



Benchmarking

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Benchmarking

Why and when is it used?

Benchmarking is the general name given to a range of techniques which involve comparisons between two examples of the same process so as to provide opportunities for learning. Benchmarking can, for example, be used to compare how different companies manage the product development processes; where one is faster than the other there are learning opportunities in trying to understand how they achieve this. The approach has been widely used — for example in the field of quality management where it is used to drive the development of improvements in business performance, in software development and in developing continuous improvement systems.

The origins lie in early work with the Xerox corporation who used it to improve performance by comparing US and Japanese plants (Camp 1989). One of the best-known examples of benchmarking as a learning resource was in the International Motor Vehicle Programme, which systematically collected and exchanged information on nearly all car assembly plants in the world. It showed how different plants are more or less effective on a range of measures — and in doing so it focused the attention of other plant managers on how this was being achieved. It acted as a powerful catalyst for learning in that industry and the model of benchmarking has been extended to other domains such as aerospace manufacturing and construction. (A full description can be found in 'The machine that changed the world')(Womack, Jones et al. 1991)

It can help not only single enterprises but clusters of firms or geographical regions – for example it provided the backbone for a major improvement programme in the emergent South African auto industry (Morris, Bessant et al. 2006).

How does it work?

In this process firms select examples of notional or actual 'best practice' and then compare their performance with this. Benchmarks can be constructed along several dimensions of performance — quality, productivity, flexibility, customer service, etc. — and comparisons can be made with similar firms (in terms of size, sector and product/markets) or with different ones but which are noted for world class performance along a key dimension. The underlying principle is one of auditing the strengths and weaknesses of the firm and identifying the directions for future development of competitive advantage.

Benchmarking works in two ways to facilitate learning:

- providing a powerful motivator since comparison often highlights gaps which — if not closed — might well lead to problems in competitiveness later.
- providing a structured way of looking at new concepts and ideas.

It can take several forms:

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| activity level | in which the comparison is made between how similar activities are carried out within the same organisation — for example, who is the fastest at processing paperwork, who has the lowest stock levels, who is most flexible — and how? |
| division level | in which the comparison is made between different divisions in an organisation doing the same basic processes. |
| inter-firm | in which the comparison is between different firms carrying out similar processes. The car industry example is an illustration of this. |
| out-of-industry benchmarking | in which a similar process is carried out in different sectors; and in which they may be opportunities for learning. For example, SouthWest Airlines became one of the most effective operators in the USA by reducing its turnaround times at airport terminals. It obtained many of the insights for this from studying the process of pit stops in motor racing. Similarly the Karolinska Hospital in Stockholm dramatically reduced patient waiting times by studying production flow techniques from manufacturing. (Kaplinsky, den Hertog et al., 1995.) |

The last group is often the most challenging, because it brings completely new perspectives. By looking at, for example, how a supermarket manages its supply chain a manufacturer can gain new insights into logistics. By looking at how an engineering shop can rapidly set up and changeover between different products can help a hospital use its expensive operating theatres more effectively.

Benchmarking offers a structured methodology for learning. It is increasingly being used by external agencies who see it as a lever with which to motivate particularly smaller enterprises to learn and change.

The potential of benchmarking is both in the early stages of the innovation management process — as part of the scanning for signals for change — and also at the end, as a way of assessing whether the process could be managed better.

More information about benchmarking tools, techniques and applications can be found at many sites including:

<http://www.bmanalysts.com/site/>

<http://www.benchmarkingnetwork.com/>

References

- Camp, R. (1989). Benchmarking - the search for industry best practices that lead to superior performance. Milwaukee, WI., Quality Press.
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