

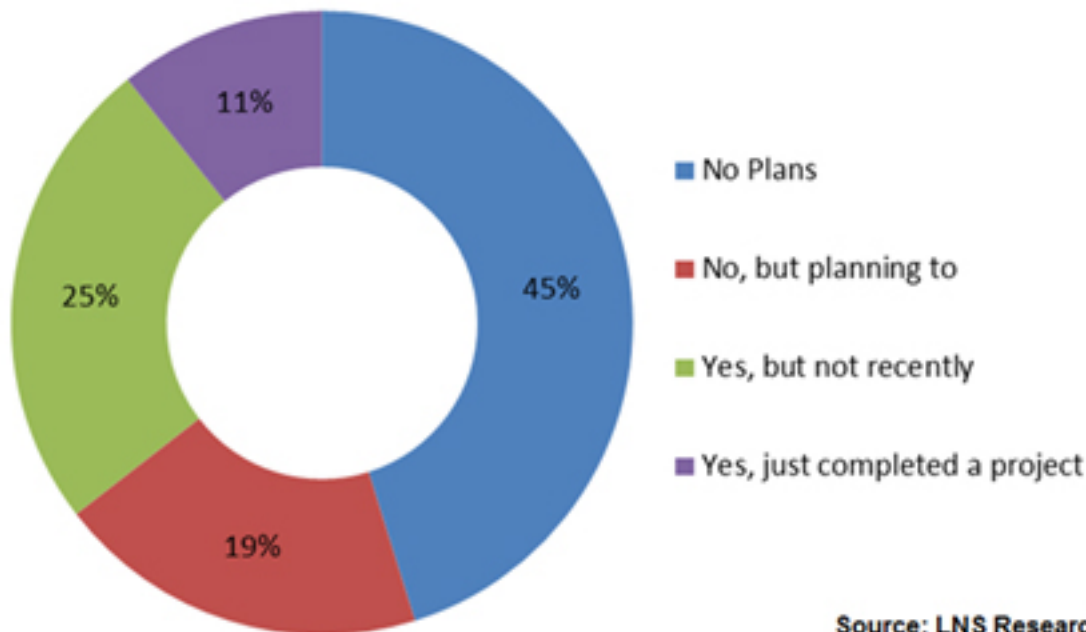
7 Reasons You Should Benchmark Your Manufacturing Performance

Mike Roberts

Whether it's for internal comparisons or for measuring the effectiveness of your company against close competitors, [benchmarking is a vital continuous improvement tool](#) [1]. And although it's safe to say that the average executive understands the benefits of benchmarking performance, that doesn't necessarily mean his or her company has ever participated [in such an initiative](#) [2].

In conjunction with MESA International, LNS Research is hosting the [Metrics that Matter](#) [3] research study, which focuses on identifying the trends and correlations between specific operational metric improvements, benchmarking, supporting technology and other related topics. The survey has been taken by over 200 executives and senior leaders in a wide range of manufacturing organizations, and so far, there have been some interesting results on benchmarking.

Companies that have Benchmarked Manufacturing Performance



Source: LNS Research To date, 45

percent of executives have said they have no plans to benchmark performance at any time in the near future. Nearly 20 percent said they have not yet participated in a benchmarking project but plan to, and the remaining 36 percent have at least one project under their belt. It's concerning that well over half of the companies that participated in the study have yet to take advantage of one of the most important Continuous Improvement tools.

If you're an executive that hasn't bought into [benchmarking manufacturing performance](#) [4], here are seven reasons why you might want to reconsider that strategy.

1. Understand your performance relative to close competitors

Having a thorough understanding of your own performance can only get you so far. For instance, if you're working to improve [year-over-year new product introduction defect rates](#) [5], it might benefit you to understand the current industry average. Where one or two percentage points can have a dramatic impact, that intelligence may warrant an investment or reallocation of resources.

2. Compare performance between product lines/business units in your own company

Benchmarking doesn't necessarily have to be an exercise that requires competitive intelligence. Many companies — especially large and distributed ones — benchmark performance of facilities and products having similar processes as well as [metrics and KPIs](#) [6]. Again, this analysis can lead to deeper investigations as to why a particular facility, product or business unit is underperforming.

3. Hold people more accountable for their performance

Without an internal or external benchmark for comparing performance, it can be a challenge to set precedents every year. Benchmarking projects and reports give you perspective on [what's considered "good" performance](#) [7], and can be an instrumental tool for measuring the effectiveness of facilities, product lines, business units and even particular personnel.

4. Drill down into performance gaps to identify areas for improvement

Even benchmarking [a high-level metric such as overall equipment effectiveness \(OEE\)](#) [8] can result in some serious discussions among leadership. Many companies carry out such benchmarking projects, and then drill down into the variables to identify where the real culprits of underperformance reside. OEE, for example, can be broken down into components of quality, availability and efficiency. A disparity between industry averages could surface as a disparity in quality management process or software capabilities.

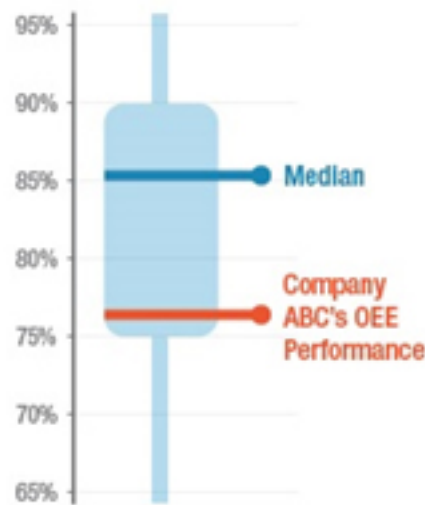
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Which metrics are we behind in? Where are we lacking technologically?

- Service data never makes it back to design
- No way to globally change an SOP
- No formal process for corrective actions and root cause analysis
- Limited visibility into supplier activities
- Inability to quantify and prioritize risk
- No formal process for ensuring compliance
- Difficulty identifying non-conformances in manufacturing

OEE Performance



5.

Develop a standardized set of processes and metrics

The process of undertaking a benchmarking project can encourage organizations to invest resources in standardizing the calculation of metrics and KPIs. The challenge is that metrics such as OEE and [the cost of quality](#) [9] can be calculated in numerous ways. Whether it's adopting industry standards or just making sure calculations are standardized across your facilities, having a solid baseline for comparison is one of the keys to a successful metrics program as well as benchmarking projects.

6. Enable a mindset and culture of continuous improvement

Providing metrics performance visibility from the shop floor all the way up to the top floor allows personnel to understand how their actions impact certain areas of business. Adding an additional layer to those key performance indicators, showing them how their current performance compares to industry targets or even internal targets, can be incentive to drive the productivity and innovation needed to exceed those averages.

7. Better understand what makes a company successful

Market leaders are the ones that exceed industry benchmarks. If you're comparing [on-time deliveries or first pass yield](#) [10], for example, benchmarking can provide a better outlook as to where you are versus where you want to be.

Are You Ready to Benchmark Your Performance?

The above are just a few of many reasons of why benchmarking is important to operational success in manufacturing. If you've yet to undertake a manufacturing performance benchmarking project, you're missing out on not only all the internal revelations and potential for improvement, but also on understanding where the leaders are in your industry. And it's important to remember that these industry

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leaders are only working to widen the gap.

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- [1] <http://blog.Insresearch.com/blog/bid/155988/Overall-Equipment-Effectiveness-Benchmark-Data-by-Industry>
- [2] <http://blog.Insresearch.com/blog/bid/190393/Last-Chance-to-Take-the-Metrics-that-Matter-Survey>
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