

WEEK 9

BENCHMARKING

stanfordonline
EDUCATION BEYOND BORDERS

&

BUSINESS RE-ENGINEERING

- Originated in Rank Xerox to evaluate its copying machine against the Japanese competition, it found that the Japanese companies were selling their machines for what they cost.
- Aim of benchmarking is to identify practices that can be implemented and adopted to improve company performance.
- It helps to developed a better understanding of processes, challenging existing practices within the business.

- Most organizations carry out what can be termed informal benchmarking. This traditional form of benchmarking has been carried out for years, beginning with military leaders.
- It takes two main forms:
 - a. Visits to other companies to obtain ideas on how to facilitate improvement in one's own organization.
 - b. The collection, in a variety of ways, of data about competitors.

There are three main types of formal benchmarking:

- 1. Internal benchmarking.** This is the easiest and simplest form of benchmarking between business or functions within the same group of companies. Many companies commence benchmarking with this form of internal comparison. In this way best internal practice and initiatives are shared across the corporate business.

2. **Competitive benchmarking.** This is a comparison with direct competitors whether of products, services or processes within a company's market. It is often difficult, if not possible, in some industries to obtain the data for this form of benchmarking as by the very nature of being a competitor the company is seen as a threat.
3. **Functional/generic benchmarking.** This is a comparison of specific processes with "best in class" in different industries, often considered to be world top class in their own right.

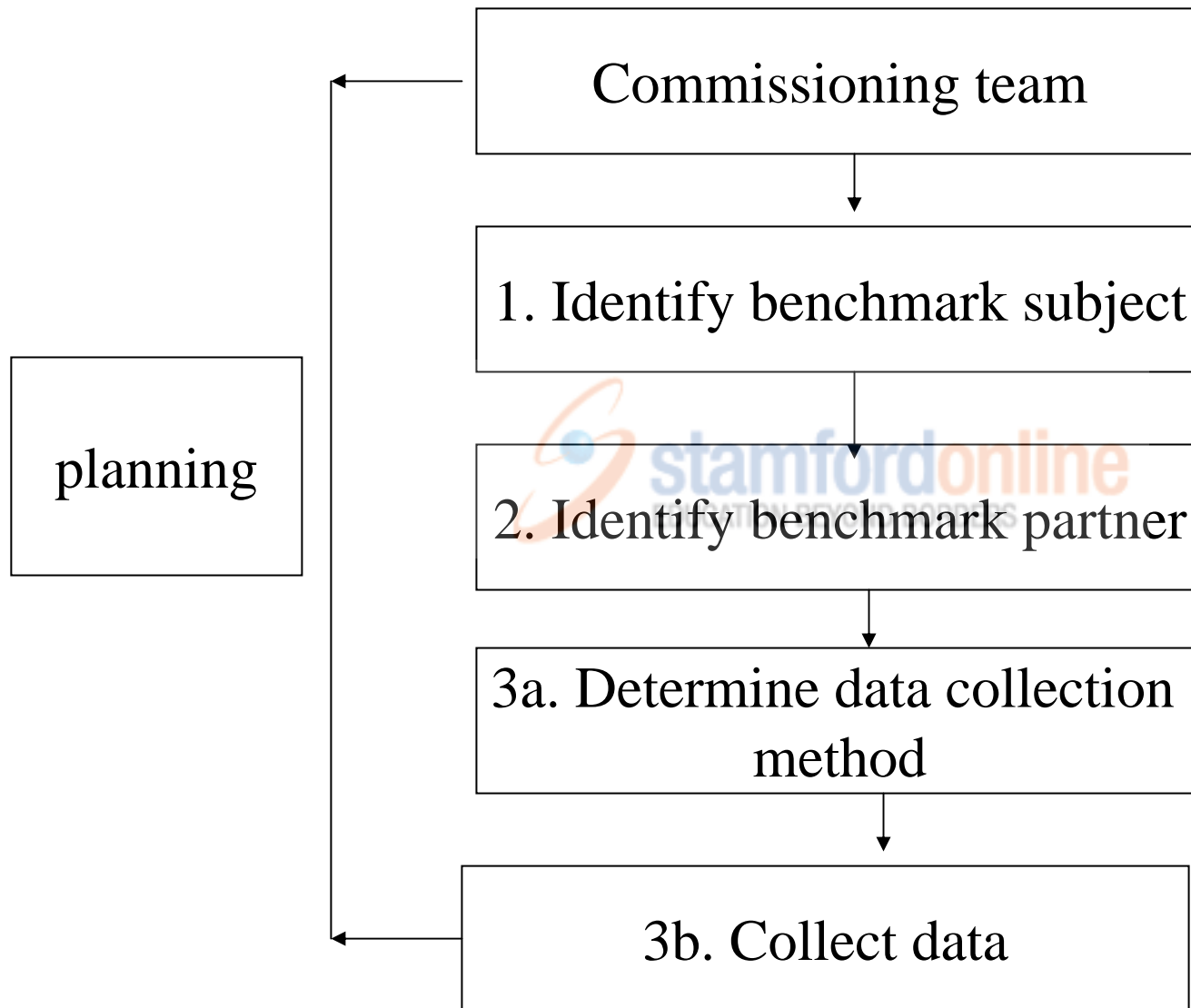
- Functional relates to the functional similarities of organization while generic looks at the broader similarities of business, usually disparate operations. With functional benchmarking, the partners will usually share common characteristic in the industry.

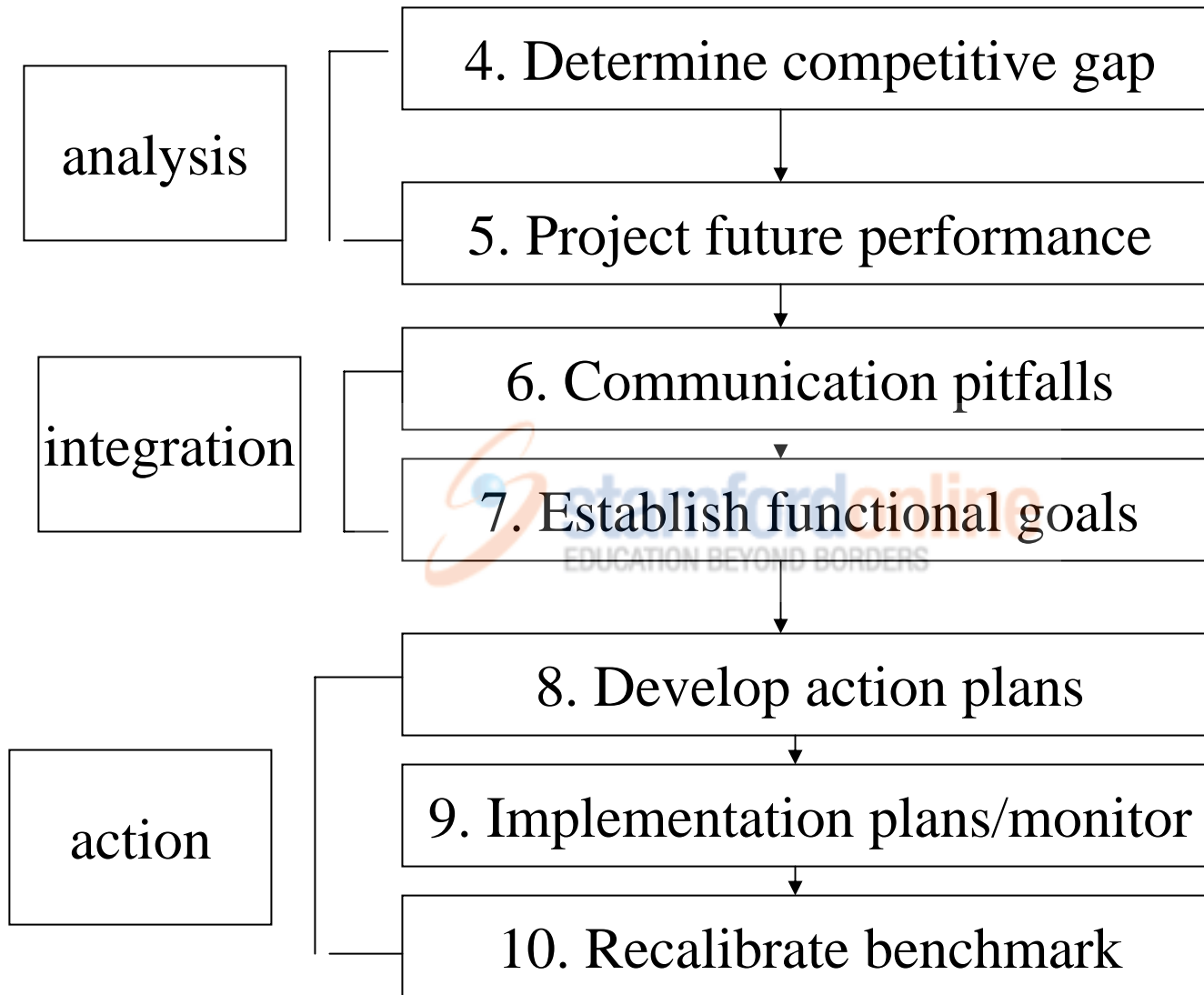


Steps in benchmarking

1. Identifying the subject to be benchmarked;
2. Identify which companies will be benchmarked from a set of selection criteria;
3. Develop a data collection plan;
4. Tabulate and analyze data;
5. Estimate over time;
6. Develop action plan to achieve goals;
7. Implement the actions;
8. Reassess and report.

Benchmarking process





Why benchmark?

1. Owner would be focused
2. High visibility
3. Require to look beyond demonstration to business
4. Focus on process
5. Increase the velocity



Difficulties and pitfalls

1. Unrealistic assumption
2. The team members must be free to participate in the project
3. Lack of a contingency plan
4. Failure to update the plan
5. Failure to communicate the plan
6. Inadequate project definition
7. Inadequate process understanding
8. Team members try to do everything by themselves.

Business Process Re-engineering

- Was popularized as a formal concept
- BPR focuses on IT to redesign again
- Continuous improvement
- Can be carried out in many different ways

Hammer and Champy (1993) defined BPR:

A fundamental rethink and radical redesign of business process to achieve dramatic improvements in critical contemporary measure of performance such as cost, quality, service and speed.

Principles of BPR

- Strategic in concept
- Customer focused
- Output rather than input focused
- Process responsibility
- Cross functional
- Involved internal & external
- Senior management
- Clear communication
- IT

Barriers

1. Traditional management behaviour
2. Opposition based on fear of what the change might entail, in particular during downsizing, delivering and outsourcing
3. Lack of resources
4. The investment required in IT and other systems.



Benefits of BPR

1. Increased customer focused
2. Improved profitability
3. Improved quality and control
4. Improved corporate flexibility
5. Increased speed of service delivery and responsiveness
6. Improved measurability within the processes operation and the management of that information.

Implementation

1. Project champion
2. Process design team
3. Process owner

BPR methodology

1. Preparation
2. Innovation and design
3. Implementation
4. Assessment.



Summary

- The principles and practice of BPR have their basis in other concepts such as TQM, work study, group technology and etc.
- BPR is complementary to TQM.
- BPR requires dedication, acceptance of risk and considerable amount of work.