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Benchmarking Networks

What is Benchmarking?

Benchmarking is a "systematic process" of measuring an organisation's internal processes prior to identifying, understanding, adapting and implementing outstanding practices from other organisations, which are considered to be best-in-class.

Benchmarking is considered as a powerful tool, which is used by organisations to help answer questions such as;

- Does the organisation achieve the same level of profit as other organisations in the industry?
- Does the organisation spend too much (or too little) on rent, advertising and wages?
- Is the organisation performing as well as it should?

The data obtained through benchmarking would be able to assist organisations in;

- calculating financial ratios
- analysing business performance
- comparing the results achieved by the organisation with other similar organisations
- conducting a "what if" analysis"

Through benchmarking, organisations would also be able to;

- find out how well the organisation is performing by comparing it to other similar organisations
- measure and improve the performance of the organisation in key areas such as sales, profit, and expenses
- identify the strengths and weaknesses of the organisation
- highlight opportunities for making the organisation more competitive

Advantages of Benchmarking

Through benchmarking, companies compare themselves against best practices in the industry. The benefits to benchmarking are plentiful, with the most fundamental advantage being receptivity to changes. Benchmarking basically opens a company to new methods, ideas and concepts, processes and practices in order to improve efficiency, effectiveness, productivity and performance.

As such, benchmarking is a powerful management tool to overcome “paradigm blindness”, in which people tend to think that the way they are doing certain activities is the best way because that is the way they have always done it. When a company benchmarks itself against other organizations and industrial best practices, it helps crack resistance to change by introducing and demonstrating alternative solutions and processes which are currently being employed by others, and proven to work.

Often, benchmarking studies involve the collection of supporting data. This results in valuable data to stimulate and facilitate in-depth discussions with key stakeholders. Critical questions on a company’s comparative performance, current best practices and improvement opportunities can then be substantiated and concluded.

Advantages of benchmarking are not focused only on the end results; the process of benchmarking is also beneficial to a company. Benchmarking involves not just an individual, but many parties within an organisation. This helps employees at all levels to have a better understanding of their organisations and processes. Moreover, benchmarking can also help improve teamwork and cohesion within the organisation, so that everyone can work collaboratively to surpass external and internal benchmarks.

There are many other advantages of benchmarking, and they include the following:

- Identifies areas for improvement and eliminating guesswork
- Identifies risks
- Produces specific, objective measurements
- Monitors and reviews progress
- Prioritises improvement opportunities
- Serves as a good baseline “report card”
- Makes it easier to set challenging but realistic key performance measures
- Creates a sense of competitiveness and give motivation to improve
- Challenges employees to work smarter instead of harder

- Accelerates understand and agreement on real problem areas within the organisation
- Introduces the best and latest practices being employed, and the corresponding performance achieved

Most importantly, regular benchmarking encourages a culture of continuous evaluation and improvement.

Common Challenges Associated with Benchmarking

There are several challenges associated with benchmarking, that prevents organisations from attempting benchmarking and also from conductive benchmarking actively. Benchmarking is often not easy and tedious, as it involves many stakeholders and several iterative rounds to arrive at useful and feasible conclusions.

Difficulties to benchmarking include:

- Finding suitable benchmarking vendors
- Different communication and working styles within the benchmarking team
- Difficulties in comparing data due to differing standards and circumstances
- Resource constraints in terms of time, finance and expertise
- Staff resistance

Some reasons for these common challenges associated with benchmarking are:

- Ignorance (not aware of benchmarking and best practices)
- Resource constraints
- Data comparability
- Improvements are too insignificant to make a real difference
- Fear of change

Five Phases of Benchmarking Study

The following is five phases in a typical benchmarking study;

- 1. Plan**
Planning the benchmarking study and laying out the groundwork for coming phases. This includes selecting the process to be benchmarked and thoroughly understand how the particular process is performed or is functioning within one's own organisation.
- 2. Find**
Identify the benchmarking partners and obtain acceptance for their participation in the study.
- 3. Collect**
Perform the same thorough documentation of the benchmarking partners' process as was done for ones own in the planning phase.
- 4. Analyse**
Find gaps between the performances of ones own process and that of the benchmarking partners. The differences in practice that creates the performance gap should also be determined.
- 5. Improve**
Implement improvements based on findings from the observation and analysis of the benchmarking partners.

What is Benchmarking Networks?

Benchmarking network connects organisations with a mutual interest in promoting benchmarking as an improvement process. It promotes open communication and pursues certain co-operative efforts.

Benchmarking network "conducts benchmarking studies that provide high leverage findings through by forging relationships between world class companies". It collects data from participating organisations to identify best practices, in particular from best-in-class organisations. The proven processes and systems are then used to assist organisations in implementing similar processes to achieve performance improvement.

Benefits of Benchmarking Networks

Among the benefits of benchmarking networks are;

- Promotes the sharing of practical experiences with benchmarking activities between organisations, in particular best-in-class organisations.
- Promotes the exchange of best practice knowledge.
- Promotes the adoption of excellent best practices among organisations.
- Compares and analyses the organisation's practice to hundreds of the most successful practices of other organisations.

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Recommended Readings

Articles may be delivered to clients, upon request.

Books are available at the Lee Kong Chian Reference Library.

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