# The Revitalization of Porsche: Benchmarking

## Description

The 1980s were a good decade for soaring business profits, and Porsche A.G., maker of Porsche cars and the symbol of German race-car engineering, was no stranger to such success. In 1986 alone, over 50,000 Porsches were sold worldwide.

As the 1990s began, however, fortunes changed, particularly for Porsche. Sales plummeted, production costs climbed, and the car maker appeared headed toward bankruptcy. To reverse its downward spiral, the family-owned company went outside the clan to hire a chief executive officer. Wendelin Wiedeking's first move upon his appointment as CEO was to reorganize the roster of managers.

Next, Wiedeking took his revamped management team on a benchmarking visit to Japan, to study the methods of the Japanese auto makers. The team compared Porsche assembly times to those of the Japanese and found that, on average, the Japanese were performing twice as fast as their Porsche counterparts. Clearly, the Japanese processes were much more efficient than those used by Porsche.

Rather than simply try to fuse Japanese techniques into Porsche's current methods, Wiedeking hired five former Toyota engineers as consultants to guide Porsche's re-engineering efforts. One look at Porsche's factory processes convinced the consultants of the need to overhaul the operation. The inventory was too high, the parts were too inaccessible, the assembly process took too long, and the famed German craftsmanship was too often focused on correcting flawed parts.

Despite resistance to the consultants' aggressive approach, the benchmarked production methods they imposed succeeded in turning around Porsche's fortunes. Among the benefits: an 81 percent drop in inventory levels, a 74 percent decrease in assembly line distance, 50 percent fewer flaws per car, a 40 percent decrease in manufacturing time, and a 120 percent increase in sales from 1993 levels.

The bottom line clearly reflects the benefits of a focused benchmarking effort. After three years of losses totaling $300 million, Porsche made a profit in 1995. The company is now in a position to roll out entirely new lines of cars, including a new, lower-priced sports car arriving just in time for the raised speed limits in the United States.

## Learning Points

While benchmarking visits have become popular in recent years, too often the benchmarking company fails to implement the lessons it has learned. Processes that work for one company can work for another company (with some adaptations as needed), particularly for another company in the same industry. While redesigning internal processes may initially cause unrest and consternation among a company's ranks, the benefits that accrue due to the improved processes will ultimately lead to a more productive and profitable company, which will benefit everyone in the long run.

When trying to do anything better, study how those who are world class do it. Competitors may have already solved the same or a similar problem. However, world-class competitors may not be eager to share their secrets of success and thus may not welcome your benchmarking efforts. Therefore, do not overlook those leading organizations who may have similar processes, even though they are in an entirely different type of business or industry. By learning from the best, organizations can apply best practices to improve their own processes.

## Discussion Questions

***Question:*** What are the advantages of benchmarking?

***Answer:*** An organization that benchmarks:

- identifies world-class organizations, products, and business practices to emulate
- determines the gap between its own operation and that of the best-practice companies
- helps narrow that gap and even overtake the benchmark by adopting and adapting the best practices of all the best companies
- systematically and continuously integrates knowledge about best practices into the organization's products and services to *stay* world class

***Question:*** What do you see as the pitfalls of benchmarking?

***Answer:*** Benchmarking requires an openness to new ideas and a recognition that others may do "it" better.

- It can be difficult to admit that your own organization (or department) is not the best.
- If benchmarking results are used as a performance evaluation tool, the benchmarking team may begin benchmarking against poor performers, in an effort to look better.
- Some organizations may resist learning from other organizations, especially outside their own industry.
- Many organizations believe they are the world-class leaders and that there is nothing to learn from others.
- Benchmarking requires a significant time commitment—time to plan, to study your own internal processes, to look outside the organization, and to analyze information.
- Some organizations attempt to benchmark without an in-depth awareness of their own "focus" process as it is performing today, therefore reducing or eliminating any basis for comparison.

In addition, an organization often does not have the infrastructure to be able to do something with the data once the benchmarking team returns from a site visit. Without this ability to translate findings into organizational improvements, benchmarking becomes little more than "industrial tourism."

***Question:*** Who should you consider when identifying benchmarking partners?

***Answer:*** When identifying potential benchmarking partners (those who are excellent in the area you are benchmarking), consider:

- other high-performing divisions within your organization
- direct competitors with high profitability, market share, and growth
- companies outside your industry
- suppliers and customers
- potential competitors, i.e., upstarts

***Question:*** What are some of the disadvantages of benchmarking against the competition?

***Answer:*** Benchmarking against the competition can have several disadvantages.

- Matching the practices of the competition does not necessarily help to find ways to outperform the competition.
- A competitor's standards may not be worth the benchmarking effort.
- Competitors are unlikely to share very in-depth or valuable information.
- Employees might hesitate to embrace new ideas if the innovation comes from competitors within their industry (conversely, a process like bar coding, which comes from the grocery industry, is now widely accepted in a variety of other industries).

***Question:*** What might be some of the problems in adopting practices used by other organizations?

***Answer:*** Some may try to copy best practices from another organization exactly "as is"; the key is to adopt and adapt best practices that will fit your own organization's style and culture.

At times, the differences between how another organization is run and how your organization is run are so striking that the similarities are hard to identify. Sometimes, however, looking at sections or targeted segments of a process can reveal interesting and productive similarities.

***Question:*** What processes, products, or services in your own organization would be good candidates for benchmarking?

***Answer:*** Responses will vary. Probe: Why are these processes good candidates? How would a benchmarking project get started in your organization? What would you hope to learn?