

The Man with the Golden Process

CUTTING FLEET COSTS THROUGH BENCHMARKING PART 1 *By Preston Ingalls*

How do you know how well your fleet is doing relative to others? Are you spending too much ... too little? Is your fleet completing a similar level of activity with others in the industry? How does your fleet compare to the very best in your industry? Knowing how we are doing against others helps drive us to improve; otherwise, we become complacent in our activities. Benchmarking allows us to “calibrate” our practices, processes, and cost of performing those activities.

BENCHMARKING DEFINITION

Wikipedia defines benchmarking as, “The process of comparing one’s business processes and performance metrics to industry bests or best practices from other industries. Dimensions typically measured are: quality, time, and cost. In the process of benchmarking, management identifies the best firms in their industry, or in another industry where similar processes exist, and compare the results and processes of those studied

(the ‘targets’) to one’s own results and processes. In this way, they learn how well the targets perform and, more importantly, the business processes that explain why these firms are successful.

“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 that is then compared to others.

“Also referred to as ‘best practice benchmarking’ or ‘process benchmarking,’ this process is used in management and particularly strategic management, in which organizations evaluate various aspects of their processes in relation to best practice companies’ processes, usually within a peer group defined for the purposes of comparison. This then allows organizations to develop plans on how to make improvements or adapt specific best practices, usually with the aim of increasing some aspect of performance. Benchmarking may be a one-off event, but is often treated

as a continuous process in which organizations continually seek to improve their practices.”

BENCHMARKING PROGRAM

An ongoing benchmarking program pushes organizations outside of their comfort zones and provides precise and measurable short-term improvement plans based on current actuality rather than past performance. Benchmarking also gives us a comparative point of relativity of our efforts, activities, and results so that we can push for change to close the gaps between us and them.

The problem is organizations establish goals based on past trends and patterns and are therefore restrictive to a myopic view of capabilities. Benchmarking helps remove the inability to create a new vision or direction. It forces the organization to take a renewed “out-of-the-box approach” to goal setting based on a broader perspective. By seeing what similar companies have accomplished, it can reenergize efforts to improve practices and reduce costs. The adage says, “If you want to become great—you study the great.”

METRIC EFFECTIVENESS

When examining others’ numbers or measures, my advice is don’t discount someone else’s success. Many times, I have heard an employee at one of my clients attempt to downplay others’ progress by saying, “Well, sure they can do that. They are bigger than us ... or they don’t have the weather



restrictions we do ... or we have an older workforce. Or yeah—but their wages must be higher.”

A major restriction of benchmarking is that while it helps organizations show the efficiency of their measures, it does not always show the overall effectiveness of such metrics. Benchmarking reveals the performance and cost measures attained by others, but does not consider the circumstances under which they achieved such results. Improving the measures means improving the practices that caused those measures.

Another disadvantage of benchmarking is the risk of complacency and overconfidence. Many organizations tend to relax after excelling beyond others, allowing arrogance to develop. “We don’t need to work on that. We already do it better than most.” The realization of having become the industry leader soon leads to a level of smugness and unwillingness to challenge ourselves. Best becomes the enemy of Better.

Finally, many organizations make the mistake of undertaking benchmarking as a standalone activity. Benchmarking is only a means to an end, and it is useless if not complemented by a plan to change.

Despite the downsides of benchmarking, the upsides are far more impressive. The five recommended steps to benchmarking include:

1. Determine what to benchmark
2. Form a team
3. Identify partners
4. Collect and analyze data
5. Implement and monitor results

To see these steps explained in more detail, visit www.tutorialspoint.com/management_concepts/benchmarking_process.htm.

Understanding where your fleet is relative to where it could and should be could mean direct contributions to the bottom line ... even more important today with increased competition. ●

ABOUT THE AUTHOR

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