



Benchmarking: A Key to Continuous Improvement

Tarunkumar G. Pethani
(M. Com., M. Phil., Ph. D.)

Assistant Professor
Grace College of Commerce,
Rajkot

Ketulkumar Indravadanbhai Sheth
(M. Com., M. Phil., Ph. D.)

Assistant Professor
Shree J. D. Gabani Commerce
College & S. A. S. College of
Management,
Surat

ABSTRACT

Benchmarking is the process of comparison by which we gain the understanding of the product, process or service. In the process of benchmarking, the firm identifies “the best in class” and makes the comparison of own product, service or process with that of “the best in class” and then identifies the gaps and tries to make improvement in order to become the best. Benchmarking is the process of comparison by which we gain the understanding of the product, process or service. In the process of benchmarking, the firm identifies “the best in class” and makes the comparison of own product, service or process with that of “the best in class” and then identifies the gaps and tries to make improvement in order to become the best. With the help of benchmarking, the achievement of organizational goals becomes faster. In order to make continuous improvement in the products, processes or services, benchmarking is very helpful.

Key Words: *Benchmarking, Best in Class, Comparison, Organizational Goals, Continuous Improvement*

Introduction:

In today's competitive world, it is must for every company to make continuous improvement in order to sustain in the market. In order to make the continuous improvement in all the areas of the functions of the organization, one of the techniques that is gaining attention now-a-days is benchmarking. Benchmarking is a tool commonly used when the firm is competing with the other firm.

Benchmarking is the process of comparison by which we gain the understanding of the product, process or service. In the process of benchmarking, the firm identifies "the best in class" and makes the comparison of own product, service or process with that of "the best in class" and then identifies the gaps and tries to make improvement in order to become the best.

Benchmarking is helpful to the organization for remaining ahead in the competition. For that, the organization needs to gather a large amount of information that will be helpful to it for making strategic decisions. The companies that are able to translate this information into knowledge and thereby take correct decisions at right time are always the winners.

In simple terms, we can say that benchmarking is the process of setting the standards or a point of reference against which the comparison is to be made. On the basis of this comparison, the defects are identified and improved.

In its basic form, we can control benchmarking with the process of controlling, because there are some similarities between them. But, it can not be considered as pure controlling because benchmarking is a broader term.

The use of the concept of benchmarking can be traced back to the latter half of nineteenth century. In latter half of nineteenth century, the scientific studies conducted by Fredrick Winslow Taylor represent the use of benchmarking.

However, the term benchmarking got popularity much later in the seventh decade of twentieth century. In the initial stages, the concept got used in the companies working in the industrial environment. Over a period of time, the concept got widened and it covered many industrial activities. In the most recent time, many commercial and non-commercial organizations are discovering the importance of benchmarking and are applying benchmarking for improving their processes and systems.

Thus, the concept of benchmarking is widely used in the modern business environment.

Meaning of Benchmarking:

According to Encyclopedia "Benchmarking is a process of measuring the performance of a company's products, services, or processes against those of another business considered to be the best in the industry, aka "best in class." The point of benchmarking is to identify internal opportunities for improvement."

According to Wikipedia “Benchmarking is the practice of comparing business processes and performance metrics to industry bests and best practice from other companies. Dimensions typically measured are quality, time and cost.”

Benchmarking may be executed with respect to activities and practices such as; strategic planning, strategic decision making, accounting process, communication process, manufacturing process, human resource process and strategies. Distribution strategies, retailing, customer services, etc.

Benchmarking is the process of continuous improvement. With the help of benchmarking, the companies can identify competitive advantage. It compares the company's products, services or processes against those of best in the class or acknowledged industry leader. The pioneer of the process of benchmarking is Xerox. Xerox started the process of benchmarking in the late seventies where it benchmarked its manufacturing cost against those of domestic and other Japanese manufacturers and got the dramatic improvement in the manufacturing cost. In the same manner, a firm can use benchmarking process in the diverse range of management functions such as:

Customer services

Maintenance operations

Manufacturing cost

Product development

Product distribution

Plant utilization

Human resource management, etc.



Features of Benchmarking:

- It is an exercise of identifying the best practices in the industry and to copy them.
- The practice of benchmarking enables an organization to accelerate an organization's rate of improvement.
- Benchmarking promotes a thorough understanding of company's own processes. Thus, the company's own profile is well understood.
- The thorough study leads to identification of non-value adding activities.
- Benchmarking, thus, is a part of larger effort usually a process re-engineering or quality improvement initiative.

Process of Benchmarking:

The following are the steps:

- Step 1: Identify the object or process to be redesigned
- Step 2: Map and measure the existing process in its entirety in terms of relevant critical dimensions
- Step 3: Identify the partner where the same process is known to be better performed.
- Step 4: Analyze the partner's process and find out the differences.
- Step 5: Redesign the process and put up the proposal for management approval.
- Step6: Implement the redesigned process.
- Step 7: Monitor the performance of the resigned process.
- Step 8: Take corrective steps.

Types of Benchmarking

There are five different types of benchmarking that can be adopted by the company.

(1) Internal Process Benchmarking:

An organization is the group of several processes. There can be the process of sales, purchasing process, accounting process, etc. These processes can be benchmarked. For example, the process of sale various steps such as taking orders from the customers, scheduling them for production, manufacturing, packing, shipment, issuing bills, receiving payments. This process can be benchmarked with the company that is performing this process with remarkably great efficiency. Direct financial result is the benefit of such benchmarking.

(2) Product/Service Benchmarking:

The organization's product or service can be benchmarked with the product or service of the other organization that is having best performance in the industry. The focus of such benchmarking can be on the quality, durability, reliability, or any other such comparable features. It is not compulsory that this benchmarking has to be done within the same industry, the product can be broken out into parts or components and comparison can be made with the other product in which such parts or components are used.

(3) Strategy Benchmarking:

This benchmarking focuses on the strategic issues of the organization. Here the comparison is made between the organization's own strategy and the strategy of the leading organization in the industry. The review team for this benchmarking would review the organization's strategy and may identify other ways

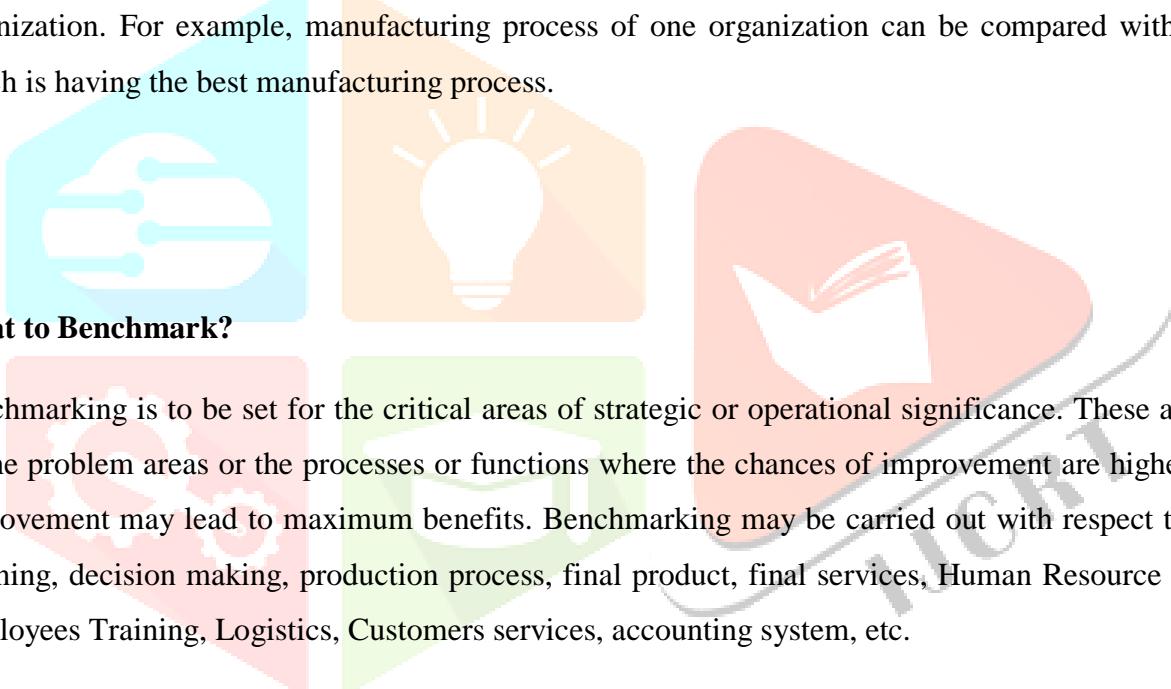
of positioning the organization into the industry. In strategic benchmarking, comparison can be made within the industry or with the organization of other industry which is having the best strategy in that industry.

(4) Global Benchmarking:

The fast-paced globalization has given birth to this type of benchmarking. It involves various issues of globalization such as adopting latest technology, understanding international culture, international business process and practices, improvement in information technology, etc. Comparison is made with the organization that is known to have best approach for all these kinds of globalization issues.

(5) Process Benchmarking:

Process benchmarking involves benchmarking of certain critical business processes. It involves comparison of such critical process undertaken in one organization with that undertaken in another organization. For example, manufacturing process of one organization can be compared with the other which is having the best manufacturing process.



What to Benchmark?

Benchmarking is to be set for the critical areas of strategic or operational significance. These areas could be the problem areas or the processes or functions where the chances of improvement are highest and the improvement may lead to maximum benefits. Benchmarking may be carried out with respect to strategic planning, decision making, production process, final product, final services, Human Resource Strategies, Employees Training, Logistics, Customers services, accounting system, etc.

With Whom to Benchmark?

By definition, Benchmarking means a process of measuring the performance of a company's products, services, or processes against those of another business considered to be the best in the industry, aka "best in class." The point of benchmarking is to identify internal opportunities for improvement.

It naturally means that benchmarking is done against the best in class organization.

For example, if a mobile phone manufacturing company wants to benchmark its mobile phone handsets, it has to identify the company which is the best mobile phone manufacturer. Such company will be considered as partner for benchmarking process. It has to then, compare its own mobile phones with that of its partner. The company will analyze its own mobile phone handsets and through comparison will identify the defects. Then the company will try to remove the defects and make the mobile phones up to the mark.

Advantages of Benchmarking:

The process of benchmarking gains the following advantages:

- It minimizes the cost and time for improvement.
- It helps in implementation of changes and sophistications in the products, services or processes.
- It helps in bridging the gap between the process of one company and that of another.
- It is helpful for attaining the organizational goals easily.
- It stimulates the organization's productivity and performance.
- It makes organization's learning faster.
- It brings improvement in organization's critical areas by adopting the best processes and practices.

Conclusion:

Thus, benchmarking is a process by which the organization gains faster improvement in its products, processes and services. With the help of benchmarking, the achievement of organizational goals becomes faster. In order to make continuous improvement in the products, processes or services, benchmarking is very helpful. Benchmarking helps the firm to remain ahead in the competition. Benchmarking helps the organization to become "the Best in Class".

References:

- Kazmi A (2007). "Business Policy and Strategic Management", Tata McGraw-Hill, New Delhi, 2e, pp. 154; 408; 438
- Camp R (1989). The search for industry best practices that lead to superior performance, Productivity Press
- Mark M (1997). 'The Boss' Benchmarks', Business Today, p. 118
- Harigopal K (2006). "Management of Organizational Change", 2e, Response books, New Delhi, pp. 182-186
- Barber, E. (2004)Benchmarking the management of projects: A review of current thinking. International Journal Project Management, 22, 301–307