Benchmarking: A Strategy for Marking the Business

ABSTRACT

A best practice is a business function, process, or system that is considered superior to all other known methods. Successfully identifying and applying best practices can save money, eliminate redundancy, and enhance organizational effectiveness. A benchmark is a standard of performance. It allows organizations to discover where they stand in relation to others. By identifying, understanding, comparing, and adapting one's own organization with the outstanding practices and processes of others, an organization can target problem areas, best levels of performance, and solutions to improve results.

Benchmarking is an improvement tool whereby a company measures its performance or process against other companies' best practices. The kind of benchmarking you should undertake is dependent on one’s company's characteristics and circumstances. Benchmarking has to be seen to be integral to the business strategy and not just an add-on. It should be based on some kind of critical need. And benchmarking should be a continuous process in one’s organisation.

This article is an attempt to highlight that how a benchmarking can be a strategy for marking the business.

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"Striving for best practice is like running in a race without a finish line". David Kearns, Chairman of the Xerox Corporation

A. BEST PRACTICES

A best practice is a business function, process, or system that is considered superior to all other known methods. A documented strategy and approach used by the most respected, competitive, and profitable organizations, a best practice is widely known to improve performance and efficiency in a specific area. Successfully identifying and applying best practices can save money, eliminate redundancy, and enhance organizational effectiveness.

1. Conducting a Best Practices Review

From payroll and employee training to budget systems, procurement, and distribution, there are many processes that can benefit from a best practices review. The key is to get to know your organization first, and to consider its strategic objectives and the processing and operating units that contribute to those objectives. You should be able to determine what drives the cost of a particular process, and if that process is effective in achieving its goals.

In conducting a best practices review, it is important to consider the whole process. An evaluation of how well the medical supply system works, for instance, would entail looking not only at the distribution function, but also at purchasing and warehousing, because changes in one part of the system will impact the others. Failing to capture the entire process may result in pushing costs into another area of the process.

Undertaking a best practices review challenges your organization to consider new, sometimes-unorthodox approaches. For many who undertake this endeavor, it is a lesson in humility. By asking, "what can we learn from others?" organizations must step beyond territorialism and a "business as usual" perspective to embrace the insights that come from identifying areas of weakness and ignorance as well as areas of strength and expertise.

2. When is a Best Practices Approach Appropriate?

There are several questions a public-sector organization should ask itself when considering whether to use a best practices study of program activities:

- Have reports on the acknowledged problem areas before?

- To what extent have there been attempts to make the process work as designed?
- Is there a process with similar requirements that can be compared to the one being examined, but that is implemented in a way that provides significantly better results?
- Do the areas being considered have an established counterpart in the private or public sector that will provide evidence of the benefits of a new process?

One of the time-tested tools a variety of public- and private sector organizations have used for identifying best practices is benchmarking.

B. BENCHMARKING FOR BEST PRACTICES

A benchmark is a standard of performance. As a financial management improvement strategy, benchmarking helps organizations to identify standards of performance in other organizations and import them successfully to their own. It allows organizations to discover where they stand in relation to others. By identifying, understanding, comparing, and adapting one's own organization with the outstanding practices and processes of others, an organization can target problem areas, best levels of performance, and solutions to improve results. A public-sector organization can borrow the best practices of the private sector, and vice versa.

Benchmarking for best practices provides models of excellence, breaks organizations out of a “business as usual” mentality, and creates the motivation and the methodologies for strategic action.

Organizations that accomplish a particular activity at the highest value, such as functioning at the lowest cost or greatest efficiency and/or producing the highest quality, are considered "Best-in-Class." In determining what qualifies as world-class, benchmarking asks the question: "who are we now, and who do we want to be?" The best benchmarking efforts do not simply match the performance of others; they are motivated to exceed it.

Typically performed by internal personnel who already have a thorough knowledge of the process under review, benchmarking looks beyond performance measures and cost ratios. It considers the total organizational impact.

In benchmarking with comparable others, an organization determines how leading organizations perform specific process (es), compares their methods to its own, and uses the information to improve upon or completely change its processes.

There are several forms benchmarking can take. Internal benchmarking studies the practices and performance within the organization itself. External benchmarking determines the performance of others, preferably world-class companies. Quantitative benchmarking allows organizations to measure progress toward goals and to set improvement objectives in terms of specific performance measures or metrics. An example of a metric benchmark might be "cycle time is less than 25 hours," or "order fulfillment is less than 14 days." These metrics are very precise and based on detailed and careful analysis gleaned from surveys or interviews. Another type of benchmarking study, sometimes called process benchmarking, examines how top performing companies accomplish a specific process. These studies are undertaken through research, surveys, interviews, and site visits. Process benchmarking studies often look at organizations that have recently and successfully implemented reengineering or improvement efforts.

It is important when benchmarking with these stellar organizations that you gain a clear understanding of the scope of their project, the methodology they used, the critical success factors they were able to identify, the challenges and opportunities they faced in implementation and, finally, the important lessons they learned.

1. The "Gap Analysis"

Benchmarking is a method for improving performance by identifying, understanding, comparing, and adapting one's own organization with the outstanding practices and processes of others.

When examining the best practices of others and drawing comparisons, an organization will often perform what is called a "gap analysis." This is a method that helps identify the performance or operational differences between your process and that of your benchmarking partners, and why the differences are there. One way to identify these gaps is through a technique called "Activity Modeling," a useful method for understanding how a business process really works by first describing how things are ("As-Is" modeling), and then how you want them to be (" To-Be" modeling).

Each activity, usually diagrammed, shows the inputs to that activity, the outputs of that activity, the controls or constraints on the way the activity is performed, and the mechanisms or factors of production consumed by the activity in transforming inputs to outputs.

2. Achieving Maximum Value

Benchmarking may sound a bit like "industrial tourism," whereby inferior organizations simply "skim the cream from the top," spying and copying on their superiors. In fact, benchmarking is an ongoing process that generally does not yield quick fixes or panaceas. It is much more than "copycatting." Primarily a people-to-people interaction, benchmarking requires curiosity, inventiveness, and an eagerness to build upon what others have learned.

A common mistake organizations make in their benchmarking endeavors is to only benchmark someone within their own industry, or worse yet, their competition. Your competition may not be "Best-in-Class," even if they are more profitable or successful than you. It may ultimately be more beneficial to look at similar processes rather than industries—to seek out companies that serve as excellent models for a particular business process or function.

3. Key Actions in Benchmarking for Best Practices

Following are a number of steps that are integral to an effective Best Practices Review:

- **Understand the government process you want to improve.** Choosing an optimal benchmarking partner requires a deep understanding of the process being studied and of the benchmarking process itself. By thoroughly grasping the process you are reviewing, you establish a reliable baseline of comparison. Your interview questions will have more focus this way, and you also will feel confident that you have selected appropriate comparison companies or organizations. A great way to facilitate data gathering is by discussing the process in detail with agency officials and then depicting the process in a flowchart.
- **Research to plan the review.** Before selecting comparison organizations, you should research not only the organizations themselves, but also current industry trends and developments. There are many avenues of research at your disposal:
  - Literature—government documents, newsletters, and previously published performance reports;
  - Internet and library searches; and
  - Conversations, surveys, or interviews with consultants, academics, and industry experts (this includes watchdog organizations, professional associations, oversight commissions, etc.)
- **Select appropriate organizations.** Your research should yield a list of best practice organizations. Now you must determine how many and which ones to visit. Experts suggest you keep the list to a manageable number, which can be as low as five. You will need to establish your own selection criteria. For instance, if you decided to benchmark your organization's snow removal process, you might determine that hilly terrain is a significant criterion in selecting a best practices partner. If you were going to benchmark DoD's inventory system, you might decide that geographical diversity is an essential evaluation criterion. In any case, what is most important is that you find companies that are considered by experts to be among the best at the process you are reviewing.
- **Collect data from selected organizations.** Develop a standard list of questions that will structure the interview process and guide your discussions. This list may need to be revised after you obtain feedback from the first interview. Remember, your questions should be geared to discovering common practices and characteristics among the organizations you have identified for benchmarking. Site visits are often a part of this process, and can give you first-hand opportunities to observe a process in action. This is where synergy between organizations can occur—a mutual sharing of ideas and innovations.
- **Identify barriers to change.** With your solid list of best practices in hand, you are almost ready to make your recommendations, but first you should identify the barriers to implementation within your organization, whether real or perceived. Some of these barriers may be beyond your ability to control, such as regulatory

and statutory requirements, where as others may be more deep-seated, residing within the organizational culture itself. You should be aware of some of the difficulties these barriers may pose to implementation. You should also consider the impact certain changes may have on the organization itself. What will be the effect of a particular recommendation on the agency's ability to deliver a service?

- **Make recommendations for change constructive and convincing.** It is recommended that you give your agency a "basket of ideas" from which to choose. Flexibility should be built into the recommendations, as your agency will need to adapt them to its unique needs and functions. It also helps to outline the benefits as well as the key steps that should be taken in order for implementation to be successful. A pilot project can be an excellent way for your agency to work through any obstacles or concerns, and to develop reliable cost estimates for full implementation. Finally, it is important to remember that in any benchmarking process you must ensure that your organization is in a position—both technically and psychologically—to implement change recommendations.

4. Mapping out Your Time

It is important to use time wisely; at least half of your benchmarking project time should be spent on collecting data. Typically, approximately 30% of your time should be spent on planning; 50% on information gathering and research; and the final 20% on analyzing performance gaps—discrepancies between the process of your organization and the process (es) of your benchmarking partner(s).

Benchmarking helps organizations to make better-informed decisions, exposes organizations to innovations and breakthroughs, allows organizations to see beyond the barriers, and provides organizations with a methodology and a game plan for accelerating, implementing, and managing change.

For Example-Best Practices for Financial Management

1. Build a foundation of control and accountability that supports external reporting and performance management.
2. Provide clear, strong executive leadership.
3. Use training to change the organizational culture and engage line management.
4. Assess the finance organization's current role in meeting mission objectives.
5. Maximize the efficiency of day-to-day accounting activities.
6. Organize finance to add value.
7. Develop systems that support the partnership between finance and operations.
8. Reengineer processes in conjunction with implementing new technology.
9. Translate financial data into meaningful information.
10. Develop a finance team with the right mix of skills and competencies.
11. Build a finance organization that attracts and retains talent.

Benchmarking for best practices allows organizations to determine the criteria for underlying performance, as well as the discrepancies in performance among processes, to identify specific problem areas, and to improve on the delivery and quality of services. Because it has an outward view, benchmarking can have a powerful impact on organizations. When conducted regularly, it can reduce waste, improve operational efficiency, and support many organizational processes from budgeting to strategic planning. Benchmarking for best practices easily integrates with other strategic initiatives such as Reengineering and Total Quality Management (TQM). But it also works well on its own—providing models of excellence, breaking organizations out of a "business as usual" mentality, and creating the motivation and the methodologies for meaningful change.

C.BENCHMARKING

The concept of discovering what is the best performance being achieved, whether in your company, by a competitor, or by an entirely different industry.

Benchmarking is an improvement tool whereby a company measures its performance or process against other companies' best practices, determines how those companies achieved their performance levels, and uses the information to improve its own performance.

Benchmarking is a continuous process whereby an enterprise measures and compares all its functions, systems and practices against strong competitors, identifying quality gaps in the organization, and striving to achieve competitive advantage locally and globally.

When it comes to Competitive Intelligence, there are a few simple tools that can provide for sophisticated comparisons of business functions between organizations that can help firms "benchmark" the constituent processes of the company with direct or indirect competitors, allowing a company to gain the upper hand in a marketplace. But, what is the process for setting the metrics, methodologies, milestones and comparisons which might be used to measure the success of a CI/benchmarking function, or the success of a Strategic Planning department as a whole?

Benchmarking is best used and described as a framework for strategic planning in that, once elements of study are identified, metrics can be applied to the key success factors (KSFs) of the industry or marketplace and these measures or "benchmarks" are then used to develop future quality and market initiatives for the firm to enhance its overall competitive position.

It is generally considered that there are seven steps to this process, as explained below. However, this analysis of intra- and sometimes inter-industry competitors can form the foundation for future competitor analysis when the emphasis is placed upon the goals and financial capabilities of the competitor. This becomes a question of how will the competitor compete with their particular set of resources and culture?

The body of work surrounding business benchmarking has identified seven unique steps in this benchmarking process, many of which may offer some insights on the question of metrics.

1. Benchmarking Process

Stage 1: Planning the Benchmarking Project

The first stage in benchmarking is to plan the exercise. This plan should fit within the mosaic of the company-wide quality plan, which, in turn, should be integrated with the strategic business plan. This strong linkage to the quality planning process and strategic business plan indicates process bench marking's support of TQM. The objective of the planning stage of benchmarking is to determine what to benchmark and against whom to benchmark.

The first step in this stage is to identify the strategic intent of the business unit or process being benchmarked.

For the purpose of making performance improvements through benchmarking it is important to adopt a view of the organisation as a collection of business units or processes. A business process can be defined as "sequences of activities that people perform on inputs to produce outputs".

Usually a business has a mission statement that summarizes its major purpose. From the mission statement can be derived typical deliverables expected by customers of the business unit or business process.

For example, typical strategic deliverables of, say, a logistics function might include:

- The level of customer satisfaction expected
- The inventory level to be maintained or returns to be achieved
- Delivery times to be achieved
- Delivery of goods as specified
- The unit cost or cost level to be achieved

The objective is not only to ensure that the logical deliverables of the business unit are benchmarked, but also the perceived future problem areas.

The next step is to select the processes to benchmark.

Whether something should be benchmarked depends very heavily on how important is the process in the internal supplier/customer chain or in satisfying end users or consumer needs how significant is the problem to be benchmarked in relation to other areas where benchmarking resources could be directed? Will your customers notice the difference if you implement best practice for this business process? Will they change their behaviour significantly enough to make a visible impact on the results of the organisation? If the answer to any of these questions is no, the subject for benchmarking may be something important but not important enough.

The key to determining what to benchmark is to identify the output or outcomes or product of the business unit. The product may not be readily apparent.

In a manufacturing operation the output is almost always a physical, visible, quantifiable product. It can be seen, measured and compared with other competing products. But what is the product of a business unit that provides a service? We need to identify who wants this product. Who is the customer?

Then it is time to identify the processes' customers' profiles and set of expectations.

The customer is the individual or group with a critical need. The customer's expectations drive the identification of the products, services or processes to be benchmarked, the specific kinds of information required, and the specific companies or types of companies that should be included in the benchmarking investigation. They also establish the time frame.

Finally, selecting the critical success factors to benchmark completes Stage 1.

These are the major factors, which must be dealt with exceedingly well if the enterprise is to be really successful. Choose a business process or processes based on these factors. Then once the key issues about the performance of that process are known, choose the few key performance indicators of critical success factors (CSFs) that you believe measure these key aspects of process performance. The integration of benchmarking with other types of total quality tools is one of the greatest opportunities to link CSFs with meaningful business results. The more specific and generic you're CSFs, the more likely you will be provided with relevant information by your benchmark partners.

There are three levels of critical success factors:

- Level 1 defines a broad subject area - involving an organizational department or function eg approaching a benchmark partner on, say, billing is too broad a range.
- Level 2 defines a more specific investigation. It can be defined by some type of aggregate measure eg number of billing errors.
- Level 3 is the most specific level that can be defined particularly by means of some type of measure or specific process description that allows benchmarking partners to produce information comparable to your own eg billing errors may involve incorrect invoices or incorrect billing addresses.

Stage 2: Form the Benchmarking Team

Objective: To select, train and manage the benchmarking team.

The first thing is to select the team members.

Benchmarking exercises can be conducted by individuals, but most benchmarking exercises are team activities. Think of the workload and the knowledge requirements.

A team represents the different perspectives, special skills, and variety of business connections the individuals bring to the benchmarking process. The word 'team' has connotations of common purpose or goal, coordination, cooperation, communication, motivation. For benchmarking you definitely want a team!

The team structure will be influenced by the size and scope of the benchmarking exercise, which will depend on a number of factors such as:

- The size of the organisation
- How much the organisation is prepared to spend
- How many business processes it will benchmark
- How many locations the organisation operates from and wishes to benchmark at one time

Any benchmarking project will require:

- A small group of people to outline the scope of the project at the beginning and provide leadership and coordination through to the end
- Wide involvement from a number of people with varied skills once the scope of the project has been decided
- The preparedness to cope with the absence of people involved in the benchmarking exercise from day-to-day business

There are three types of teams required for a benchmarking exercise:

(i) The Lead Team

The lead team is mainly concerned with building and maintaining commitment for the benchmarking process throughout the organisation. In practice it does this by :

- Providing leadership in decisions on the particular areas of focus facilitating the selection of preparation teams and visit teams
- Managing the process to achieve targets on time and within budget
- Integrating the benchmarking process with other improvement initiatives being planned or currently in operation

The composition of the lead team should reflect its key responsibilities and could include:

- Any consultative committee or some modified version of it already in existence
- The quality committee or some modified version of it, if a TQM program is in existence
- A cross-section of functional skills to enable a broad view of the organisation
- Direct workforce representation to represent views, counter any fears, and gain commitment at the earliest stage possible
- People with authority to take the necessary decisions regarding the benchmarking project and its integration with other improvement initiatives

(ii) The Preparation Team

The role of the Preparation Team is:

- To work within the scope defined by the lead team, on a single business process
- To carry out the detailed analysis and preparation
- To help to identify partners
- To have representation on the benchmarking visits
- To analyze findings and design improvement projects

The Preparation Team needs to be able to take an overview of the process they are benchmarking and could include:

- The "natural work team" of the process in question
- The entire work group including people from support functions
- Suppliers and customers (external and internal)

(iii) The Visit Team

The role of the Visit Team is:

- To carry out the benchmarking visit within the scope defined by the preparation team
- To deliver the findings to the preparation team to implement

The Visit Team needs to be a bridge between the preparation team and the benchmarking partner and is generally composed entirely of members of the preparation team.

Of course, the Lead Team, Preparation Team and the Visit Team can be identical in their composition. The important thing is to recognize the different roles and ensure that they are carried out..

Train the team as necessary:

- Educate team members in the benchmarking process
- Train team members as necessary in the use of analytical tools and techniques
- Train team members as necessary in interpersonal skills such as leadership skills, facilitation skills and basic project management skills
- Train team members in questioning techniques
- Familiarize team members with company background and systems, etc if necessary

Stage 3: Collect the Necessary Data

Objective: To identify best practice companies and to gather benchmarking information about the performances and practices of the best practice companies.

(a) How do you currently perform the process?

Self-analysis is an essential step to effective benchmarking. One of the fundamental rules of benchmarking is to know your own processes, products and services before you attempt to understand the processes, products and services of another organisation.

Why is this so important? Because without a thorough inventory of your own internal products and processes you may not realize the extent of your improvement opportunities; because without an accurate understanding of yourself, how can you calculate the potential gap that exists between your outcomes or activities and those of the best practice organizations you wish to benchmark; because without a thorough internal analysis you may be by-passing some important internal benchmarking opportunities.

To identify how you currently perform the process, collect and review any information already available on the process. This may include:

- Flow charts - this involves taking the process to be analyzed and drawing up a diagram to show each step in the process. This is useful to understand the process and its drivers.
- Customer feedback - this involves identifying customers and their needs to assess whether the process is performing well or not. Customers can be asked direct or by formal customer survey. Answers to these questions can give clear indications as to what aspects of the process should receive priority.

- Measurements of the process, e.g. unit times, volumes/ frequencies.
- Procedure manuals.

(b) How does your benchmarking partner perform the process?

A benchmarking partner is any person or organisation that supplies you with information relating to your benchmarking exercise. The term partner implies an ally or one who enters into an association with you. This step can proceed in parallel with your self-analysis step. There are a number of ways to find a benchmarking partner including:

- Literature sources can be helpful especially if your search is international.
- Trade and professional associations - can be useful particularly if you have decided that your potential benchmark partners are likely to come from a particular industry or service sector.
- Consultants - may have databases of best practices and best practice organizations. They can also act as a third party.
- Stockbrokers - for background and structure of the potential benchmark partners.
- Major suppliers of your machinery, process technology, materials - can be sources of specific information regarding the potential benchmark partners.
- Major customers.

The selection of benchmarking partners is critical, as it will determine the process comparability and the potential for quantum leap change.

The Site Visit

Site visits are important to gain an in-depth understanding of the systems and processes of the best practice companies you have chosen as benchmarking partners.

- Send letter to quality director, manager of area you wish to visit or head of the human resources function.
- Follow up with phone call to explain the reason for the project and its objectives, and to indicate the business process and issues that are the focus of your project.
- Obtain agreement from target partner on the conditions of the project.
- Plan the visit.
- Develop site visit strategy and questionnaire.
- Conduct the visit in a professional manner.. Be sure to stick to the agenda - the objective of the visit is to get answers to your questions - it's not a social event.
- Return some value to your host - it is usual to exchange information during benchmarking visits.
- Feedback to host company, thanks, etc.

Stage 4: Analyzing the Data for Performance Gaps

Objective: To identify and analyze the gaps between best practice and your own business processes.

All the collected information is used to identify performance gaps between benchmarking partners.

When comparing the performance of companies, adjustments must be made for differences due to:

- Economies of scale
- Different management philosophies (outsourcing, decentralization)
- Product features and manufacturing processes
- Operating environment (differing awards, regulatory constraints)

(a) Analyze findings from the site visits.

You may have to develop a composite picture that reflects the input of many companies. Synthesize the process information you have gathered in a way that is appropriate for your company's culture.

This is your opportunity to compare your current performance against the benchmark you have discovered. You can then identify performance gaps and their causes.

Stage 5: Take Action and Recycle the Process

Objective: To develop strategies and action plans to close the gaps.

What needs to be done to match best practice for this process? Identify tasks, responsibilities, resources and time targets for the change process.

Prepare a budget and a cost benefit analysis, and put it into practice.

Monitor performance indicators carefully as these should highlight improved efficiencies.

2. Types of Benchmarking

i) Benchmarking Against Internal Operations, Called Internal Benchmarking.

In most large companies there are similar functions in different business units. One of the simplest benchmarking exercises is to compare these internal operations. The objective of internal benchmarking is to identify the internal performance standards of an organisation. An example is the approach adopted by Kenya's electricity distribution company. For each geographic district in which it would be distributing electricity, the Kenya Power and Lighting Corporation (KPLC) identified its characteristics (number of consumers, area, length of overhead line, number of substations, energy sales per customer, and so forth) and found weighted averages for different classes of staff (engineers, foremen, linesmen, and the like) that enabled them to compare fairly easily areas of different labor productivity.

The advantages of internal benchmarking are first, there is often a significant amount of information sharing accompanying internal benchmarking. Second, many organizations are able to obtain immediate gains by identifying their best internal practices and transferring those to other parts of the organisation. This internal knowledge can become the baseline for later investigation and measurement involving external benchmarking partners.

The disadvantage of internal benchmarking is that it fosters an introverted view. It is all too easy to ignore that other firms have the edge on you if you are concentrating on outperforming internal rivals.

ii) Benchmarking Against External Direct Product Competitors, Called Competitive Benchmarking.

Benchmarking can be done externally against competitors. Direct competitors are the most obvious to benchmark against. The objective is to compare companies in the same markets that have competing products or services or work processes. eg Coca Cola vs. Pepsi.

The advantage of competitive benchmarking is that you can see what your related performance is. The main disadvantage is that information is very hard to obtain, beyond that in the public domain.

iii) Benchmarking Against External Functional Best Operations or Industry Leaders, Called Industry or Functional Benchmarking.

You can benchmark others in the same industry that may have the same products or services but are not competitors in the same market. Industry benchmarking tends to involve comparisons between firms that share some common technological and market characteristics and to concentrate on specific functions. For example, Telecom Australia might benchmark its billing process against the billing process of British Telecom.

The big advantage of industry benchmarking is that it is easier to identify willing partners, since the information is not going to a direct competitor. The disadvantages are cost and the fact that the most renowned companies are beginning to feel overwhelmed with benchmarking visits and some are even charging a fee for access.

There may be other organizations from different sectors but with similar operational functions that can be compared. For example, gas, water, and power utilities might cooperate in benchmarking their metering or billing collection procedures; airlines and railways are similar in the ways they manage the turnaround and dispatch of aircraft or trains; administrative processes, customer service response times, and staff appraisal performance will have similarities in all organizations.

Table-1: Some Sources of International Benchmarking Information

Sector	Source
Postal operations	-Universal Postal Union: The union provides an online database with statistics on variables, including the number of full- and part-time staff. -International Postal Corporation*:* This association of 22 postal operators handling 65 percent of the world's mail undertakes some cooperative benchmarking projects, but to date none of the projects focus on labor issues.
Rail	-World Bank*:* A principal source of comparative data on worldwide railway performance.
Road	-SAFIR*:* Comparative analysis of bus operations in South Asia (SAFIR 2002).
Telecommunications	-The International Telecommunications Union (ITU)
Water	-Asian Development Bank -World Bank -International Water Association (IWA)

iv) Benchmarking A Process in One or Several Unlike Organizations, Called Generic or Process Benchmarking.

This type of benchmarking focuses on excellent work processes rather than on the business practices of a particular organisation or industry. Some business functions or processes are the same regardless of dissimilarities of the industries.

Generic benchmarking can be very effective even though it is generally the most difficult. It has the potential of revealing the best of best practices. It requires broad conceptualization but careful understanding of the generic process.

Choosing which type of benchmarking to use depends on what you want to benchmark.

3. Designing the Benchmarking Process

Benchmarking is usually treated as a structured process. The structure is best provided by the development of a step-by-step model.

A word of warning here - the structured process should not add complexity to a simple idea, and the structure should not get in the way of the process.

Use of Models

Process models have two basic attributes that make them useful when used appropriately.

- They provide structure so we can see where we are going and how we are going to get there. They provide a common process in a language understandable to all.
- A process model provides the basic framework for action. All types of variations are possible within that framework, and the process can be tailored to fit the specific requirements of the individuals, groups and organizations.

Any type of benchmarking process model should provide an adequate framework for the successful planning and execution of a benchmarking exercise. It should be flexible enough to encourage people to modify the process to suit their needs and project requirements.

Models can help interpret any terminology that is required in the benchmarking process. A particular virtue of using a model is that it facilitates the development of a shared vocabulary. Such language models provide a plan of action and behaviour that can be understood by anyone in the organisation. The various process steps or stages of a model help to reinforce the vocabulary, which is like shorthand.

For example, the word "recycling" is used at the end of several benchmarking process models to denote the concept of continuous improvement and to encourage the linking of benchmarking activities. The word "recycling" may activate a variety of images to different people. So putting the word in the context of a benchmarking model helps people interpret the intended meaning of the word.

These plans or maps specify logical sequences of activity to produce the desired result. Anyone could come into a benchmarking exercise at any time and understand the stage or phase.

Requirements for a Successful Benchmarking Model

- Keep the model basic. Fourteen steps are not necessarily better than six. Make sure it has a logical sequence.
- Keep the model clear, can people describe it to others including being able to explain why each part of the process is important to the user? Can the listener understand the process and translate it into action?
- Emphasize logical planning and organisation.
- Develop a clear understanding of the benchmarking 'customer' requirements (customer in this sense is the eventual user of the benchmarking information).
- Identify who will be on the benchmarking team.
- Ensure that there are adequate resources (people, time, funding) for the benchmarking team to achieve its goal.
- Use effective project planning tools and techniques.
- Develop specific information gathering tools prior to actual data collection.
- Establish appropriate benchmarking protocols that define expected behaviors and outcomes toward benchmarking partners.
- Use customer focused benchmarking to provide direction; to create a set of expectations regarding the information; how it is to be gathered, reported and used to review and adjust progress against customer requirements usually in the form of a formally agreed contract.

4. Make the Benchmarking Process Consistent

The benchmarking process should be consistent within an organisation. Although there should be flexibility to accommodate some variation, there is no need for a unique benchmarking process for every department, division or location in an organisation.

The ability to develop cross-functional or cross-divisional benchmarking teams is hindered by the development of different models.

Different models and approaches to benchmarking within an organisation indicate the existence of different communications, training programs and possible management cultures in different segments of the company.

The result is inefficient use of resources, duplication of effort and confusion among employees confronted by a variety of different models within their own organisation.

Multiple processes also create confusion among the organization's benchmarking partners who would expect some level of consistency among the approaches used by the various sub-groups. The lack of coordination among the divisions forces the benchmarking partners, as information providers, to produce multiple reports.

Multiple models usually indicate multiple databases. Producing records and results becomes fragmented within an organisation. Duplication of effort and lack of coordination probably also represent significant costs.

Thus the challenge is to construct a generic benchmarking model that could be applied to any benchmarking project by any type of organisation.

There are many benchmarking models to get you started. Most contain many of the same ingredients. One reason for this is that those creating the models were strongly influenced by early-published examples shared through quality networks created by, for example, Alcoa, AT & T, Florida Power and Light, Motorola, Westinghouse and Xerox. Another reason is that the early models worked, and not surprisingly, companies that received the Baldrige National Quality Award and shared their benchmarking process, specifically Motorola, Westinghouse and Xerox became the models for others to benchmark.

Whatever model you choose, let it be agreed upon by all involved in the benchmarking project and used consistently by all benchmarking teams.

5. Factors Which Make The Comparison of Benchmarks Across Countries

- **Increased outsourcing and contracting out.** Because utility and infrastructure enterprises outsource many of their operations, comparisons based on units of activity per fulltime, permanent employee may not provide a like-for-like comparison.
- **Comparability of the scope of the PPI enterprise.** Published data may report labor numbers and productivity in operations that are combined in some countries and separated in others–for example, telecommunications and postal services; water and sewerage operations; and power generation, transmission, and distribution.
- Labor productivity "norms" may change quickly, especially following the introduction of competition or rapid growth in demand for services.
- **Differences in condition of the infrastructure.** Some older networks have high maintenance costs as a result of age or past inadequacies in investment in new technologies (be it optical fiber for telecommunications, port containers, or combined-cycle power plants).
- **Extent and nature of the network.** Service providers in dense urban areas will have staffing requirements that differ from those of rural providers. Some railways may have a markedly more benevolent topography than others, so that track maintenance costs are lower. Different regulatory

regimes may place different legal obligations on the level of service provision, leading to very different cost and staffing structures.

- **Depth and quality of the data.** All benchmarking data sets will benefit from greater precision, clear definitions, and disaggregation. The more information that is available and the more that users can be sure of the relevance of the data sets, the more trust can be placed in them. Even so, averages can be deceptive and can be distorted by abnormally high or low performance.
- Benchmarks change constantly as technologies and work practices change.
- **Misuse and abuse of benchmarks.** Labor benchmarking statistics can be misused and used to exaggerate or understate the need for downsizing. For example, simply setting labor adjustment targets to match international best practice levels can be dangerous if it does not take account of the particular conditions bearing on the enterprise. Furthermore, data can be manipulated (for example, by excluding temporary or seconded workers) to suggest that staffing levels are not particularly high.
- **Age of the data and the fast-changing nature of the work force.** Almost by definition, a benchmark will be out of date the day it is published. One year's best practice can soon translate into next year's average performance so it is essential to ascertain the date relevancy of the data. Old data are still valuable, however, because they allow trends to be identified, thus enabling the implementing agency to assess whether productivity and efficiency gains are accelerating or stagnating. One example of changing productivity is that of Bharat Sanchar Nigam Limited (BSNL)–the main state-owned telecommunications operator in India. As the number of subscribers has risen, staff numbers have remained constant and labor productivity has risen steadily.
- **Policy and structural reforms in the sector.** Productivity benchmarks also change as a result of liberalization, new entrants into the sector, and new technologies. For example, a private sector operator and new entrant into telecommunications in India, Tata Teleservices, has about seven employees per 1,000 subscribers for the fixed services it provides in Andhra Pradesh (albeit using radio for the local loop)–approximately half the ratio achieved in 2000 by the former monopoly, BSNL. In general, as infrastructure companies are exposed to competition and new investment is increasing, the work force in benchmark comparators changes from year to year as a result of increased demand for very experienced managers and senior specialists with commercial, financial, and information technology skills; fewer unskilled workers but more workers with technical skills and experience in newer technologies (especially in sectors such as telecommunications); and fewer administrative and clerical jobs, but more customer service facilities.

Table-2 : India–Changing Labor Productivity at BSNL,

Year	Subscribers (millions)	Employees (thousands)	Employees per 1,000 subscribers	Subscribers per employee
1981	2.15	289	134.45	7.44
1991	5.07	375	73.90	13.52
1995	9.80	419	42.78	23.39
1996	11.98	421	35.14	28.46
1997	14.54	429	29.50	33.89
1998	17.80	425	23.87	41.88
1999	21.59	424	19.64	50.92
2000	26.51	421	15.88	62.97

Source: Reports issued by BSNL.

6. Choosing What Processes to Benchmark

It is important that the benchmarking process be customized to the needs, capabilities and culture of the individual organisation. Benchmarking has to be seen as integral to the business strategy - not just an add-on. What is benchmarked must be important to the whole organisation.

The business area or process chosen must be one that, if improved, will further the strategic objectives of the organisation. So what is to be benchmarked is based on some type of critical need.

Every organisation will approach the benchmarking process from its own perspective and will need to customize the generic benchmarking process accordingly.

7. Conclusion

The critical factors for successful benchmarking are:

- Choose the right things to benchmark.
- Involve the right people.
- Have a common understanding of what is involved.
- Gain a thorough understanding of your own situation.
- Choose suitable partners.
- Turn ideas/information from visits into practical improvement projects.
- Manage the improvements.
- Remember that benchmarking is a continuous process.

The kind of benchmarking you should undertake is dependent on your company's characteristics and circumstances. Benchmarking has to be seen to be integral to the business strategy and not just an add-on. It should be based on some kind of critical need. And benchmarking should be a continuous process in your organisation. As David Kearns, Chairman of the Xerox Corporation commented, "striving for best practice is like running in a race without a finish line". Best practice constantly changes, and continuous benchmarking can help an organisation identify what it needs to do in order to remain in the race.

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