



Productivity methodologies, tools, and techniques

Benchmarking: Capturing best practices for breakthrough improvements— Kabir Ahmad Mohd. Jamil

Introduction

It is often said that “If we don't know where we are going, we might end up somewhere else” and “Those who benchmark do not have to reinvent the wheel.” There is a lot of truth in both statements. Today, whether we are in the private or public sector, most of us are rightly concerned with our performance. However, while performance indicators give an indication of the level of performance that we are at, benchmarking can pinpoint specific areas of good or poor performance. This will enable us to seek improvements in those areas. Benchmarking also will eliminate trial and error in process improvements. In the competitive world of today, time is of the essence.

What is benchmarking?

In general, we can define benchmarking as a systematic process for comparing performance or processes in different organizations, or between different parts of the same organization, to learn how to do things better. The main purpose of benchmarking is to improve performance or service by identifying where changes can be made.

Benchmarking does not mean simply copying others' practices. It requires the organization to adapt and adopt what has been learned from others according to our organization's needs and cultural setting. It goes beyond comparison of the pricing or features of competitors' products or services. In benchmarking, we consider not only the result, but also the process and the practices that enable an organization to achieve superior performance.

Types of benchmarking

Generally, benchmarking initiatives can be categorized depending on the scope or the approaches the organization adopts to pursue the initiatives. They are:

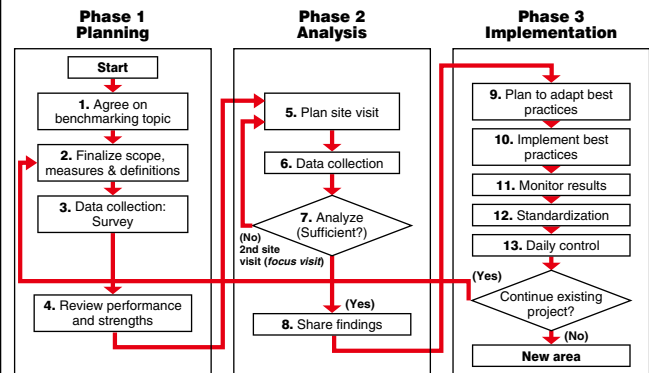
- **Process benchmarking:** This focuses on improving specific critical processes and operations. It invariably involves a study of how top-performing organizations accomplish the specific process in question. Such studies can take in the form of research, surveys/interviews, and site visits.
- **Performance benchmarking:** This focuses on assessing competitive positions through comparing performance characteristics of the products and services of competitors. Benchmarking partners are mainly drawn from the same sector.
- **Internal benchmarking:** This is used to identify and compare one particular operation within the organization. The main advantages are that access to sensitive data and information is easier and usually less time and resources are needed.
- **Competitive benchmarking:** This is the process of comparing an operation with that of direct competitors. It provides opportunities for learning from those who are at the “leading edge.” This benchmarking can take up significant time and resources and is the most difficult to carry out.
- **Functional benchmarking:** This is a process of comparing an operation with that of similar ones within or from different business sectors to find ways of improving functions or work processes.
- **Cooperative or collaborative benchmarking:** This is the most widely used type of benchmarking because it is relatively easy to conduct. Various organizations are invited to form a benchmarking group and share their best practices.

The benchmarking process

Benchmarking is a very structured process and generally can be organized into three main significant phases, as depicted in Figure 1. Before deciding

to benchmark, an organization needs to review and determine what it wants to benchmark, as proposed in Phase 1. Phase 2 focuses on the performance analysis of the benchmark organization, identifying its best practices and reasons for its success. In phase 3, the best practices are adapted and adopted to close the performance gaps.

Figure 1. The benchmarking process



Source: Modified from the Malaysia Productivity Corporation COP Benchmarking Model.

Conclusion

Benchmarking can be complex or as simple as browsing through the annual reports of organizations and making comparisons. Any form of comparison can bring an insight into knowledge of our own level of performance. However, one of the biggest mistakes organizations make is to limit their benchmarking activity to their own industry. Benchmarking within an industry is essential. However, it is imperative to reach outside and beyond our own industry into other industries that perform a similar process in our journey toward breakthrough performance.



Contributed by Senior Manager of the Malaysia Productivity Corporation Kabir Ahmad Mohd. Jamil (e-mail: Kabir@mpc.gov.my), resource speaker for the APO training course on the Development of Productivity Practitioners: Advanced Program. Kabir has extensive experience in the field of operation and process improvement, particularly in the manufacturing and service sectors.

p-Glossary



For easy reference to productivity-related terms including methodologies, tools, and techniques, the APO developed the p-Glossary, available on its Web site (www.apo-tokyo.org). Definitions and explanations of benchmarking are given in the p-Glossary.

Erratum

The Output variable in Figure 1 in Mr. Kabir's second article on Six Sigma in the July issue was wrongly identified as X instead of Y.