

# Benchmarking and its contribution to continual improvement in purchasing and supply management

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Almost without exception, organisations strive to improve their performance. This can be for many different reasons not least to survive and thrive in their business environment. Benchmarking is one process which is used to evaluate the various aspects of an organisations processes, procedures and policies against good practice.

Following a benchmarking activity, organisations can then develop plans to bridge the potential gaps in performance. Although benchmarking can be a one-off activity, most often it is part of a continuous process by which organisations can challenge their thinking.

Many different aspects of an organisations business can be benchmarked with another organisation. An endless list of purchasing and supply related aspects could be produced. The CIPS Certification programme has over 40 areas that can be benchmarked against. The Certification process has been endorsed by the Institute of Quality Assurance. It provides an opportunity to compare an organisations policies and procedures with other high profile organisations and identify areas for improvement.

#### **The purchasing professional can use benchmarking for:**

- Identifying opportunities to add value such as process savings
- Improving the contribution and influence that P&SM has on strategic goals
- Validating the existing strategies being used
- Challenging existing practice and thinking
- Ensuring that the most up-to-date P&SM thinking is being used, if appropriate.

It should be borne in mind that benchmarking does have limitations and disadvantages. One of the difficulties is finding the right organisations to be benchmarking partners. Some organisations come together to form 'benchmarking clubs'. The difficulty comes in identifying whether the partner really is using best practice.

Any benchmarking process should begin by focusing on output measures and parameters first so that gaps can be identified. This should include:

- Determining where the organisation is positioned in those area(s) of activity being benchmarked (output measures for example)
- Establishing what constitutes optimum (or world class, as appropriate) performance in that area
- Determining the degree of discrepancy (ie, gaps) between the two
- Identifying the reasons for the gaps
- Setting the appropriate wheels in motion to close the gaps.

CIPS recommends the adoption of a so-called process model which sets out the factors to be considered in the various stages of the benchmarking operation.

#### **CIPS suggests the following:**

- Deciding what needs to be benchmarked
- Drawing up a list of the necessary resources (not least the number of staff required) and ensuring their continued availability throughout the benchmarking process
- Data collection and analysis
- Deciding upon, and putting into effect, the necessary action.

#### **CIPS has produced a benchmarking guide that discusses how to carry out benchmarking, including the following:**

- What are the basic principles?
- What are the objectives of benchmarking?
- What types of benchmarking are there?
- What are its limitations and disadvantages?
- Approaches and guidance
- How can benchmarking data best be obtained?
- What are the characteristics of best practice companies?
- Benchmarking groups?

The guide can be downloaded in PDF format from the CIPS website at [www.cips.org](http://www.cips.org).

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