

## Benefits and Value of Benchmarking

Benchmarking can yield great benefits in the education of executives and the realized performance improvements of operations. In addition, benchmarking can be used to determine strategic areas of opportunity. In general, it is the application of what is learned in benchmarking that delivers the marked and impressive results so often noted. The determination of benchmarks allows one to make a direct comparison. Any identified gaps are improvement areas.

Benchmarking can take several forms. Internal benchmarking studies the practices and performance within the client organization. External benchmarking determines the performance of other, preferably world-class, companies.

“Metrics” give numerical standards against which a client’s own processes can be compared. Metric benchmarks are of the form:

- Finished-product first-pass yield of 97%
- Scrap/rework less than 1% of sales
- Cycle time less than 25 hours
- Customer lead times less than 20 days
- Productivity levels of \$150,000 of more per employee
- Plant-level ROA better than 15%

These metrics are usually determined via a detailed and carefully analyzed survey or interviews. A recent Telecommunications Performance Benchmarking Exchange, conducted by Best Practices, LLC, pinpointed opportunities such as:

Performance Indicator	Client performance	Benchmark Average	Performance Gap
Planning labor cost per access line	\$1611	\$441	73%
Systems cost per access line	\$10.75	\$2.97	72%
Percent of customers rating installation service as “excellent”	44%	60%	37%
Total number of company owned vehicles	30,032	14,830	51%

Clients are then able to identify shortcomings, prioritize action items, and then conduct follow-on studies to determine methods of improvement.

Another form of benchmarking includes “process benchmarking,” generally higher-level and less numbers-intensive than metrics. These studies demonstrate how top performing companies accomplish the specific process in question. Such studies can take the form of research, surveys/interviews, and site visits. By identifying how others perform the same functional task or objective, clients gain insight and ideas they may not otherwise achieve. Such information affirms and supports quality decision making

by executives. This insight is one key benefit and value-added feature of benchmarking,

The benefits of process benchmarking are realized when clients employ recommendations and embark on a change process – making marked improvements in the productivity, costs, and revenues of the company. Examples of results in this area include:

- Glaxo Wellcome had over 80 toll free phone numbers, over half of which failed to ring anywhere. To greatly reduce customer frustration and confusion, Glaxo reduced the number of call center phone numbers to a single one.
- Norwest, the nation's largest mortgage company, embarked on a benchmarking campaign, and was able to quantify the following benefits:
  - Sales brochure consolidation: \$430, 000 in savings;
  - Customer and direct mail consolidation: \$1 million in savings;
  - Opportunity lending: \$20 million in added growth;
  - Teller referrals: up 15%, 33% of which result in additional sales;
  - Use of sales road maps: sales increase up to 102%;
  - Use of partner letters: 150% increase in commercial sales; and
  - Performance Coaching: 5.08 products per new customer.
- Rank Xerox, the British unit of Xerox, benchmarked the best practices of its operating countries. Documented benefits of adopting these best practices include:
  - Country units improved sales from 152% to 328%; and
  - Over \$200 million in new revenue.
- Marriott improved their guest check-in service process 500% by benchmarking the patient admittance process used by hospital emergency rooms.
- Southwest Airlines saved millions of dollars a year and was able to put more aircraft in the air while reducing the number on the ground by benchmarking with Indy 500 pit crews.
- Xerox had dramatic improvements in the warehouse order-picking process by benchmarking LL Bean, a catalog order company.
- Dow Chemical implemented a best practice knowledge management program, saving more than \$1 million in its first 18 months.
- Lucent Technologies identified best individual engineer practices which boosted their productivity levels by 10 percent in eight months, paying for the program within one year and yielding an ROI more than six times after two years.
- KPMG Peat Marwick borrowed the concept of a supermarket's express checkout to start an express line in its word processing pools. The change enabled teams with minor document changes to go through an expedited process, which was of great value to the word processing department, and solved a long-standing problem of work assignments.

By closely working with the client, Best Practices, LLC is able to identify such improvement opportunities and make recommendations on addressing each of them, delivering additional and tangible benefits of the benchmarking process.