

HUMAN RESOURCE ASSOCIATES

Employment Consultants

BENCHMARKING

We're all up against competition. Certainly, companies face competition daily, but even as employees, we're usually competing with someone when we apply for a job, are considered for a promotion, or are evaluated in an employment cutback or downsizing. We may not like competition, but it's what makes the world go round. It's how you decide who you're going to spend your money on and how others decide whether or not they're going to spend their money on you.

Even more so, businesses large and small must compete to stay alive. But, competition doesn't always have to mean combat. You may be able to compete and win by a more businesslike and longer-lasting method called benchmarking. Benchmarking gives you the opportunity to compete almost by cheating. You can compete by copying the competition, but you should only be copying the best of them.

What Is Benchmarking?

Benchmarking is the process of identifying who you think is the best at doing what you do. When you

benchmark, you identify who sets the standard and just what that standard is.

In baseball, you could argue that after winning seven consecutive World Series Championships, the New York Yankees are the benchmark. If we were to benchmark "high standard of living," you could make the U.S. the standard. But you should know how to decide the criteria for that benchmark and why you think the winner is the U.S.

We can do the same thing for our businesses.

Ask yourself:

- Who is the best in sales in my industry?
- Who provides the best service?
- Who has the most efficient, productive operation?
- Who is best and why? Determine how the winner got to be the best and then determine what you have to do to get there.

Although many companies use benchmarking as part of a larger effort to reorganize, such as a process re-engineering or a quality improvement

initiative, any company at any stage of development can use this valuable tool.

The Benefits

If you don't know what the standard is, you can't compare yourself against it. Benchmarking allows you to:

- Set difficult goals and achieve them
- Improve efficiency and profits
- Achieve breakthroughs and new innovations
- Accomplish and manage change
- Overcome complacency
- Create a sense of urgency
- Understand top-level and world-class performance
- Make better and more subjective decisions

Benchmarking can help a company achieve a total quality culture. As businesses become more competitive and the struggle for customers and profitability increase, organizations with such cultures will most likely be the survivors and winners.

With a clearly established set of standards and goals, employees are more focused. They can better understand the targets, direction, purpose, and motivation behind company actions. They know where everything is going and what their role is.

As the industry and standards change, your benchmarks also will change. Whatever methods you used to identify the original standards are used to identify the industry's developing changes. The entire concept stems from a company's and an individual's desire and willingness to learn. This alone can be the key to success.

What to Benchmark?

Most of the original benchmarking work occurred in manufacturing. Now benchmarking is being applied almost everywhere. XEROX applied it to its sales efforts. For example, in manufacturing, a customer may ask, "What is the MTBF on your widget?" It isn't enough to know that MTBF means "mean time between failures." You also want to know that your MTBF is 120 hours. More important, you should know where your competitors stand. If their MTBF is 100 hours, you may be in pretty good shape competitively. But if their MTBF is 10,000 hours, you may be out of the competition altogether.

If you're a green industry firm, your benchmarks might include cost per acre, customer satisfaction rate, sales per call frequency, employee certification rate, equipment breakdown rate, number of award-winning projects, employee turnover, plant failure rate, bid success rate, seasonal customer return, or average revenue per customer.

Almost everyone can apply benchmarking to safety issues and standards. Environmental standards also can be universal. Identify your top competitors' quality standards. Are the industry leaders developing new technologies, quality improvements, work processes, or other innovations? What makes a leader in your industry, in your market?

Often, the best method may be to partner with selected companies like yours. These potential partners may be in different geographical areas or tied to a different customer base or market. Some companies start off by participating in a survey just to get a basic picture of general standards.

Ten Mistakes to Avoid

Benchmarking is becoming the standard for small businesses. But there are lots of opportunities for benchmarking to go wrong. Here are some of the most common mistakes organizations make and how you can avoid them:

Mistake #1. Confusing benchmarking with participating in a survey.

Although it can be very useful or even a good starting point, a survey of organizations in a similar industry will not offer the entire blueprint for your benchmarking. You need to find out what is behind those survey numbers, which usually represent the end results of whatever a company is doing. A benchmarking survey may tell you where you rank, but it will probably not tell you how to improve your position.

Mistake #2. Thinking there is only one pre-existing “benchmark” to be found.

Just because a survey says that a cost of \$2.35 is “*the* Benchmark,” doesn’t mean that you must perform a transaction for that price. That so-called benchmark may simply not be applicable to your market, customers, or resources. You may have to identify your own benchmarking partners and find out from them what is achievable, what standard you should be setting, and even if you can achieve a similar level of performance.

Mistake #3. Forgetting about service and customer satisfaction.

Legions of stories exist about companies that have become so fixated on the cost of providing their products and services that they failed to take customers into account. Cutting costs often results in inferior delivery of service. Don’t lose sight of the customer in whatever you do.

Mistake #4. Don’t make the process too large and complex to be manageable.

A system is a group of processes. A process is a group of tasks. Avoid trying to benchmark your entire system all at once. It will be very costly, take a long time, and be difficult to manage. It’s better to select one or several processes that are a part of your system, work with them to identify the tasks required to achieve the benchmark, and develop them before you move on to the next part of your system. Take manageable steps.

Mistake #5. Confusing benchmarking with research.

Some companies collect random information for their processes from whatever sources they can find. Some simply will look at samples of others’ products. These are useful steps that provide you with *research*.

Benchmarking, however, starts with collecting the data on the processes you have now, examining their costs, and then identifying the same data in other companies’ operations.

Mistake #6. Misalignment.

Misalignment means that the benchmarking process you are trying to emulate just doesn’t fit into your company’s overall strategy and goals. It can also mean that it competes with some other initiative you are already undertaking. Someone (probably you) must oversee the benchmarking project to assure that you are not working at cross-purposes.

Mistake #7. Picking a process that is too intangible and difficult to measure.

“Employee communications” is probably one of the most slippery concepts in any organization. However, it is typically

cited as one of the company's worst problems. Therefore, many companies try to benchmark it. Benchmarks need to be more concrete and measurable, such as the processes of conducting meetings, the use of the company newsletter, conducting employee surveys, or distributing memos.

Mistake #8. Not establishing the baseline.

As mentioned earlier, you need to identify the data on your processes thoroughly before you seek the data on someone else's. Because you may be sharing your information with other companies, you will want to be sure that you have identified all the details of your process in exchange for the information you are seeking from them.

Mistake #9. Not thoroughly researching benchmarking partners.

You will find research to be essential in selecting the right benchmarking partners for your company. You don't want to be wasting your time or theirs. Plenty of information is available about potential partners through PLANET's directory, Web site, meetings, and seminars, as well as from the public domain. It is considered benchmarking etiquette to do this type of research before discussing a working partnership.

Mistake #10. Not having a basic agreement of ethics and understandings with partners.

You and your partners should have a clear understanding about just what you are seeking to learn from each other, which means agreeing how that information will be treated, who will have access to it, and for what purposes it will be used. Ideally this should be a written, signed, formal agreement.

American small businesses have certainly evolved to the point whereby competition and survivability no longer means just staying in your own backyard and hanging on to your local customer base forever. More successful companies will always be expanding into the territories where the competition is just trying to "keep on keeping on."

You will need to get data-oriented and analytical, and delve into metric measurement for all of your processes. You also may hire a company that specializes in setting up benchmarking programs to set your program up. But whether you use one of these companies or do it internally, benchmarking is here to stay and even small companies need to examine it for their use.

*Bill Cook
Human Resource Associates
E-mail: hrahtl@consulthra.com*