How Does Your Company Performance Measure Up?
The Importance of Benchmarking

I read a book recently that discussed the term “benchmark” and its origins as relates to business. Surprisingly, the term originates within the history of guns and ammunition. In fact, with the same aim we use it today—comparison and improved performance.

The book talked about the continuous improvement cycle—from bows and arrows to gunpower used in arms to its use in multiple applications today. With each advance, we adapted to the technology and used the past performance of the weapon or defense mechanism as a standard to measure against. Today, benchmarking is used to measure performance using a specific indicator (cost per unit of measure, productivity per unit of measure, cycle time of x per unit of measure, or defects per unit of measure) resulting in a metric of performance which then is compared to others. In our industry components and lumber yards (LBM), we use several different forms of benchmarking—including what I learned as a kid, the Houlihan method which originated in my Dad’s component operation—for measurements such as Sales/SqFt, BF/Hr, LF/Hr, etc. In fact, the data I collect has numerous ways of measuring a process, piece of machinery, sales, etc.

**Benchmarking compares a plant’s practices and performance results against “best-in-class” competitors or against similar operations.**

**Steps in Benchmarking**

As mentioned in last month’s article, *Moving From Best to Next Practices*, you should focus on the Next Practices that allow you to measure your performance against what you did in the past, your continuous improvement processes, or against others in the industry. There are several methodologies used, but here is a simple way of approaching your operation and creating benchmarks to measure by.

- **Select the Subject**
  Identify those areas in your operation where benchmarking can be applied to a process whether manufacturing, distribution, design, accounting, etc. Talk to your associates and review goals that have been established in the past, and where improvements can be made.

- **Define the Process**
  Through process mapping, current data, next/best practices, etc., define what you expect from the process from a performance prospective. Base line your current performance so you can compare to other sources.
• **Identify Data Sources and Collect Data**

  There is not enough discussed today on how and where we get our data and the cost to gather the same. But with that said, you need to identify where you can collect the data in a streamlined and cost effective manner. Make sure you have past data you can use as a “look-back” in measuring against.

• **Determine the Gap/Establish Process Differences**

  What is the “delta” or gap from where you are performing today and what you expect. Through continuous improvement processes such as those discussed in my previous articles, change what is currently being done so you actually see/measure the difference.

• **Target Your Future Performance**

  Benchmarking has no value if you do not set obtainable, yet aggressive, goals. Make sure you have your teams buy in so they see the benefits/performance differential by obtaining the targeted goals.

• **Communicate**

  Constantly use shift huddles, communication boards/electronic communicators, gemba walks, etc., to reinforce the goals and expected performance increase.

• **Adjust the Goal/ Review and Recalibrate**

  If the goal is ultimately unobtainable, you need to review and adjust so your team has a realistic target to obtain. But in the same breath I tell you that, as teams reach a goal through the continuous improvement cycle, it is time to set a higher goal that is obtainable through constant changes you make, whether through automation, robotics, or other means.

---

**Benchmarking is Not the End Game**

  It is short-sighted to suggest that a learning organization, which a continuous improvement operation is, would see a benchmark as the end game. It has been my privilege to work with both winning plants (best-in-class) and those seeking to be a winner. A common thread I repeatedly find about these operations is that the team responsible for their operation’s success never rests on their laurels. They know they can and must be better tomorrow.

**Benchmarking Opens a World to the Possible**

  Component operators and LBMs who have truly embraced continuous improvement recognize that benchmark performance results are not etched in stone. What’s world-class today may not be world-class tomorrow. That said, benchmarking opens a world to the possible. The practices undertaken by best-in-class manufacturers to achieve their top performances may be worth emulating. And even if they are not (recall last month’s article on Next Practices)—and they may not be for a host of reasons—those practices can still inspire an idea for an improvement in your own operation, one that never would have seen the light of day if you hadn’t been engaged in benchmarking.
There are several types of benchmarking you can use throughout the organization; but don’t be like some companies and have a page so full of benchmarks that no one actually pays attention to them. Here are just a few of the type of benchmarking you can use in your company.

- **Process benchmarking** – focusing on observation and investigation of business processes with a goal of identifying and observing the next/best practices used in other industries or similar. Benchmarking is appropriate where process redesign or improvement is to be undertaken so long as the cost of the study does not exceed the expected benefit.

- **Financial benchmarking** – performing a financial analysis and comparing the results in an effort to assess your overall competitiveness and productivity.

- **Performance benchmarking** – assessing a company’s competitive position by comparing products and services with those of target firms.

- **Product benchmarking** – designing new products or upgrades to current ones. This process can sometimes involve reverse engineering, which is taking apart competitors’ products to find strengths and weaknesses.

- **Functional benchmarking** – focusing the benchmarking on a single function to improve the operation of that particular function.

- **Operational benchmarking** – embracing everything from staffing and productivity to office flow and analysis of procedures performed.

Benchmarking is a learning opportunity. When used properly, you will see significant gains in productivity and financial performance. Both now and in the past, I have had the privileged opportunity to work with hundreds of companies in our industry to improve performance, and those who have a learning/continuous improvement attitude are the ones who have had significant gains. If we can be of assistance to you, let us know.

**Next Practice Tip**

It’s time to register for **BCMC 2018** in Milwaukee, Wisconsin on October 23 – 26. As part of the BCMC organizing committee for the past 18 years, it is really cool to see how the show improves each year in how we reach you, the component/LBM operation. Through educational sessions and awesome exhibits, it is the premier trade show that owners, managers, design, production/operational, and even your accounting team will benefit from. And if the theme of **Crafting Connections, Brewing Success** is any indication, this year’s show will be better than the last. **Register today!**

Ben Hershey is CEO of 4Ward Consulting Group, LLC, the leading provider of Management and Manufacturing Consulting to the Structural Component and Lumber Industry. A Past President of SBCA, he has owned and managed several manufacturing and distribution companies and is Six Sigma Black Belt Certified. Ben has been providing consulting to hundreds of Component Manufacturers, Lumber Dealers, and Millwork Operations in the past eight years. He is the expert the industry turns to when they need assistance. You can reach Ben at ben@4WardConsult.com or 623-512-6770.

© 2018 4Ward Consulting Group, LLC