

Benchmarking : a demanding process, but the results are well worth the effort

Jindal Iron & Steel Company, Mumbai

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Without being really conscious of it, we've all done Benchmarking. We saw someone who was better organised, or got more work done, or could run faster, bowl a quicker delivery, score more runs, or play tennis better. And we wondered, "How do they do that?"

Companies wonder too. In an era when competitive advantage is the ultimate criterion for success, too many of us focus on improving our internal systems and procedures to improve our bottomlines, rather than on moving ahead of competitors. Reducing our internal costs or cycle time by 15% may sound great - but not if we must reduce it by 30% to beat the competition.

Last year Jindal Iron & Steel company (JISCO) decided that to maintain its leadership in the secondary steel producing companies it needs to compare its processes with the same process in a company which was recognised and admired for superior performance in that area world wide. They chose British Steel which made a net profit of over one billion British pounds last year. JISCO requested British Steel Consultants (BSCOS) a British Steel Subsidiary to carry out the study over a period of six months beginning July 1996. BSCOS was selected primarily because their consultants are all ex-British Steel employees with decades of

experience and the fact that they have consulted with almost all the large steel producing companies in the world. They have been also associated with Steel Authority of India (SAIL) for last seven years and understand the culture and ways of working in the Indian context be it in manufacturing plants or the way steel and other related products are marketed.

The benchmarks against which JISCO were assessed were two fold : those arising from within the market in India, both currently and

in the short to medium term as seen by some of JISCO's major customers. These focused on the quality of product and the quality of service in selling the product.

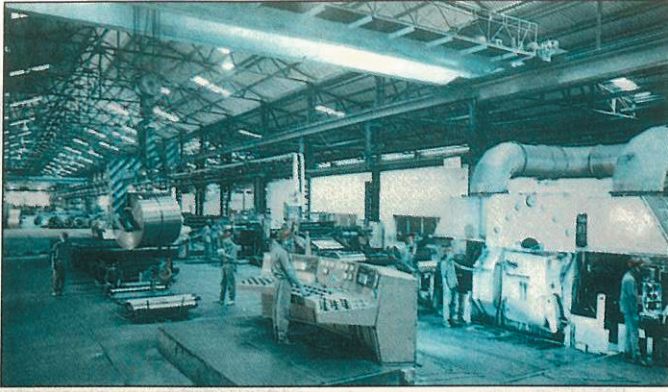
those arising from outside India and representative of current trends in international standards. These focused more on the means of achieving product quality through the manufacturing process.

In order to do this it was essential that the team drawn up for this consisting of BSCOS Consultants and JISCO personnel

- investigates and defines current performance within JISCO across a range of parameters
- establishes benchmarks of performance outside JISCO across the same range of parameters taking into account the particular plant configuration at JISCO along with its capabilities.
- identifies current constraints to achieve the benchmarks as well as actions necessary to overcome those constraints.

It was decided that Benchmark study named PROJECT PACE, where PACE was acronym for Planned Action for Continued Excellence, would be done under three heads : marketing, plant performance and organisation and manpower competence. Scope and methodology

Jindal Iron and Steel Co. Ltd. (JISCO) is a 15 year old company with a present turnover of Rs. 8180 million. Its chief strength has been its reliance on indigenous designs to implement projects at low costs. Its vision, as put forth by Mr. Sajjan Jindal, Vice-Chairman and Managing Director, is to be a quality conscious globally competitive company by the year 2000, imbibing the core values of customer satisfaction, concern for employees and commitment to society and preferred by customers, employees and investors.



followed for each of them is discussed below in brief :

Marketing : Current and future market requirements in respect of Quality and Service were studied thus providing a target against which output performance of the manufacturing plants could be assessed. This also included current JISCO marketing organisation, its procedures and practices.

Plant Performance : Both the manufacturing plants located at Tarapur and Vasind had their current operational and engineering performances studied with specific reference to appropriateness of services provided from outside these departments affecting their performance.

Organisational & Manpower Competence : The study covered the organisation structure and its effectiveness in ensuring both plant performance and customer satisfaction, current manning, levels of competence and the methods used to ensure that agreed levels of competence are met and constantly improved upon. There was an assessment also of the way day to day activities are monitored and controlled and the way in which decisions are communicated.

Extensive work discussion held with customers at their work place, employees at different levels within the organisation, comparison within India and abroad of competitors delivery performance, yield, complaint handling procedures, credit policy, dependence on information technology and a whole host of other benchmarks showed that JISCO needs to do a lot to meet its intention of being "One of the most preferred employers by the year 2000."

Some of the recommendations on which action plans were developed and implemented during the last seven months related to,

- a) Extending the role of Marketing Department from its current focus on selling to a range of activities which will increase its understanding of the market and the capabilities of the Company to anticipate and fulfill market demands more effectively.
- b) Encouraging the closer involvement of the producing units in support of the marketing effort and customer service and thus increasing their own commitment to meet customer requirements.

- c) Establishing mechanisms whereby failures to meet market requirements are immediately dealt with, following which the solutions are built into everyday practice and sustained.
- d) Instilling a culture of attention to detail thus making a shift from the 'detection' of the failure to the 'prevention' of failure.
- e) Building onto current HRD initiative in ways which impinge more directly on improvements in individual, team, departmental and company performance thus changing its focus to one of improving actual competence to do a job, not just developing knowledge about a job.

The efforts have really shown results and in spite of very difficult market conditions during the last year, efforts by one and all in the organisation in an unyielding way have helped JISCO perform better than the previous year in both sales as well as profitability compared to other comparative companies in the steel industry.

Sample List of Benchmarked Parameters

General Features :

1. Housingkeeping Standards
2. Absentee Level
3. Accident Frequency Rate
4. Notice Boards, Safety, TQP, Quality Performance.
5. Communication system used for total workforce
6. People's perception of future development
7. Perception of workforce of how they stand in relation to competitors

Monitoring and Control :

1. Delivery to time performance
2. Right first time indicators
3. Diversion levels from original orders
4. Unallocated stock levels
5. WIP Stock levels
6. Monitoring of material flows, manual or computerised
7. Packing standards, manual or automated

Engineering :

1. Maintenance planning system, computerised or manual
2. Frequency and duration of maintenance periods
3. Procurement procedure
4. Crane control (manual, pendant or radio control)
5. Use of different lifting appliances
6. Other material handling devices (e.g. AGV's, Conveyors, Transporters)