# *Benchmarking in the* **real world**

***Benchmarking exercises can range from an expensive formalized study to a casual comparison of key processes. Rich Weissman looks at the range of benchmarking opportunities***

We all benchmark on a continual basis. We compare the lushness of our lawn to that of our neighbor's, the speed of our car on the highway to that of the driver in an adjacent lane, our salaries based on industry salary surveys, and even the duration of our workout regimen at the local gym compared to that of our best friend. Yet, over the years, benchmarking has taken on the aura of being an expensive and formal process whose perceived complexity and cost often prevents its successful completion. While some benchmarking studies can certainly be extensive, there are many benchmarking opportunities available that can be completed on a quick and often informal basis, creating significant value to the participating companies.

But where and how to benchmark? Good benchmarking can be the starting point of a successful change or improvement program, but poor benchmarking can sabotage change and even lead to the exclusion of other existing opportunities for improvement. There is also the issue of cost. Larger companies may have an easier time budgeting and defending the need for benchmarking projects, but small and mid-sized companies may not have adequate resources. How can companies still benchmark and manage costs, processes, and expectations? The return on investment on benchmarking is a question that all companies have; as for every successful benchmarking project there are many that fail to meet expectations.

Benchmarking is not a new activity. Originally developed by Xerox in the late 1970s, benchmarking has become one of the keystones of the continuing, evolving total quality management process that finds itself transformed into the lean and six sigma world of today. Benchmarking is the process of measuring an organization's performance against the best in their industry or the best in any industry and using that data to improve their own operations. Benchmarking can be used to review the performance of any activity, from customer service to supply chain management to financial performance to manufacturing efficiencies.

The benchmarking framework is somewhat simple and logical. Identify a critical process in your own organization that needs improvement, identify an organization that excels in that process, study the benchmarking activity, analyze the data discovered in the process, and ultimately incorporate the findings into your processes, hopefully improving them. Most benchmarking was first done on an external basis with companies famous for their best in class processes. Some benchmarking, though, was done internally. Departments would benchmark like activities in other divisions or even dissimilar processes within their own facility. The goal of all benchmarking is performance improvement.

Often, the early benchmarking projects were high profile, quite formal, and expensive. They included assembling and training large project teams, developing detailed benchmarking questionnaires, making multiple visits to the benchmarking partner, and continued analysis during the implementation phase. It was often the realm of large companies due to the human and financial resources required. Many benchmarking studies were quite successful, yet the expense and complexity, along with uncertain outcomes, forced many companies to abandon the formal benchmarking process. Benchmarking had gone from a leading edge business practice to just another tool in the ubiquitous quality improvement toolbox.

But benchmarking is back, and we have technology, and the Internet, to thank. The availability of inexpensive or even free data though industry trade associations and other sources, as well as the rise of networking and cross-industry information exchange opportunities often targeted at the small and mid-sized companies, has allowed benchmarking to be in vogue once again. The Internet is transforming benchmarking as it has transformed other functions and processes. The availability and free flow of information is leveling the benchmarking playing field, allowing increased low cost benchmarking opportunities for small and midsized companies, and even larger ones.

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There are opportunities for low cost, yet effective benchmarking. "I am a fan of quick and dirty benchmarking," says Kate Vitasek, managing partner of the Bellevue, WA-based consultancy Supply Chain Visions. "All companies have the need to improve. They need to determine what needs to be improved and be able to quickly close the gap." Vitasek is a strong advocate of informal and benchmarking activities that can be done using industry and trade publications, information from industry and trade events, meetings with industry peers, and even information found in internal departments. She refers to these activities as "karmic benchmarking," leveraging the sprit of communication and collaboration.

"Don't overlook internal benchmarking as a source for excellent information," says Vitasek. "Our own companies are a great resource." Vitasek sees that internal best practices can often be borrowed more easily because of the organizational commonalities within the company. It may also just be easier to simply get information from another internal function or division, rather than from an outside company. "Internal benchmarking also builds a culture for continuous improvement across the company," says Vitasek. "Internal benchmarking is a powerful mechanism for focusing competitive spirit on strategic objectives."

Vitasek is also a proponent of the data available through trade associations. As a member of the Executive Committee of the Council of Supply Chain Management Professionals (CSCMP), she is a strong supporter of the collaboration of the CSCMP with the Houston, TX-based APQC, the benchmarking and knowledge management organization. Their collaboration is resulting in available benchmarking data on such topics as customer order management, logistics, procurement, manufacturing, and new product development. "The data is out there from a number of sources and organizations can access it quickly in order to benchmark," adds Vitasek. "Companies need to determine where they are and where they need to go."

But they may need a guide to get there. "Benchmarking is a process, not a result, and this is sometimes hard for Stage 1 companies and small companies to understand," says David Jacoby, president of Wellesley, MA-based Boston Logistics and board member of the CSCMP New England Roundtable. "It doesn't matter if you are good or bad, but why the data say that, and what you can do about it." Jacoby's concern is with validity of the available data, noting that it is true that low cost or free data is available, but is it comparable or relevant? "Are the numbers you are looking at comparable to your own numbers?"

In his supply chain management benchmarking activities, Jacoby advocates the alignment of manufacturing and supply chain strategies before the benchmarking is done, and recommends the use of a benchmarking coach to ensure that the right activities are being pursued, the data relevant, and the activities properly measured and analyzed. "Without the proper coaching, benchmarking is like going out and hacking a golf club without taking any lessons," says Jacoby. "You might develop a lot of power, but if you don't make a solid connection you'll never be successful."

Both Vitasek and Jacoby work with large and small companies on benchmarking projects, and understand not only the importance of benchmarking but also the restrictions that these organizations may have. "Small and midsized manufacturers are at a disadvantage compared to large manufacturers with specialized staffs and deep resources," says John Koon, president of Dover, MA-based management consultant Level 9 Partners. "Necessity breeds innovation, and there are a number of alternative approaches firms can use to gain insight and improve competitiveness without a major investment in a formal benchmarking study." Koon feels that smaller firms with limited resources and time must be selective in terms of what they want to benchmark or evaluate. "Companies need to decide what information is required and which is just nice to have."

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Koon sees value in participation in functional and professional organizations to gain cross industry ideas in an informal comparison of processes and ideas. He also sees the supplier community as a strong resource for insight into best practices. "Suppliers continually evaluate and access their customer's operations to understand their current capabilities and identify potential needs," says Koon. "A facilitated workshop with your firm's top suppliers can lead to a candid discussion of your operations compared to industry best practices."

The opportunities for formal and informal benchmarking opportunities abound, but care must be given to identifying applicable benchmarks and properly integrating the subsequent data analysis. While benchmarking activities can run the gamut from large scale formal projects to informal comparisons over coffee at a trade association meeting, their importance lies in the need to identify the critical areas of your business that need improvement. In that respect, both large and small companies share the same urgency. Adds Koon: "Leading firms are always in the market, gaining insights and ideas that lead to improved operations or an enhanced end-customer experience."