



Benchmarking Best Practices in Maintenance Management

Benchmarking, correctly done, can cure weaknesses in a company's operations. Incorrectly done, it can undermine an organization's position in the marketplace.

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A buzzword that has been getting a lot of attention recently is benchmarking. What is benchmarking? Is it a tool or just another program of the month? In reality, benchmarking is what you choose to make it. It can be a competitive tool--a cure--or a program that will damage your company's competitive position--a curse.

The Benchmarking Process

Benchmarking opportunities are uncovered when a company conducts an analysis of its current policies and practices. Benefits are gained by following a disciplined process, composed of 10 steps:

1. Conduct an internal audit of a process or processes.
2. Highlight potential areas for improvement.
3. Do research to find 3 or 4 companies with superior processes in the areas identified for improvement.
4. Contact those companies and obtain their cooperation for benchmarking.
5. Develop a "pre-visit" questionnaire highlighting the identified areas for improvement.
6. Perform the site visits to the (3 or 4) partners.
7. Perform a "gap analysis" on the data gathered compared to your company's current performance.
8. Develop a plan for implementing the improvements.
9. Facilitate the improvement plan.
10. Start the benchmarking process over again.

Benchmarking helps companies find the opportunities for improvement that will give them a competitive advantage in their marketplaces. However, the real benefits from benchmarking do not occur until the findings from the benchmarking project are implemented and improvements are realized.

Beneficial Benchmarking

To gain maximum benefits from benchmarking, a company should only conduct a benchmarking exercise after it has attained some level of maturity in the core competency being benchmarked. Clearly, a company would have to have some data about its own process before it could perform a meaningful comparison with another company. For example, in equipment maintenance management, common benchmarks are:

1. Percent of maintenance labor costs spent on reactive activities versus planned and scheduled activities.
2. Service level of the storeroom--percent of time the parts are in the storeroom when needed.
3. Percentage of maintenance work completed as planned.
4. Maintenance cost as a percentage of the estimated replacement value of the plant or facility equipment.
5. Maintenance costs as a percentage of sales costs.

Without accurate and timely data and an understanding of how the data is used to compile the benchmark statistics, there will be little understanding of what is required to improve the maintenance process. And this is true whatever process is benchmarked.

When partnering with companies considered to be the best in a certain aspect of a competency, it is also important to have an example of an internal best practice to share with them. Benchmarking requires a true partnership, which includes mutual benefits. If you are only looking and asking during benchmarking visits--with no sharing--what is the benefit to the partners?

The final step to ensure benefits from benchmarking is to use the knowledge gained to make changes in the competency benchmarked. The knowledge gained should be detailed enough to develop a cost/benefit analysis for any recommended changes.

Benchmarking is an investment. The investment includes the time and money to do the ten steps described earlier. The increased revenue generated by the implemented improvements pays for the investment. For example, in equipment maintenance, the revenue may be produced through increased capacity (less downtime, higher throughput) or reduced expenses (efficiency improvements).

The revenue is plotted against the investment in the improvements to calculate the return on investment (ROI). To ensure success, the ROI should be calculated for each benchmarking exercise.

Benchmarking As a Curse

When benchmarking is used properly, it can make a major contribution to the continuous improvement process. However, it can also be completely devastating to a company's competitive position when used improperly. Some of the improper uses of benchmarking include:

1. ***Using benchmarking data as a performance goal.*** When companies benchmark their core competencies, they can easily fall into the trap of thinking a benchmark should be a performance indicator. For example, they focus all of their efforts on cutting costs to reach a certain financial indicator, losing focus on the real goal. A company receives greater benefits when the tools and techniques used by a partner to achieve a level of performance are understood. This allows the company not just to meet a certain number but also to develop



a vision of how to achieve an even more advanced goal. By focusing on reaching a certain number, some companies have changed their organizations negatively (by downsizing or cutting expenses). However, they have also removed the infrastructure (people or information systems) and soon find they are not able to sustain or improve the benchmark. In such cases, benchmarking becomes a curse.

2. **Premature benchmarking.** When a company attempts to benchmark before the organization is ready, it may not have the data to compare with its partners. So, someone makes a “guesstimate” that does the company no good. The process of collecting data gives an organization an understanding of its core competencies and how it currently functions. Premature benchmarking will lead back to the first trap-- just wanting to reach a number. Companies stepping into this trap become “industrial tourists.” They go to plants and see interesting things, but don’t have enough of an understanding to apply what they see to their own businesses. Then, the end results are reports that sit on shelves and never contribute to improved business processes.

3. **Copycat benchmarking.** Imitation benchmarking occurs when a company visits its partners and, rather than learning how the partners changed their businesses, concentrates on how to copy the partners’ current activities. This is detrimental to a company, since it may not have the same business drivers as its benchmarking partners. Also, there may be major constraints to implementing the partner’s processes. Such constraints might include incompatible operations (7 days @ 24 hr/day versus 5 days @ 12 hr/day), different skill levels of the work force, and differences in union agreements, different organizational structures, and different market conditions.

4. **Unethical Benchmarking.** Sometimes a company will agree to benchmark with a competitor and then try to uncover proprietary information while on the site visit or by use of the questionnaire. Clearly, this kind of behavior will lead to problems between the companies and virtually ruin any chance of conducting a successful benchmarking exercise at a later date. A second type of unethical benchmarking entails referring to or using the benchmarking partners’ names or data in public without receiving prior permission. This, too, will damage any chance for ongoing benchmarking between the companies. Even worse, the bad experience may prevent management from ever commissioning further benchmarking exercises with other partners.

Other Pitfalls

While not every company is ready for benchmarking, it is a trap not to do it because of a previous bad experience or because of a “We are already the best” or “We are different than everyone else” attitude. Companies in which responsible individuals have such a mindset will have little chance of improving.

Benchmarking is valuable because trying to reinvent the wheel is an expensive way to try to make improvements. Once a company has the proper view of the benchmarking process and disciplined guidelines are established and followed, desired improvements should follow. However, if the company does not benchmark for the right reasons, benchmarking efforts will become a curse.





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