

Why Benchmarking Can Work

Even a profitable company should be looking for ways to be more efficient. There is usually plenty of room for improvement, especially when a company is compared with other "success stories" in the same industry. The business tool known as "benchmarking" (also called "best practices") can help bridge the gap between ideas and accomplishments.

How it works: Although there are several variations, benchmarking usually starts by identifying another company that has achieved significant results with similar opportunities. The process requires a systematic study of the operation's achievements and practices. After the best practices have been determined, procedures may be developed for improving performance.

But benchmarking is more than just discovering the best practices for a company. It includes setting goals, comparing data and facilitating concepts. It targets appropriate ideas and puts them into action.

How did benchmarking evolve? Traditionally, business managers would study a competitor's product to determine how and why it was superior. Then they began to realize that they might not be asking all of the necessary questions. Eventually, it was ascertained that the competitive advantage stemmed from a number of factors, including:

- *The timeframe for shepherding a product from the design stage to market.
- *Costs involved at each step of the process.
- *The nature of the procedures or formulas being used.
- *The systems for managing and motivating the staff.
- *Independent judgments about the product's value (i.e., whether customers will buy the product).

With benchmarking, a company can learn where its performance lags and where it should pinpoint its focus. This practice can eventually filter down to the bottom line.