analysis
- Industrial tourism
- Focused only on numbers, but mostly on the processes that produce the numbers
- A quick or inexpensive process when properly executed
- Appropriate without proper protocol and legal considerations
- Easily accomplished if you have nothing to trade in your partnering arrangement
- Usually a one-shot process



5-Phase Benchmarking Process





1. What do we benchmark?

INPUTS

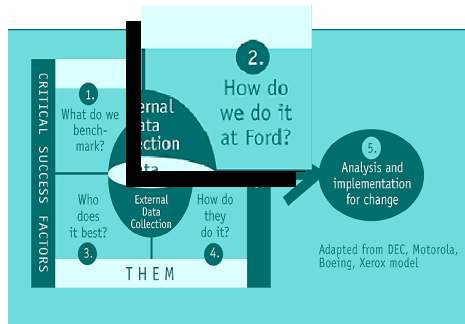
- ❑ Customer needs
- ❑ Strategic information
- ❑ Internal and external data
- ❑ Market trends

OUTPUTS

- ❑ Identify critical success factors
- ❑ Identify Project
- ❑ Identify champion
- ❑ Select team
- ❑ Define scope and goals
- ❑ Write project charter

Some areas where benchmarking has been done

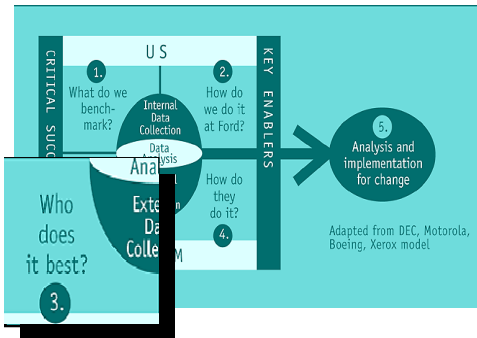
- Accounting systems
- Compensation systems
- Purchasing practices, supplier selection
- Manufacturing and distribution processes
- Customer database design
- Cost of quality
- Hospital emergency room cycle time
- Techniques and tools
- Employee involvement, empowerment and recognition
- Knowledge management approaches



2. How do we do it ?

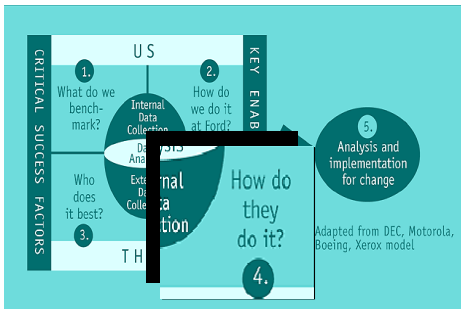
- List stakeholders
- Define terms
- List processes
- Develop macro level process flowchart (SIPOC)
- Map process to be studied
- Develop cross-functional map

3. Who does it best?



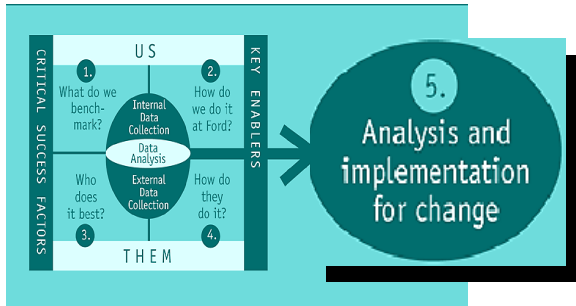
- ❑ List critical success factors to identify Best-In-Class processes/organizations
- ❑ Perform Broad Research
- ❑ List Best-In-Class Organizations
- ❑ Identify Potential Benchmarking Partners

4. How do they do it?



- Perform more focused research
- List best practices and enablers
- Do comprehensive gap analysis
- Write interview plan, letter of introduction and interview agenda
- Conduct surveys/Interviews
- Write trip reports

5. Analysis and implementation



- List recommendations
- Write benchmarking report
- Develop presentation plan
- Develop/implement action plan
- Celebrate successes and recognize contributors
- Measure results
- Recalibrate decisions

Pitfalls To Avoid

- ❑ Organization not committed to change
- ❑ Benchmarking project scope too broad
- ❑ Incorrect focus on the metrics
- ❑ Selecting partners based on name vs. performance
- ❑ Not-Invented-Here syndrome
- ❑ Not being innovative/creative to benchmark “Out-Of-The-Box”



Final discussion and wrap-up

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