

15 Striving for perfection

A Benchmarking and best practice

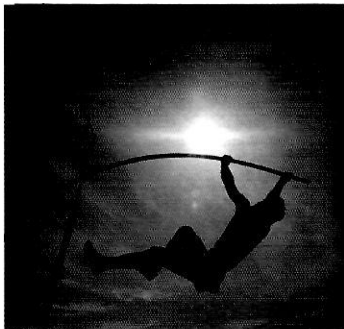
Benchmarking is the idea that a firm should find out which company performs a particular task best and model its **performance** on this **best practice**. Companies talk about carrying out a **benchmarking exercise**. To do this, they **benchmark themselves against** other companies.

Large companies can measure the performance of different departments in relation to each other in an **internal benchmarking exercise**. **Competitive benchmarking** involves looking outside the company at how other companies in the same industry do things.

Functional benchmarking looks at how the same function such as manufacturing or personnel recruitment is done by non-competitors. Companies can learn a lot from firms who are not their direct competitors. For example, a train company has learned how to organize the cleaning of its trains better by looking at how an airline organizes the cleaning of its planes.

One way of seeing how a competitor's product is made is by **reverse engineering** – taking the product apart to see how it is made. The same principle can also be applied to services. This technique can also be used in benchmarking.

Note: 'Best practice' is usually uncountable, but you can also talk about 'the best practices' in a particular area.



B Six sigma quality

Quality can be measured in terms of the number of **defects per million** parts, operations, etc. For example, one **sigma** equals 690,000 defects per million parts and two **sigma** means 45,000 defects per million. Even with **two sigma quality**, the chances of a manufactured product being defective are quite high.



Motorola was the first company to aim for **six sigma quality**. In manufacturing, six sigma quality is when there are fewer than 3.4 defects per million components. This idea can also be applied in areas outside manufacturing. In invoicing, for example, it means fewer than three or four mistakes per million transactions.

Six sigma quality has been taken up by several other companies.

And the ultimate goal is **zero defects** – no defects at all.

15.1 Complete the sentences with appropriate forms of expressions from A opposite.

- 1 The manufacturers' association wants companies to improve manufacturing , so it's offering a new service designed to help companies themselves against the best in their industries.
- 2 Engineers made replacement parts for the cars by copying the shape and dimensions of the original parts, a process known as
- 3 Internal looks for internal and tries to establish them throughout the organization.
- 4 We use to evaluate the effectiveness of your website against those of your competitors.
- 5 Look outside your industry! can teach you a lot, and as the companies you are asking to give you advice are not your competitors, they may be more willing to help.

15.2 Read the article relating to the ideas in B opposite. Then answer 'yes' or 'no' to the questions below about the vocabulary used in the article.

When quality is not enough

Quality improvement programmes come in many different flavours. The most common are Total Quality Management (TQM), Six Sigma and the Baldrige system promoted by the government-backed National Institute of Standards and Technology (NIST).

There are more similarities than differences between them. The common belief is that companies should aim for 'zero defects' in all aspects of their operations, achieved by relentless improvements in business processes. Common techniques include a team-based approach to problem-solving and a highly quantitative approach to measuring results.

Motorola, maker of microprocessors and cellphones, developed Six Sigma as a technique to improve the competitiveness of its manufacturing. The aim of the strategy is to reduce defects to fewer than 3.4 for every million repetitions of any process. But despite achieving Six Sigma quality in many areas of its business – and being the first large company to win a Baldrige quality award from the NIST – Motorola has often struggled. It is now

engaged in a painful restructuring programme.

Given this mixed experience, why are many US companies now adopting Six Sigma? Fashion and the influence of General Electric are big factors. Jack Welch, GE's recently retired chairman and chief executive, was introduced to Six Sigma in the mid-1990s by Larry Bossidy, a former GE colleague who at the time was running Allied Signal. Mr Bossidy had, in turn, picked up the idea from Motorola, with which Allied Signal did business.

Quality was at the time an unfashionable management concept. The TQM fad of the 1980s had run out of steam. Received wisdom was that more radical approaches such as business process re-engineering were required if companies were to stay competitive.

Undeterred, in 1996 Mr Welch declared Six Sigma quality to be his next group-wide initiative for GE. By the end of the decade he was declaring it a spectacular success: his 1999 letter to shareholders attributed '\$2bn in benefits' to the Six Sigma programme.

Financial Times

- 1 If something is *promoted* by a particular organization, does it have that organization's support?
- 2 If improvements are *relentless*, do they keep on happening?
- 3 Does a *quantitative* approach to something depend on general descriptions and feelings about it?
- 4 If restructuring is *painful*, is it easy?
- 5 If an organization *adopts* an approach, does it accept it and use it?
- 6 Do *former* colleagues still work together?
- 7 Is a *fad* a genuine and important change that will last?
- 8 If a movement *runs out of steam*, does it continue and develop?
- 9 Is a *spectacular* success a very big one?

Over to you



Think about your organization or one you would like to work for. How much do you know about how its competitors do things? Do you think it's useful to know how effective they are in different areas?