Benchmarking is defined as the comparison of products, services and processes across divisions that carry out similar operations in the same organisation, among competing firms in the same industry, and among firms with similar processes across different industries.

The purpose of benchmarking is to explore why and how organisations achieve higher levels of efficiency and to identify the methods and processes driving that performance. Benchmarking identifies an organisations' relative cost position and recognizes opportunities for improvement. Strategic advantage is achieved by concentrating on the competences required to upgrade to new performance levels.

Benchmarking has its origins in engineering as part of process improvement programs. It is traced back to Xerox’s efforts at the end of the last century, when it analysed how Japanese firms could be selling products at a price lower than its own production costs.

Organisations engage in benchmarking exercises that focus of the performance of strategic management, competitive strategy, financial management, products, services, core business process and functional processes. The most popular methods of analysis used in metric benchmarking are Data Envelope Analysis (DEA) and Regression Analysis.

Keywords
Benchmarking, business performance measurement

Link to publication