

BENCH MARKING –A TOOL OF COMPETITIVENESS

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INTRODUCTION

Competitiveness is the order of the day and benchmarking as a tool helps companies to position themselves in the market place. Decision makers are persistently on the lookout for techniques to facilitate quality enhancement. The continuous pursuit of excellence is the underlying and ever present goal of benchmarking practices. Benchmarking is an external focus on internal activities, functions, or operations in order to achieve continuous improvement. Also referred to as "best practice benchmarking" or "process benchmarking", this process is used in management in which organizations evaluate various aspects of their processes in relation to best-practice companies' processes, usually within a peer group defined for the purposes of comparison. This then allows organizations to develop plans on how to make improvements or adapt specific best practices, usually with the aim of increasing some aspect of performance. In project management benchmarking can also support the selection, planning and delivery of projects.^{[2][3]} Benchmarking is emerging in leading-edge companies as a tool for obtaining the information needed to support continuous improvement and gain competitive advantage. Flexibility in achieving the goals and strong strategic focus is needed to implement benchmarking effectively. This study demonstrates benchmarking as a basis of competitive positioning and facilitate to have a closer look at the expansion, progression and application of benchmarking.

Key words: Bench marking, Competitiveness, Positioning, Progression

WHAT IS BENCHMARKING?

Benchmarking is normally about obtaining understanding through a comparative study and applying it to upgrade of processes, products or services. The conception of a benchmark begins from land surveying, being a point of indication of known altitude against which other objects are evaluated. Frederick Taylor introduced the term in his scientific management practices and a benchmark became the competence standard by which a job could be performed. (McNary, 1994). Powers (1998) describes how the total quality management movement wherein tangible measurements and hard data were often the measures used, consequently picked up benchmarking as a comparative process to review quality. Metrics acknowledged the higher performance organizations and the "size of the opportunity" for others (Landry, 1993). Benchmarking then stretched out to integrate analysis of processes, from which information was attained on how to close the gap to accomplish better performance (Jackson, 1998). Benchmarking is therefore principally a learning experience (Powers, 1998). Benchmarking is the process of identifying, understanding and adapting outstanding practices from within the same organisation or from other businesses to help improve performance (Cook, 1995:13). This involves a process of comparing practices and procedures to those of the best to identify ways in which an organisation can make improvements. Thus new standards and goals can be set which, in turn, will help better satisfy the customer's requirements for quality, cost, product and service. In this way, organisations can add value to their customers and distinguish themselves from their competitors. Benchmarking is a continuous process of comparison, projection and implementation.

Brief History

The conception of a benchmark begins from land surveying, being a point of indication of known altitude against which other objects are evaluated. Some form of comparison in the companies was used, since 1800s, and mainly included product's quality and feature comparison. This type of comparison was scarcely used and didn't become a valuable management tool until late 1980s and 1990s, when Xerox introduced the process benchmarking technique.^[2] This type of comparison proved very beneficial and Xerox, AT&T and other companies began comparing the performance of their processes to the best standards in the industry: Frederick Taylor introduced the term in his scientific management practices and a benchmark became the competence standard by which a job could be performed. Metrics acknowledged the higher performance organizations and the "size of the opportunity" for processes, from which information was attained on how to close the gap to accomplish better performance (Jackson, 1998). Benchmarking is therefore principally a learning experience (Powers, 1998).others (Landry, 1993).

The following table shows how benchmarking evolved into a modern strategy tool:

Phases	Period	Types
1	1950-1975	Reverse Engineering
2	1976-1986	Competitive Benchmarking
3	1982-1988	Process Benchmarking
4	1988+	Strategic Benchmarking
5	1993+	Global Benchmarking

Reverse engineering was tearing things apart, examining them, improving them, and putting them back together. Benchmarking really began in its modern form with the introduction of competitive benchmarking began with Rank Xerox, and its implementation of benchmarking in beginning around 1976. This was followed by process benchmarking which included looking for ideas outside of the direct competition. Strategic benchmarking involves fundamentally changing the business, not just the process (9). Global Benchmarking is the newest and involves comparing your organization on a global scale.

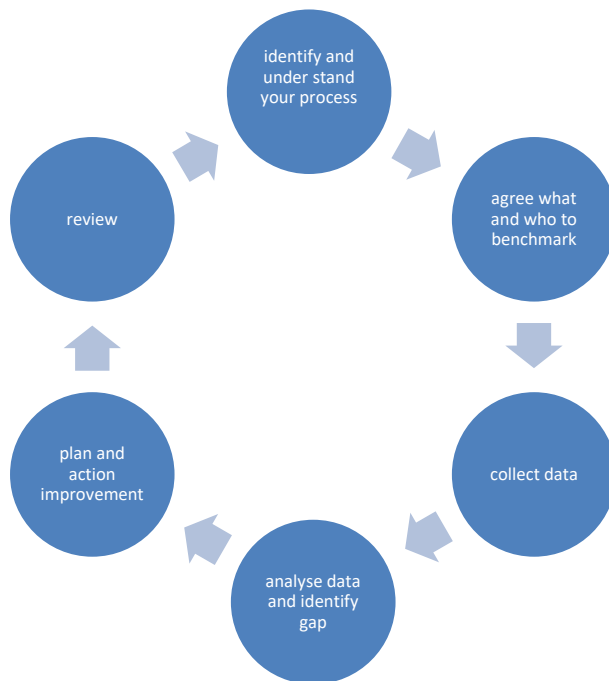
Many view benchmarking as a technique for comparing key figures, often-fiscal key figures, for the reason of ranking the organization in relation to competitors or the industry average. This might have been the major application of benchmarking previously, but today it is a far more dominant tool much more extensively applicable.

The benchmarking process

Benchmarking is a very structured process that consists of several steps to be taken. These steps are often provided for in a model. It should be noted that even though the process is very structured, it should not add complexity to a simple idea. Basically, “the structure should not get in the way of the process”.

According to *The Nuts and Bolts of Benchmarking*, written by Margaret Matters and Anne Evans (1997), there are five stages included in the benchmarking process which are discussed below

- (1) Planning the exercise: this step involves identifying the strategic intent of the business or process to be benchmarked. Many times this information can be obtained by looking at the company’s mission statement which summarizes its main purposes. Then selection of the actual processes to be benchmarked must be chosen. This consists of identifying various products produced by the benchmarked company and asking your own company if using this process will create positive results in the organization. Then the customer’s expectations must be identified. Finally, the critical success factors have to be determined in.



(2) Form the benchmarking team: the first step is to select overall team members. These members should be chosen from various areas of the organization. All members should cooperate and communicate with one another in order to get the best results out of the benchmarking process. There are three main teams comprising the overall group. The lead team is responsible for maintaining commitment to the process throughout the organization. The preparation team is responsible for carrying out detailed analysis, and the visit team must carry out the benchmarking visit.

(3) Collect the data: this step involves gathering information on best practice companies and their performances. Before a company identifies best practice companies, they should first identify their own processes, products, and services.

(4) Analyze data for gaps: this step involves determining how your company relates to the benchmarked company. It allows identification of performance gaps and their possible causes.

(5) Take action: this step involves determining what needs to be done in order to match the best practice for the process. Not only should determination of changes be made, but they also should be implemented (Matters and Evans, 1997).

(6) Review is to benchmarking as breathing is to life. Benchmarking studies should be monitored on a regular basis. Project teams do not have to wait until a benchmarking study is complete. Progress checks are useful throughout the development of a benchmarking study.

Reasons and perceived benefits of benchmarking

Benchmarking is the most powerful technique for gaining and maintaining competitive advantage. Why? Because it drives best practice oriented continuous improvement through the organization. Companies are benchmarking for a variety of reasons. The reasons can be broad, such as

. Increasing productivity and individual design

Companies are benchmarking for a variety of reasons. The reasons can be broad, such as increasing productivity, or they can be specific, such as improving an individual design. By simply looking outside shed light on new opportunities to use the original process (Muschter,

. Strategic tool

Leapfrogging competition is another reason to use benchmarking as a strategic tool. A company's competitors may be stuck in the same rut as the company deciding to benchmark. It would be possible to get a jump on competitors by using new-found strategies. This opens up an opportunity for growth that the competitors may not be aware of (<http://www.utsi.com/wbp/reengineering/benchmark.html>, 2/19/97)

. Enhance learning

Another reason to benchmark is overcoming disbelief and enhancing learning. For example, selling or hearing about another company's processes and how they are working will help employees to believe that there may be a better way to compete (Brookhart, 1997).

. Growth potential

Benchmarking may cause a necessary change in the culture of an organization. After a period of time in the industry, an organization may become too practised at searching inside the company for growth. The **company** would be better off looking outside its walls for potential areas of growth. An outward looking company tends also to be a future oriented company. This often leads to a more enhanced organization and increased profits (<http://www.utsi.com/wbp/reengineering/benchmark.html>, 2/19/97).

. Assessment of performance tool

When companies benchmark, they use partners to share information with and learn from each other. Benchmarking allows organizations to understand their own administrative operations better, and marks target areas for improvement. It is an ideal way to learn from other companies who are more successful in certain areas. Additionally, benchmarking can eliminate waste and help to improve a company's market share (Allan, 1997; <http://www.spinnet.org/legeth.html>, 2/19/97).

. Continuous improvement

Organizations that faithfully use benchmarking strategies achieve a cost savings of 30 to 40 per cent or more. Benchmarking establishes methods of measuring each area in terms of units of output as well as cost. In addition, benchmarking can support the process of budgeting, strategic planning, and capital planning (Lyonnais, 1997).

. Vehicle to improve performance

Benchmarking also allows companies to learn new and innovative approaches to issues facing management which, in turn, provides the basis for training. Benchmarking acts as vehicle to improve performance by assisting in setting achievable goals that have already been proven successful.

Conclusion

Benchmarking has become a popular adopted procedure and is used to gain competitive advantage. Over time the procedures used to benchmark have been improved and modified. Many companies are becoming interested in benchmarking for the continuous improvement it allows. Benchmarking is growing in appeal to organizations due to the cost savings achieved in executing operations. It also supports the organizations' budgeting, strategic planning, and capital planning

There is no doubt that benchmarking is here to stay. Any company should benchmark if it wants to: attain world-class competitive capability, prosper in a global economy, and above all if it wants to survive (McNair and Leibfried, 1992). These trends are not an option for companies anymore, they should be done by all who want to remain competitive. If a company chooses not to communicate, set goals, and work toward world-class competitive capability they will gradually face extinction or radical upheaval (McNair and Leibfried, 1992). This is obviously not a goal that any company strives for. All companies strive to be profitable, competitive, and above all successful. Benchmarking can aid any company into success just as long as it is applied correctly. It is an excellent tool because it involves everyone, including the management and the workers. The kind of benchmark a company should undertake is dependent on the company's characteristics and circumstances (Matters and Evans, 1997). It is the seed of organizational and cultural changes that must occur if survival and competitive excellence are to be achieved (McNair and Leibfried, 1992). The overall goal of benchmarking is to assist companies in achieving world-class competitive capability.

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