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Benchmarking – A Tool to Achieve World-Class Performance

World-class manufacturing and best practices are concepts that encompass a variety of management practices. These concepts were initially applicable to manufacturing functions. Later, with the advent of techniques like concurrent engineering, customer care programs and activity-based accounting, they were extended to functional areas such as design, marketing and costing.

Growing emphasis on best practices led to comparing, or benchmarking, existing practices against the best known practices in the world. The best practices were derived from empirical facts and data collected from ‘winning’ organizations. One of the largest benchmarking studies was conducted by London Business School / IBM Consulting Ltd. A benchmarking tool PROBE was developed specifically for these studies. It was based on a model that links six different areas of manufacturing best practices – total quality, concurrent engineering, lean production, manufacturing systems, logistics and organization and culture.

A modified version of PROBE called PILOT was used to conduct a benchmarking study on a section of businesses of various sizes and industrial sectors in Northeast England. The modification was done to increase the accessibility for smaller companies. The tool is a type of questionnaire with every question rating a site practice on a scale of 1 to 5, with 5 indicating world-class performance and 1 indicating poor performance. The participating companies were from various sectors – chemicals and pharmaceuticals, metals and mechanical engineering, electrical goods, etc. The project’s aim was to create a competitive spirit among companies.

Company representatives can complete PILOT in a half-day workshop. Around 103 manufacturers have been benchmarked using PILOT. Each one of them has received feedback on their areas of strength and areas that need improvement. They also are notified of the possibility of beginning detailed diagnostics and improvement activities. If necessary, they can then use a higher-end benchmarking tool to conduct a more detailed study.

The results of the benchmarking study showed that 47% of the companies that were benchmarked scored high on both practice and performance fronts and were categorized as potential winners. Only two companies scored high enough to be labeled as world-class. 30% were in the category of ‘room for improvement.’ None scored in the poor performance category. 18% of the companies were described as vulnerable – companies that had high performance levels even without best practices - and 5% were considered promising, where best practices were yet to deliver high performance.

The study indicated that there was a considerable difference in the adoption of best practices in areas of employee management, design and manufacturing management between the high performing companies and low performing companies. Quality management was the only area where there was consistency in adopted practices.



TenStep Supplemental Paper

The Outcome

The outcome of the study suggested the following areas of strength in the manufacturers:

- Formal quality systems had been adopted by most because they recognized that quality is an important driver in business.
- Concepts like 'lean production' and 'Just in time' had been imbibed well.

Some areas where improvements are required:

- A lot of manufacturers need to improve on time-delivery to customers. Many were way behind the world standards in design management, especially in bringing new products to the market fast.
- Even amongst leading companies, opportunities to improve performance in areas of quality, cost and delivery were being overlooked. Management of manufacturing processes needed more attention.

Areas of performance and practice where there was major disparity between the leading and trailing companies were:

- On-time delivery to the customer.
- Manufacturing processes that consistently gave good quality.
- Employee relationships.
- Investment in training and education.

One area of practice that was ignored by all the companies was benchmarking for performance improvement. The study inspired a lot of companies to introduce the practice of benchmarking in various forms. There is a lot of opportunity for improvement if this tool is effectively used.