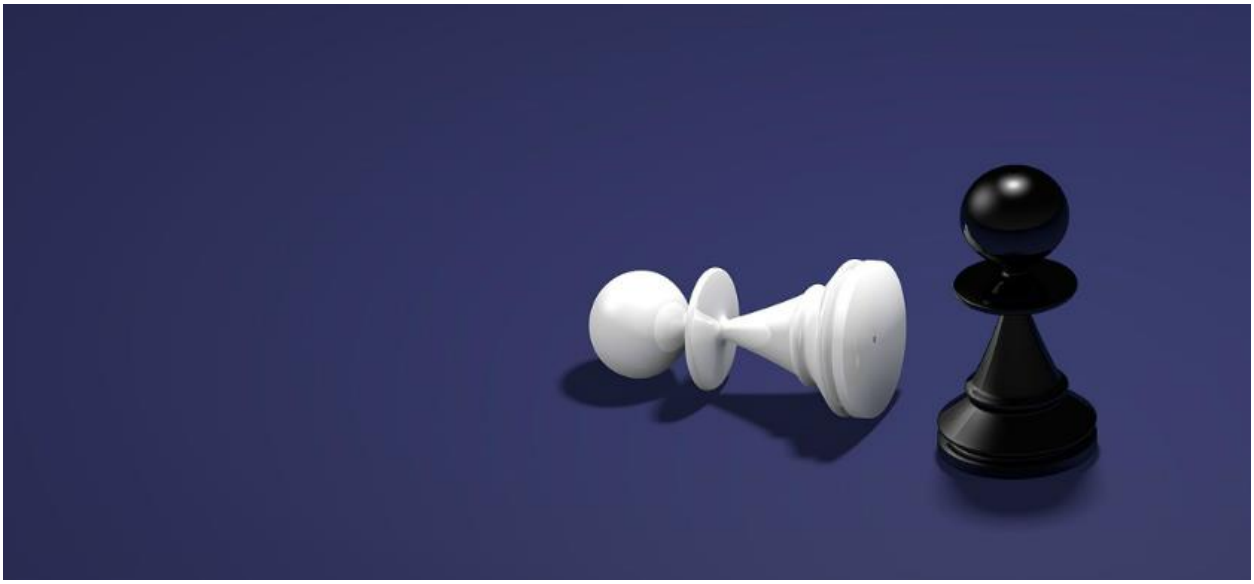
CERTIFIED BENCHMARKING PROFESSIONAL

Benchmarking articles – PERFORMANCE Magazine

Why is benchmarking vital to your business?

Written by Andrada Ghețe on March 19, 2015 in PERFORMANCE Magazine



Benchmarking, or learning from best practices, can boost a company's performance by enabling a learning experience that relies on underlining the best in-class practices and their integration into your own organizational processes. Moreover, benchmarking allows companies to focus on strengths and weaknesses in comparison to those of their main competitors and, as such, it supports them in strengthening their position on the market. Nowadays, benchmarking is one of the most frequently used strategies for improving business performance.

Best practice benchmarking allows companies to conduct a comparison of performance data obtained by means of studying similar processes or activities performed by other organizations, and identifying, adapting, and implementing the practices that produced the best performance results. This represents the most powerful type of benchmarking, as it focuses on "action" and it is used for learning from the experience of others.

Through benchmarking, companies can easily determine which of their procedures would benefit more from improvement strategies and what they should do to become more productive and profitable. Comparisons are actually made in business on a daily basis, as companies need to know where they stand, in regards to their competitors, and frequently ask themselves questions such as: “Why are others better?”, “What can we learn from them?”, or “How can we catch up and become the best in our sector?”.

Even if many companies have already adopted practices for measuring their performance by monitoring key performance indicators (KPIs), this aspect should be just the first one in calibrating an organization’s business performance. Hence, benchmarking sets some standards against which these key performance indicators can be measured and compared to.

Benchmarking can be used in any business to compare key performance indicators (KPIs), and processes performance, to certain industry standards. As a general methodology, there are 3 questions to answer prior to starting a benchmarking study in your organization:

- What will be benchmarked? (e.g. processes, results)
- Against what will your organization be benchmarked? (e.g. standards, other organizations)
- How will be benchmarking used? (e.g. for continuous improvement, for evaluation)

The concept of benchmarking also relies on the idea that performance numbers can mean less when analyzed without having a point of reference (a benchmark) as a comparison starting point. For example, in airline industry, an airline company has a turnaround time of 55 minutes. Is it good, or bad? It is hard to find the answer, unless you compare this 55 minutes turnaround time to an objective standard, such as the industry average turnaround time for other airline companies.

Therefore, benchmarking enables a company to discover its performance gaps in comparison to another company and incorporate processes belonging to leading firms into its own process flow in order to increase performance and close gaps.

In conclusion, as measuring performance through key performance indicators (KPIs) has become a standard practice for most of companies that want to improve their performance, the next step necessary for improvement that should be considered is to implement a benchmarking study, aimed at comparing their performance against that of best practitioners. Without benchmarking,

performance improvement could be limited, as it will only measure performance in isolation, with no reference to any industry standards or competitors' results.

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Benchmark with the best: Selecting the right benchmarking partners

Written by Andrada Ghețe on December 11, 2014 in PERFORMANCE Magazine



One of the keys to success in benchmarking is connected to selecting the right benchmarking partners and learning from the best in class organizations. However, the process required in the selection phase is a very complex one which needs to have the proper time and resources allocated.

Benchmarking represents a very structured process that should follow several steps. The process generally focuses on how an organization can achieve a valuable learning experience and incorporate the best practice within its own processes. According to Watson (1993), before conducting the benchmarking process, one must answer four key questions:

1. What should we benchmark?
2. Whom should we benchmark?
3. How do we upgrade the performance of this process?
4. How do they upgrade the performance of this process?

Literature has shown that one of the methods of selecting the best benchmarking partners is based on the analytical hierarchy process (AHP principle).

According to Spendolini (1992), benchmarking partners can be divided into four main categories, from the lowest hierarchical level to the highest one. These partner categories are:

- Equal or lower than current performance;
- Improvement compared to current performance;
- Best practices;
- Best in class.

Regarding the last two partners' values, best practices refer to the level of excellence for products, services, or processes performance, whereas 'best in class', which also has a synonym named "best of breed", refers to excellent performance in a certain field within a specific industry.

As the selection is a complex stage of the study, and includes also attributes that look at technical issues or even cultural aspects in order to be able to ensure the success of the study, specialists in the field recommend the usage of multi-attribute decision-making tools.

The multi-attribute decision-making follows a simple approach, composed out of three main steps: clarification of the problem, identification of objectives and measurement of effectiveness.

When a company seeks to identify top performant benchmarking partners, or best in class partners, it is very important to establish a list of possible benchmarking partners for an initial co-operative benchmarking.

It is a certainty that some of these possible or potential partners will be eventually eliminated from the list, for various reasons, like: lack of interest and time, or unwillingness to share their organization's information.

However, In order to obtain the initial list of potential benchmarking partners, an organization can have different approaches and look at different sources, like: award winning organizations, newspaper and magazine articles related to the area of interest, journal articles, conference speakers, industry and professional associations, books on best practice companies, consultants in a specific industry, and others. Moreover, some of the potential partners will be eliminated if there is no sufficient public data available from their company.

For this matter, specialists have developed various approaches based on multi-attribute decision-making, in order to support the selection process:

- **Alternatives to alternatives scorecard.** A scorecard represents a matrix where alternatives (candidates for benchmarking, in our case) are displayed in the first row and attributes (or criteria) are shown in the first column. The outcomes of each candidate are described by numbers that vary from 0.00 to 10.0. The best alternative for each attribute

is highlighted with symbols or colors. However, the main disadvantage of this technique is that it does not take the attributes' weight into consideration, hence, it should be better used in the initial phase of narrowing the candidates' list.

- **Ranking the alternatives**. By using this technique, potential partners can be compared in pairs, against each different attribute, and decide after which of them is more advanced. The preferred candidate receives one full score, and if both candidates are equal, they are both given half point. The final results are graphically represented. The main disadvantage of this technique is that it does not include any prioritization of the attributes and it can somehow be subjective.
- **Polar graphs.** This is probably the most popular method among benchmarking specialists, and it is based on a graphical representation, with a rating scale ranging from 0.0 to 10.0 for different attributes. Through graphic connections, different polygons are created to present the potential partners. The candidate that provides a web covering the larger domain is considered to be the best benchmarking partner. The main advantages of this technique include visual representation and ease of decision-making, but it is not very effective when dealing with more than four candidates.

As the main purpose for conducting a benchmarking study is to learn best practices from top performing organizations, and further implement them for improving own processes, the identification and selection process of the ideal benchmarking partners is a critical factor for the success of the study.

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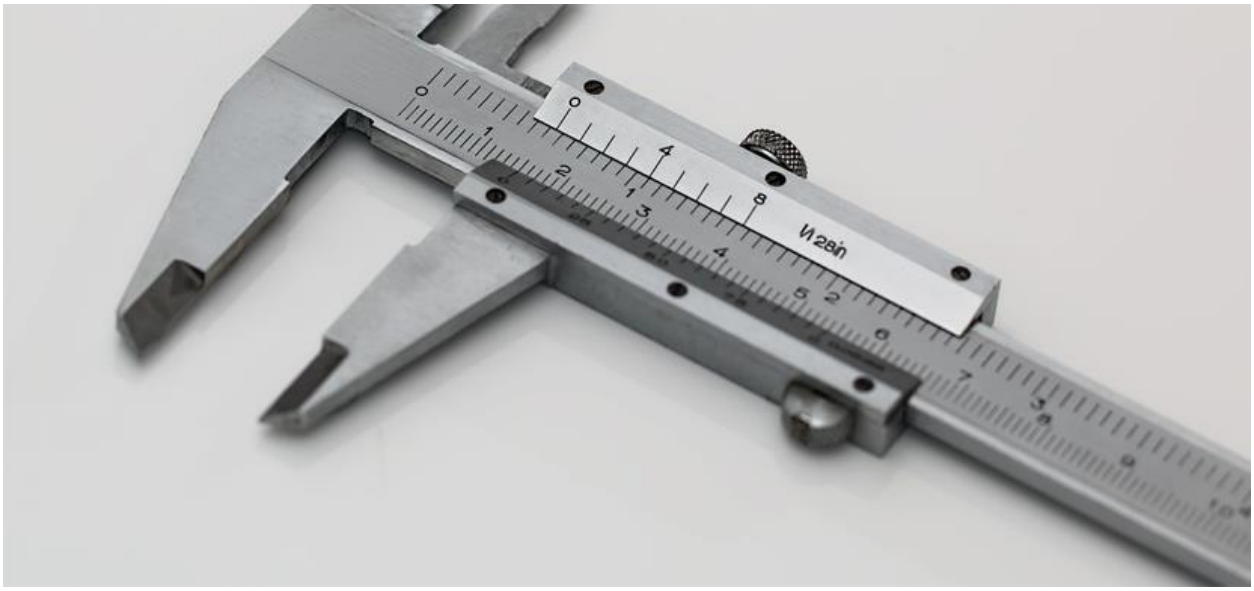
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The implications of Modern Quality Management in benchmarking

Written by Andrada Ghețe on December 11, 2014 in PERFORMANCE Magazine



A prerequisite for a successul benchmarking study is to have a Total Quality Management system in place within the organization. Modern quality management entails customer satisfaction, it prefers prevention against inspection and it recognizes the managerial team's responsibility for quality.

Several remarkable persons in the management field, like W.Edwards Deming, Joseph M. Juran, Philip B. Crosby, Koaru Ishikawa Genichi Taguchi and Arnold V. Feigenbaum, brought excellent contributions to the development of modern quality management.

Besides Deming, Joseph Juran settled the basics of benchmarking with his contribution to modern quality management. Joseph M. Juran has brought significant input in regards to productivity issues. In 1984, he wrote the first edition of the "Quality Control Handbook," which stresses the importance, for management, to be engaged in the continuous development of products.

He developed 10 steps for quality improvement:

1. Assess needs and improvement opportunities;
2. Set goals for improvement;
3. Become an organization focused on achieving goals (establishment of a Quality Council, identification of problems, selection of projects, establishment of teams, facilitators);
4. Facilitate trainings;

5. Initiate projects to solve issues;
6. Report progress;
7. Recognize merits;
8. Communicate results;
9. Track scores;
10. Focus on annual improvements so that they become usual processes within the organization.

Quality planning

Regarding quality, it is very important to develop a plan to ensure the quality of the project, but also to be certain that the products or services delivered respect, indeed, high quality standards. Hence, delivering high quality implies all the activities needed to achieve the important quality standards that had been demanded.

Some instruments used in quality planning can also be used in quality insurance. Experimental projection can be helpful in ensuring a high quality product. Comparison standards, or the benchmarks used, can be adopted to generate ideas in regards to quality improvement by comparing project specific practices, or product characteristics, to the ones belonging to other projects, or products, within or outside the organization that produces them.

One of the main instruments and techniques in quality insurance is the quality audit. Quality audits represent structured reviews of specific activities of quality management, that help in identifying best practices which can improve current and future projects. Quality audits can be scheduled or not and they can be conducted by internal auditors or by third parties with relevant experience. For example, engineers can conduct quality audits by helping to project specific measure units for a project's quality level, then applying and analyzing these measures by using the project.

Quality control

It is very important to distinguish between quality control, planning and quality insurance.

Even if one of the main goals of quality control is still the same, to improve quality, the main outputs of this process are the acceptance decisions, reviews and adjustments of process.

Acceptance decisions: decide if the products or services executed as part of the project will be accepted or rejected. If the project's stakeholders reject some of the products or services that are part of the project, these have to be reworked.

The rework: it refers to the action designed to align the project, or service, to the exact specifications or to the stakeholders' expectations.

Process adjustments: correct or prevent future quality problems based on quality control measurements.

Quality control instruments

There are a lot of instruments and techniques that can be used in quality control. However, some of the main techniques refer to: the Pareto analysis, statistical sampling and quality control diagrams.

Pareto analysis: implies the identification of the main factors that cause the most quality problems in the system. Sometimes, it can be linked to 80-20 rule which means that 80% of the problems are a result of 20% of the causes.

Statistical sampling: it's a key concept which refers directly to project management quality. Statistics and especially concepts like statistical sampling, safety factors, variation and standard deviation are fundamental concepts for understanding diagrams in quality control.

Quality control diagrams: refer to diagrams that illustrates the results of a process in time and help in preventing defects.

In order to ensure high standards, top managers should use all these techniques for modern quality management and make sure that they have the quality system implemented prior to starting a benchmarking implementation process within their organization.

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