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The Benchmarking Process

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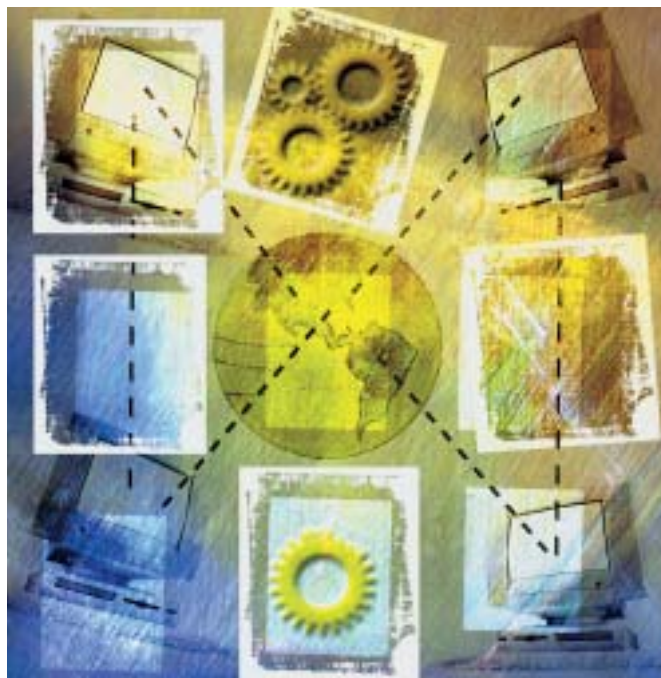
the benchmarking process

by EDWARD SWEENEY, Director of Learning, NITL



TECHNICAL FOCUS

As indicated in Edward Sweeney's article in this issue of Logistics Solutions, benchmarking is a process through which a company is continually looking for new ideas, methods, practices and processes which can be usefully employed as part of the overall continuous improvement process. Over the years several benchmarking methodologies have been developed each of which provides a checklist of the main steps required. These methodologies aim to ensure that the process is carried out in a logical and systematic manner. The following is a five-step approach which summarises the main tasks typically followed in the benchmarking process.



(i) Identify what? This involves identifying the critical success factors (CSFs) which the benchmarking exercise will focus on. This is an important step as any useful benchmarking exercise needs to set priorities in relation to what is being studied. The objective is to narrow the scope of the study sufficiently so that unrealistic objectives are not established whilst simultaneously allowing the exercise to remain flexible. Ideally the focus should be on those aspects of the supply chain which are regarded as critical to the achievement of strategic objectives (usually in terms of optimising total supply chain costs and investment and delivering appropriate levels of customer service to targeted market segments).

(ii) Identify who? This is concerned with deciding on the form of benchmarking to be used. This usually involves choosing between the main forms of benchmarking (i.e. competitive, internal, generic, functional or customer). In reality the ideal partner may not be available. For example, direct competitors may be unwilling to share information which is considered commercially confidential or it may be logistically impossible to initiate an exercise with the ideal

company/SBU/division. The key is to choose a partner from whom real learning can be derived and who is willing and available to participate in the exercise. Successful benchmarking exercises involve the development of a "win-win" approach. There needs to be "give and take" (i.e. teaching and learning) on both sides. In the case of benchmarking clubs, all parties should ideally be contributing as well as learning.

(iii) Plan how? This stage involves planning the detail of the exercise. Like any project, benchmarking needs to be planned and managed effectively. If the project is to achieve its potential then paying the required attention to detailed issues at the planning stage is imperative. Ensuring that the required data is collected efficiently is a key consideration as part of this planning. As much as possible of the work should be carried out in advance of site visits and/or partner meetings. This is often done through the use of questionnaires and other research devices. The actual data gathering is also part of this stage. Data collection is a time-consuming activity and only data which is relevant to the priority issues identified in step one should be collected. Often some initial analysis (or at least summarizing) of data is conducted at this stage.

(iv) Analyse. At this stage the data collected is analysed with specific reference to the identification of appropriate supply chain best practices and the benchmarks themselves. Identifying performance gaps is the first stage in this process. Once performance gaps have been identified then associated process gaps can be identified. The key principle here is that benchmarking is not just about process outputs – it is also about understanding the processes and practices that result in these outputs. The former may provide useful inputs when developing performance measurement standards (i.e. benchmarks); the latter is central to the identification of appropriate supply chain best practices. There are a range of analytical techniques which can be used as part of the process. These include, but are not limited to, statistical techniques (e.g. analysis of variance), graphical techniques (e.g. process mapping) and a range of other approaches (e.g. cause and effect analysis).

(v) Use. This is when the information generated is actually used to develop new and innovative practices. In terms of the well known Deming cycle it is the final stage - Plan, Do, Check, Act. It must be emphasised that, as all companies are unique, it is imperative that the appropriateness and applicability of any practice to one's specific operation is considered in detail. Benchmarking is not about copying other company's approaches; rather it is about learning and adapting appropriate practices so that they can be usefully adopted in an effort to improve efficiency and/or effectiveness (adapt before adopting!). Finally, the overall objective of any benchmarking exercise is improvement. The only real test of the value of benchmarking is in the process improvement to which it directly contributes. 