

# THE ENORMOUS POTENCY OF BENCHMARKING

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**Abstract:** This paper aims to review the potency owned by benchmarking enriching the management to apply in the organization. The data and ideas on this paper come essentially from a review of articles relating to benchmarking in the organization. The grade of success to benchmark in assorted companies varies among them because of the different management cultures and desires. Benchmarking process doesn't only collect data on practices of a corporation attains against other companies but also the way to confess a replacement idea and a replacement method to enhance the method and to be better to satisfy the customer's satisfaction. This paper provides a description for the practitioners to improve to be better organized.

**Keywords-** Benchmarking, Best practices, Customer's expectation, Management tool, Competitive advantage

## I. INTRODUCTION

Practically all management needs their organizations to develop well in a competitive business world. They attempt to find out various methods to be able to win in the competition. Competitive advantage will be a target as a success symbol of all firms. When a process is running properly, such as input, process, output, the results will be good as expected. However, when the management feels there is a deficiency, it can search for information on how other organizations are getting along it well and analyze it with the goal that it tends to be seen whether it is the equivalent, better or worse. To find out this circumstance, we need an action that is called benchmarking.

Benchmarking is a systematic way of estimating, comparing, adopting, and implementing the best performance from other organizations to get superior performance. Benchmarking was first developed by Robert C. Camp as a management tool for companies to get the best methods, procedures, and practices to deliver better outcomes [1]. Organizational benchmarking has undergone numerous advancements since its existence as a component in modern quality management in the 1940s which was hence presented by Juran (1950), Shewhart (1980), and Deming (1982).

The purpose of this paper is to review the strength of benchmarking in various organizations and enrich the knowledge of practitioners and management widely.

## II. BENCHMARKING

Benchmarking is comparing one's cycle and execution metric of the simplest practices from other organizations. Benchmarking may be a management device for companies to pursue the solutions mentioned the simplest method, procedures, and best practices to guide the organizations to the most significant achievement. Benchmarking is besides a medium in attempting to improve both the potential and competitiveness of the corporate. Reference [2] classifies that benchmarking models consist of implicit or explicit,

independent or collaborative, internal or external, vertical or horizontal, quantitative or qualitative approach, input or output concentrated.

Benchmarking has been portrayed as a continuous, systematic process for evaluating the products, services, and work processes of organizations that are seen as addressing the best practice, with the ultimate objective of various leveled improvement [3]. Another thought that embracing benchmarking techniques assumes that management has an open mind for allowing liberal information exchanges between the recipient and the donor companies [4]. Reference [5] proposes that benchmarking has the ability to draw on existing knowledge and tools for strategic planning, competitive analysis, process analysis, and improvement, team building, data collection, and perhaps most importantly, organizational various leveled unforeseen development.

Scholars investigated electronic databases for conveyed materials between the significant stretches of 1986 and 2000. They examined academic and practitioner literature and implied that despite the increasing scope of benchmarking activities and the number of organizations utilizing benchmarking, the field of benchmarking remains to a large extent without a unified theory to lead its advancement [6].

In the UNESCO-CEPES Glossary for major terms and definitions, benchmarking is recognized as a standardized methodology for collecting and reporting critical fundamental operational data in a way that enables relevant comparisons among the performances of different organizations or programs, usually with a view to establishing a good practice, diagnosing problems in performance, and perceiving areas of strength [7]. Furthermore, Reference [7] refers to the historical development of benchmarking in the higher education sector. They recognize the United States as the first country to introduce benchmarking measures in the early 1990s and, furthermore, set up NACUBO (National Association of

Colleges and University Business Officers) Benchmarking Project for a broad time interval.

As shown by the contributing makers, benchmarking can be described as (a) a diagnostic instrument; (b) a self-awareness tool (a quality assurance tool) allowing organizations and programs to differentiate themselves from others concerning certain pieces of execution, with the ultimate objective of finding ways to improve current performance; (c) an open and agreeable appraisal of organizations and cycles with the purpose of picking up from extraordinary practices; (d) a teaching methodology in an institution how to improve; and, (e) an on-going, systematically oriented process of continuously comparing and assessing the work patterns of one organization with those of others by inviting an external focus on internal activities [7]. In addition, benchmarking is moreover a potential device to help performance improvement. It is a systematic process for securing continual improvement through comparison with relevant and achievable internal or external norms and standards [8].

### III. PROCESS OF BENCHMARKING

Benchmarking was reasonably implemented in the late 1970s when the Xerox company learned how to compete with Europe for more affordable photocopiers. The Xerox company's achievement in realizing Benchmarking is the essential history of its successful implementation [9]. However, the popularity of benchmarking is just during the last few decades. It is used in a variety of industries, including services and manufacturing. The benchmarking cycle is more than just gathering data on how well a company executes against others – it is an identification methodology for new ideas and better ways to improve processes and, as a result, to better meet customers' expectations.

The pattern of benchmarking doesn't simply accumulate data, yet likewise how the organization's practice can be better than others, explicitly by discovering momentous considerations and ways to deal with improve results so they are by customer wants. Where the utilization of benchmarking incorporates two organizations, one as an organization that holds a benchmark (comparison) while the other is an organization that is being considered.

Benchmarking application involves 3 stages, specifically: process, performance, and strategy. The benchmarking process is stressed over the regular operations of the organization. A couple of examples of benchmarking measures are where an organization perceives customer complaints, customer order fulfillment, billing processes, and recruitment ways. These sorts are at a lower level. By improving this level, the performance improvement can be felt by the customer soon. Performance benchmarking resolves on assessing competitive status by differentiating products and services against competitors. In this benchmarking performance, organizations differentiate products and services against competitors based on reliability, quality, speed, and various traits. In the meantime, the benchmarking technique relates to top management related to the future of the organization. The benchmarking strategy revolves around how the organization can compete with others. The organization attempts to find a suitable method to be successful. This is the sort of benchmarking that

is commonly used by Japanese companies. That's why Japan is focused on long-term success.

Benchmarking has the path toward looking at other organizations, specifically about systems, processes, and products to search how the organizations may obtain their performances. Benchmarking can expose what happened behind their success. For affiliations that need to perform well and rule in competition, benchmarking is required. By knowing one's own situation, there will be a passion to rectify as other organizations have obtained. Benchmarking is the easiest and cheapest method to rectify organizational capabilities. Benchmarking application is outstandingly fundamental, other than being viable, it is in like manner energy gainful. With Benchmarking, organizations may have the benefit from the success of other organizations and may control weaknesses. Benchmarking may prevent the nescience of advancement but instead constrain the organization to employ a new method based on an outside outlook. Reference [6] states that benchmarking is a managerial manual for improving capability and production. The best way to deal with realize benchmarking is to perceive the best organization, make specific practice differentiation and sort out how incredible practice can be cultivated. Meanwhile, according to [10], benchmarking is a process related to improving practice by employing better processes from other organizations. Likewise, reference [11] states that benchmarking is a motivation for an organization so it is accessible to additional modern methodologies, ideas, processes, and performance.

Reference [12] recognizes: (a) *process benchmarking*, which is connected to perceiving the pain point inside one's organization, recognizing another institution with impeccable practice in the same area, and sending a team of experts of the area to learn from the exemplar institution their success formula that brings outstanding results; (b) *metric benchmarking*, which means comparing data of selected performance indicators among several institutions [13]; and, *goals and milestones*, which represent another way to understand benchmarking by identifying internal targets to establish a process, without any external point of reference for measurement. Benchmarking is also a medium for developing the competence and stage of company rivalry [14]. Benchmarking is the process of assessing and comparing better fellows for information purposes at improving the organization itself. Industry in Japan may reach success by employing benchmarking after World War II [1].

### IV. BENEFITS OF BENCHMARKING

The benefits of benchmarking are a better understanding of the strengths and weaknesses of processes, improved cycle time, improved supplier management, reduced production costs, etc. A lot of manufacturers using benchmarking have been increasing fabulously. For instance, in the late 1990s, all Fortune 500 companies in the USA were using benchmarking on a regular time basis [4]. According to the study of [15], the success of benchmarking can be measured by the extent to which practitioners of benchmarking have attained their objectives, justified costs by the benefits attained from benchmarking, and their perception of the overall success of the process. They also

revealed that the achievement of the benefits of benchmarking are significant and the respondents indicated the existence of other means of improving their operations such as total quality management (TQM), reengineering, ISO certification, strategic planning, etc.

Advantages or the benefits of benchmarking are also becoming a powerful management tool because they overcome paradigm blindness. Paradigm blindness can be summarised as the inability to changing the way of thinking and doing things by regarding certain ways as the best ways because these are the ways that things have always been done. Besides, that, benchmarking also opens organizations to new methods, ideas, and tools to improve their effectiveness for help to solve the problems within organizations.

There are several advantages of implementing benchmarking for companies, namely:

#### 1. Lowering labor costs

One of the advantages of benchmarking is that it allows for lower labor costs. For example, a small manufacturing company could study how top competitors use robots for some basic production functions. Company managers can obtain information about this robotics system through competitor websites or online articles. They can also identify companies selling robots to competitors. Furthermore, the company can contact the robot manufacturer to help set up the system on the company premises.

#### 2. Improve product quality

Companies can also use benchmarking to improve product quality. Companies can buy products from leading competitors. Then the company can study the product, analyze how competitors' products last longer or outperform other products in the industry. Companies can then compare the various elements contained in competitive products to their own product lines. Furthermore, improvements can be made to product quality.

#### 3. Increase sales and profits

A company can use benchmarking to improve its functions, operations, products, and services which will ultimately increase sales and profits. Customers are likely to see this improvement. Benchmarking companies can also promote improvements through company brochures, salespeople, magazines, and television commercials. These efforts tend to increase sales, especially among core customers. Companies that operate more efficiently because benchmarking can drastically lower their costs. This can lead to bigger profits.

### **V. TYPES OF BENCHMARKING**

There are three primary types of benchmarking, which are generally in use nowadays. These are process benchmarking, performance benchmarking, and strategic benchmarking. According to [16] process benchmarking focuses on the day-to-day operations of the organization. Some examples of work processes that could utilize process benchmarking are the customer complaint process, the billing process, the order fulfillment process, and the recruitment process. All of these processes are in the lower levels of the organization. By making improvements at these levels, performance improvements can be realized quickly. These types of benchmarking result in quick improvements to the

organization. Performance benchmarking focuses on assessing competitive positions by comparing the products and services of other competitors. When dealing with performance benchmarking, organizations want to look at where their products or services are in relation to that of their competitors, based on factors such as reliability, quality, speed, and other product or service characteristics. Strategic benchmarking deals with top management. It deals with long-term results. Strategic benchmarking focuses on how companies compete. This form of benchmarking looks at what strategies the organizations are using to become successful. This is the type of benchmarking technique that most Japanese firms use. This is because the Japanese focus on long-term results.

### **VI. EFFECTIVENESS OF BENCHMARKING**

Benchmarking is emerging in leading-edge companies as an information tool to support continuous improvement and to gain a competitive advantage. However, the effectiveness of benchmarking itself is a series of interrelated performance measures, which covers processes, strategies, and financial performance [17]. The effectiveness of benchmarking is widely perceived by various sectors. For instance, reference [18] has applied to benchmark data for the railway infrastructure and they found that benchmarking is an effective tool that can support the management in their pursuit of continuous improvement. The importance of benchmarking as an enabler of business excellence has necessitated a study into the current state of benchmarking in Indonesia. Based on the study done by [19], they found that Indonesian manufacturing industries have been relying on their benchmarking activities. More recently, the practice of benchmarking is being widely used for organizations seeking ISO 9000 certifications [20]. Whilst examining benchmarking in the automotive sector, reference [11] further differentiates the gap between simplicity and complexity. The conclusions propose that praxis-based approaches to benchmarking have yet to tap into deeper streams of explanation in search of explanation that satisfies benchmarking's operational weaknesses in the distinction between effective and ineffective practitioner efforts and recourse to multiplication of its forms and framework details to accommodate its critics.

Besides industries, another sector also utilizes benchmarking as a tool to support their effort. Searching for best practices and better performance by improving own practice is one of the main principles of benchmarking in higher education institutions and every university that is conscious of improving quality in their education, should apply the top five principles of good university benchmarking [21], such as:

- a) a select partner that can learn from and improve practices by showing commitment to performance and processes
- b) perceive that data collection is the activity that follows after the key performance and processes are fully understood
- c) establish ownership of the benchmarking process among all the participants in order to undertake improvement

- d) think of benchmarking as an ongoing activity rather than a short-term project that someday will come to an end, as happens with all projects
- e) incorporate the feedback into the process and performance improvement

The benchmarking effectiveness can be established from an organizational axiom and logical conditions. The logical conditions also explain the effectiveness of business excellence frameworks such as the Malcolm Baldrige National Quality Award and ISO 9000 [22].

## VII. CONCLUSION

Benchmarking is not only based on the best performance, but also on good management of the organization. The model of an organization must be viewed as a whole to ensure the appropriate benchmarks are applied. Benchmarking is a process of learning in terms of functions and products to find ways to be better. Benchmarking is used to measure success and find deficiencies. The strength of benchmarking is that decisions must be based on facts, not institutions. Any chosen type of benchmarking management in any organization or institution will benefit them if applied correctly. The potency of benchmarking has evolved widely in assorted sectors nowadays. Benchmarking is the source of organizational and cultural changes that must appear if a company or an institution is to survive and to achieve a competitive advantage. The overall goal of benchmarking is to help organizations achieve superior competitive capabilities.

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