

A
Seminar report
on

Benchmarking

Submitted in partial fulfillment of the requirement for the award of degree
Of Mechanical

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Preface

I have made this report file on the topic **Benchmarking** , I have tried my best to elucidate all the relevant detail to the topic to be included in the report. While in the beginning I have tried to give a general view about this topic.

My efforts and wholehearted co-corporation of each and everyone has ended on a successful note. I express my sincere gratitude towho assisting me throughout the preparation of this topic. I thank him for providing me the reinforcement, confidence and most importantly the track for the topic whenever I needed it.

Introduction

Benchmarking--the process of establishing a standard of excellence and comparing a business function or activity, a product, or an enterprise as a whole with that standard--will be used increasingly by healthcare institutions to reduce expenses and simultaneously improve product and service quality.

As a component of total quality management, benchmarking is a continuous process by which an organization can measure and compare its own processes with those of organizations that are leaders in a particular area. Benchmarking should be viewed as a part of quality management programs, not as a replacement. There are four kinds of benchmarking: internal, competitive, functional and generic. With internal benchmarking, functions within an organization are compared with each other.

Competitive benchmarking partners do business in the same market and provide a direct comparison of products or services. Functional and generic benchmarking are performed with organizations which may have a specific similar function, such as payroll or purchasing, but which otherwise are in a different business. Benchmarking must be a team process because the outcome will involve changing current practices, with effects felt throughout the organization.

The team should include members who have subject knowledge; communications and computer proficiency; skills as facilitators and outside contacts; and sponsorship of senior management. Benchmarking requires quantitative measurement of the subject. The process or activity that you are attempting to benchmark will determine the types of measurements used. Benchmarking metrics usually can be classified in one of four categories: productivity, quality, time and cost-related.

What is benchmarking?

Benchmarking is simply the comparison of one organization's practices and performance against those of others. It seeks to identify standards, or "best practices," to apply in measuring and improving performance.

History

- First used formally by Rank-Xerox Corporation
- Now standard practice among large corporations and other business & industry leaders
- No single benchmarking process has been universally adopted
- Benchmarking itself is becoming "big-business"
- Current efforts to use benchmarking in education and government

Who uses Benchmarking?

In the West most large and highly successful organizations use best practice benchmarking as a tool to continually learn and improve. The resources needed to carry out repeated best practice benchmarking projects properly and in a way that maximizes the learning to be gained from the experiences can be considerable; hence it is used more frequently within large organizations.

A key reason for the development of the BPIR was to offer help to all organizations (large or small) who may not have the necessary resources to undertake best practice benchmarking. Therefore the BPIR website has been designed to assist in every step of a benchmarking process.

On the other hand, comparative or competitor benchmarking is not affected to the same degree by resources, and is used by organizations of all sizes, the most basic form of this practice is simply knowing your main competitors product price, something that is a prerequisite to staying in business.

Indications are that the use of benchmarking worldwide continues to grow since Robert Camp wrote the first book on benchmarking in 1989. Support for this comes from

- The 2008 study by the Global Benchmarking Network showed the improvement tools that are likely to increase in popularity the most over the next three years are Performance Benchmarking, Informal Benchmarking, Strengths, Weaknesses, Opportunities, and Threats, and Best Practice Benchmarking. Current use of Informal benchmarking is 68% of organizations, Performance benchmarking, 49%, and Best practice benchmarking, 39%.
- The growth from year to year in membership of the Global Benchmarking Network which now has representatives from over 20 countries
- The growth in the number of countries that have a business excellence award to more than 70 (the growth in business excellence is likely to be correlated to the growth in benchmarking as a central part of business excellence is benchmarking with as much as 50% of the points associated with these models attributed to benchmarking) and
- The continuing popularity of benchmarking within the academic community as the number of papers written on the subject continues to grow.

Who Initiates Benchmarking?

The motivation for benchmarking often determines who in the organization begins the process. For example, if the motivation is to justify the IS/IT budget, the CIO or the manager responsible for the budget will likely initiate the process.

Alternatively, the mandate may come from someone such as the President or CEO who has the ultimate authority for allocating budgetary resources. Questioning the CIO's budget, he or she may ask, "how does this compare to what our competitors are spending in IT?" or "can't the proposed initiatives and operations be accomplished without such a large expenditure."

When benchmarking is done as part of a continuous improvement effort, it may be initiated a "Quality Office" or "Quality Officer" either within the IT organization or outside. Once TQM becomes embedded in the organizational culture, benchmarking will likely become part of the problem-solving toolset of all managers. T

These managers may then initiate a benchmarking effort as needed to address problems they observe. In addition, metric benchmarking will likely be institutionalized and performed periodically without any apparent champion.

Who Performs The Benchmarking?

Benchmarking is generally performed by a team of employees, sometimes with the assistance of an outside consultant who has had previous experience with benchmarking and the process or processes being benchmarked.

The team usually includes a project manager, data collectors and analysts, a facilitator trained in benchmarking who may or may not have expertise in the area being benchmarked, and various support personnel who work only part-time with the team.

Among the support personnel, the benchmarking team should probably include a lawyer for dealing with the legal issues surrounding the sharing of competitive information, personnel from library services or others specifically trained in searching for information outside the organization, clerical and administrative workers, and senior management.

The Benchmarking Process

In general, the benchmarking process consists of four phases, each of which requires the completion of a number of action steps. The following provides a brief description of these phases as well as the key questions that need to be addressed in each of these phases.

Phase One: Planning

This phase is designed to develop the plan for conducting the benchmarking investigation. The key questions that have to be addressed are:

1. What is to be benchmarked?
2. Who will be the benchmark partners?
3. What is the method of data collection?

This phase will form the basis for the entire benchmarking investigation and consequently, every effort should be made to complete this phase as thoroughly as possible.

Phase Two: Analysis

In this phase, the data collected in the benchmarking study is analyzed so as to provide a basis for comparison. The key questions in this phase are:

1. What is the performance of the benchmark partners?
2. What is our performance compared to them?
3. Why are they better?
4. What can we learn from them?
5. How can we apply the lessons to our organization?

Phase Three: Integration

The objective of this phase is to develop goals and integrate them into the benchmarked process so that significant performance improvements are made, the key questions in this phase are:

1. Has management accepted the findings?
2. Do our goals need to be modified based on the findings?
3. Have the goals been clearly communicated to all involved parties?

Phase Four: Action

In this phase, the action plans needed to achieve the goals decided upon in phase 3 will be developed. Recalibration of the benchmarks is also a step of this phase. The key questions that need to be addressed are:

1. Will the plans allow the achievement of the stated goals?
2. How will progress be tracked?
3. What is the schedule for recalibration

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Purpose of Benchmarking

The overriding purpose in benchmarking is of course to improve the competitive position of a company. However, unlike other quality and management tools, benchmarking achieves this objective through:

Knowing You

Benchmarking provides an opportunity for a company to take stock and gain a better understanding of the efficiency and effectiveness of its business processes. An analysis and understanding of its strengths and weaknesses will also have been made. The company will, therefore, be in a better position to exploit its advantages and to improve upon its weaknesses.

Knowledge of the Industry Leaders or Competitors

An external focus is provided through the benchmarking process. The reason is that benchmarking requires an understanding of, and a comparison with, companies that are clearly superior. Furthermore, such understanding and comparison will be a powerful driving force for positive change within the company.

Incorporating the Best

Learning from those that are better is the core of the benchmarking process. It is through such learning that companies identify and seek to incorporate best practices into their own operations. In this regard, the test in benchmarking is a relative term. It refers to business practices that are significantly superior compared to one's own. This means that the identified 'best' practices could indeed be world-class, but more often, may not be.

Gaining Superiority

Through careful benchmarking investigations and a process of continually incorporating the best practices into its business operations, the organization will gain a clear lead over others in the marketplace.

Types of Benchmarking

- 1. Strategic Benchmarking** involves examining long-term strategies, for example regarding core competencies, new product and service development or improving capabilities for dealing with change. This type of benchmarking is used by successful high performers in order to improve a business's overall performance.
- 2. Performance Benchmarking (or Competitive Benchmarking)** looks at performance characteristics in relation to key products and services in the same sector. In order to protect confidentiality this type of analysis is often undertaken through trade associations or third parties.
- 3. Process Benchmarking** focuses on improving critical processes and operations through comparison with best practice organizations performing similar work. This often results in short term benefits.
- 4. Functional Benchmarking** compares a business with partners drawn from different sectors to find innovative ways of improving work processes. This can lead to dramatic improvements.
- 5. Internal Benchmarking** involves benchmarking businesses or operations from within the same organization (e.g. business units in different countries). Access to sensitive and/or standardized data is easier, usually less time and resources are needed and ultimately practices may be relatively easier to implement. However, real innovation may be lacking: best in class performance is more likely to be found through external benchmarking.
- 6. External Benchmarking** analyses best in class outside organizations, providing the opportunity to learn from those at the leading edge. This can take up significant time and resource to ensure the credibility of the findings.
- 7. International Benchmarking** identifies and analyses best practitioners elsewhere in the world, perhaps because there are too few benchmarking partners within the same country to produce valid results. Globalization and advances in information technology are increasing opportunities for international projects. However, these can take more time and resources to set up and implement and the results may need careful analysis due to national differences.

Advantages

- (1) Benchmarking helps identify the gaps between the organization that is undertaking the benchmarking assessment and best practice.
- (2) Undertaking benchmarking can lead to improvements being incorporated into processes and systems delivering gains in efficiency and effectiveness
- (3) Benchmarking can help align improvement activity with strategic goals and objectives
- (4) Improves organizational quality
- (5) Leads to lower cost
- (6) Exposes employees to new ideas and broadens organization's perspective
- (7) A catalyst for learning and increase employee satisfaction
- (8) Raise the level of potential performance and sharing of best practices
- (9) Understanding world-class performance in-depth
- (10) Encourage and stimulate innovation

Disadvantages

A major limitation of benchmarking is that while it helps organizations in measuring the efficiency of their operational metrics, it remains inadequate to measure the overall effectiveness of such metrics.

Benchmarking reveals the standards attained by competitors but does not consider the circumstances under which the competitors attained such standards. If the competitor's goals and visions were flawed or severely restricted due to some specific factor, an organization by benchmarking such standards runs the risk of trying to ape such flawed standards or settling for extremely low standards.

A bigger disadvantage of benchmarking is the danger of complacency and arrogance. Many organizations tend to relax after excelling beyond competitors' standards, allowing complacency to develop. The realization of having become the industry leader soon leads to arrogance, when considerable scope for further improvements remains.

Finally, many organizations make the mistake of undertaking benchmarking as a stand-alone activity. Benchmarking is only a means to an end, and it is worthless if not accompanied by a plan to change.

Comparing the pros and cons of benchmarking, the advantages of benchmarking overshadow disadvantages. The 2008 Global Benchmarking Network survey finds organizations preferring benchmarking over any other performance analysis tools, including SWOT. Most organizations include benchmarking as a part of continuous improvement initiatives such as Total Quality Management and Six Sigma.

CONCLUSION

Benchmarking can be as complex as re-engineering or as simple as thumbing through the quarterly reports of organizations and making comparisons.

Although organizations must use benchmarking with some caution, it can be informative and foster a spirit of openness and cooperation from indirect competitors (Graham, 1997). It is not enough to benchmark the costs of activities and identify best practices.

When an organization looks at benchmarking they must look at all aspects of the business, its products, and its processes.

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