

# WHAT HAS BENCHMARKING GO TO DO WITH EVALUATION?

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## Background

It is thought that as early as 1907 BHP in Australia used simple benchmarking techniques when the company compared its own steelmaking processes with other steel makers in Europe.

Benchmarking did not become formalised as a continuous improvement tool until 1979 when Xerox in USA compared its products with Fuji-Xerox in Japan. Xerox USA found Fuji-Xerox photocopiers were sold for what it cost Xerox to produce theirs. Xerox then used benchmarking to reduce manufacturing costs and improve other programs.

Robert Camp, an executive at Xerox at that time defined benchmarking as:

*... the continuous search for and adaptation of significantly better practices that leads to superior performance by investigating the performance and practices of other organisations (benchmark partners)*

Benchmarking is an ongoing process to find better ways of doing things. It is a management process that requires constant updating whereby performance is regularly compared with the best performers that can be found. Benchmarking helps you gain a thorough understanding of your own situation first before identifying gaps in performance.

Benchmarking is not about competitive analysis or the use of league tables. It does not involve a bandaid approach, spying, espionage or copying. Benchmarking is definitely not about “industrial tourism”. In essence, benchmarking is about adapting what you learn from the best and modifying these practices to your circumstances.

## Introduction

The findings of an evaluation study form the basis for comparing your performance with other organisations and provide evidence to establish a baseline from which benchmarking can be conducted. Key insights can result from determining how your benchmarking partners are achieving “good practice” in the areas that you have identified as needing to be improved from your evaluation study. These insights can then be adapted and incorporated into your own process.

## The difference between “benchmarks” and “benchmarking”

**Benchmarks** are known as “yardsticks” and provide a measure of performance gaps which can be used for comparisons with other organisations (**numerical or performance benchmarking**). Benchmarks will not provide you with the reasons for superior performance.

**Benchmarking** is about **comparing** processes, practices or procedures. Processes may be compared **within** an organisation against internal operations or with partners **outside** the organisation (**process benchmarking**).

*“Successful best practice improvement strategies marry the study of metrics and processes; they unite benchmarks and benchmarking.”*

- Bogan and English

## **Types of benchmarking**

### **1. Internal benchmarking**

Internal benchmarking is a good starting point to get an understanding of internal performance standards. This form of benchmarking may be conducted within units, across units or divisions within your organisation.

Because internal benchmarking involves looking at your own internal processes it is easier, faster and cheaper to conduct. Standardised data is readily available and access to sensitive information and data is not difficult. This form of benchmarking is the least threatening to management. However, opportunities for real innovation may be lacking.

### **2. External benchmarking**

External benchmarking involves analysing outside organisations that are known to be “best-in-class” and may take several forms:

- Process or generic
- Industry or functional
- Competitive
- Strategic

#### **2.1 Process or Generic**

Process or generic benchmarking focuses on excellent work processes wherever they exist, in different organisations or industries. This form of benchmarking may reveal “best-in-class” practices and may lead to innovation and dramatic improvements. It is the most difficult form of benchmarking as it requires lateral thinking to conceptualise choices of benchmarking partners. An Australian example involved a pillow manufacturer selecting a breakfast cereal company as a benchmarking partner to learn about transporting bulky packaging.

#### **2.2 Industry or Functional**

Industry or functional benchmarking involves the selection of partners who deliver comparable processes or are in comparable circumstances. It is easy to obtain willing partners who may be leaders in an industry or in a function, such as HR or finance. An Australian local government benchmarking study examining recruitment, training and induction chose benchmarking partners in the cosmetic industry, telecommunications and a metropolitan council.

#### **2.3 Competitive**

Competitive benchmarking involves benchmarking against your direct competitors in the same market or those you often compare yourself with. Clearinghouses are often used to conduct competitive benchmarking as they act as a third party to protect confidentiality. Trade associations may also be used.

The main advantage of competitive benchmarking is that benchmarking data is directly comparable with your own organisation's processes, products and services.

## **2.4 Strategic**

Strategic benchmarking is useful to compare your strategies with successful strategies for delivering similar services, particularly to improving capability to deal with a changing external environment. The results of strategic benchmarking exercises provide information to realign business strategies that have become inappropriate. Changes implemented as a result of strategic benchmarking may take a long time to implement and materialise.

The National Biodiversity Strategy benchmarking study conducted in Australia benchmarked similar strategies developed by each state in Australia to inform the development of a new National Biodiversity Strategy.

## **BENEFITS OF BENCHMARKING**

Benchmarking enables you to gain a better understanding of your current position and establish a baseline which will lead to improved performance measurement. Benchmarking encourages you to strive for excellence and innovation as it underpins the drive for performance improvement. The process of benchmarking creates a positive attitude towards change and encourages people to work in partnership with others.

## **BENCHMARKING SUCCESS FACTORS**

For benchmarking to succeed managers and senior executives must create a culture for continuous improvement. An executive champion is essential to any benchmarking project to provide strategic direction and ensure the necessary resources, including people and dollars are available when needed. An executive champion is also important to encourage the implementation of changes resulting from a benchmarking exercise.

The success or failure of a benchmarking project largely depends on the effectiveness of the study team. Members of the benchmarking team should be chosen for their skills, expertise and knowledge. The team must also be well versed in benchmarking methodologies and applications, and if not, provided with relevant training in benchmarking. To ensure the benchmarking process runs smoothly the team should develop a team purpose or mission statement to focus its activities and provide it with clear goals and objectives. A well defined project plan is also critical for the success of any benchmarking project to keep the project on track.

## **What has benchmarking got to do with evaluation?**

Benchmarking is an evaluation tool that can be applied to a number of evaluands, such as programs, projects, policies and strategies.

The findings of an evaluation study will provide you with evidence about your evaluand's existing performance and its impact on an organisation. This information may then form the basis for a benchmarking study.

There are a number of basic questions to ask when you are conducting a benchmarking study. These include:

- What is recognised best practice in this area?
- Who is doing the best and how do they do it?
- How good do we want to be relative to the best?

### **Proactive evaluations**

Proactive evaluations are typically conducted to provide information for a decision to be made to commence a new program or to determine whether to radically alter an existing program (Owen, p. 169). A review of best practice would then be undertaken to establish benchmarks and a baseline. An appropriate reporting system could be established using the baseline measures to record trends during the life of the program.

### **Monitoring evaluations**

Monitoring evaluations are basically performance assessments. Questions are asked about whether the program is meeting its benchmarks and how well it is doing relative to the best? Monitoring evaluations rely on an effective management information system to provide data to answer the above questions (Owen, p. 238).

### **Impact evaluations**

Impact evaluations are conducted to determine whether a program has achieved its goals. Decision makers often use the evidence obtained from impact evaluations to replicate or extend a program and/ or pilot (Owen, p. 253).

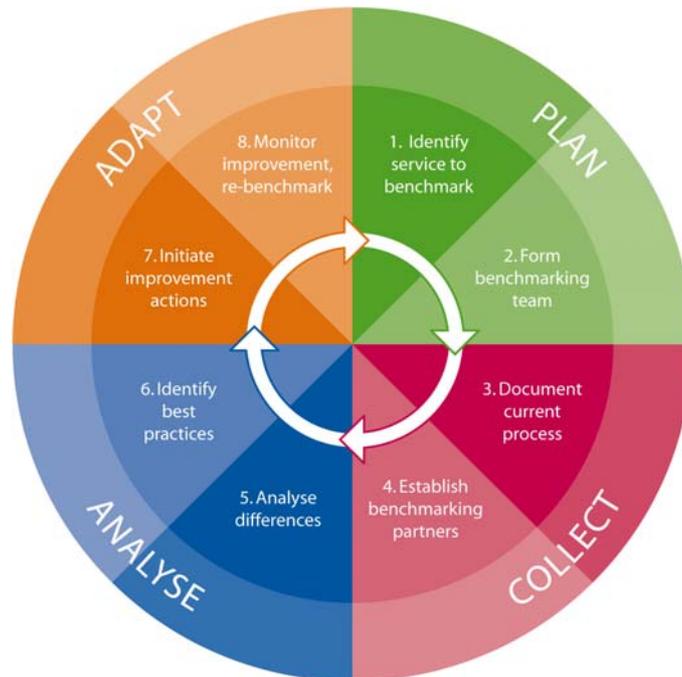
Any intended or unintended outcomes achieved by the evaluands can be used to establish benchmarks, compare with exemplary performance and learn how to improve.

## **Conclusion**

Benchmarking is an integrated and systematic process of comparing and measuring your organisation against others to improve your performance by adapting best practice. The evidence obtained from an evaluation study provides an organisation with information about its own performance that can be used to identify opportunities for improvement and focus benchmarking efforts.

Reference: Owen, J. M. (2006) *Program Evaluation: Forms and Approaches*, St Leonards, Australia, Allen & Unwin.

# THE BENCHMARKING CYCLE



Adapted from: Local Government Practical Guide, 1995 and APQC's Passport to Success Series: Benchmarking, 2001

This benchmarking cycle has been created using the overarching APQC four phase benchmarking methodology. The eight steps comprising the Australian Local Government Benchmarking Cycle have then been incorporated into the four phases of the APQC benchmarking model. The phases of the resulting benchmarking cycle are described below:

## 1. PLAN

1. Identify services to benchmark
2. Establish benchmarking team

## 2. COLLECT

1. Document current process
  - Define the scope of the process to be benchmarked.
  - Use a process map or flow chart to document your existing process. Solutions may arise during this process. It is important to fix these straight away.
  - Analyse the existing process steps. Identify key performance steps and measure existing performance to establish a baseline.
2. Establish benchmarking partners
  - Make sure you have the data for your own operation before you ask someone else for theirs.
  - Contact a short list of possible partners
  - Arrange an exchange of information including site visits

### **3. ANALYSE**

1. Analyse differences
  - Determine what performance targets you can set as an outcome of the findings from benchmarking data
2. Identify best practice
  - What alternative methods have been identified by the team that would have the best chance of working for you?

### **4. ADAPT**

1. Initiate improvement actions
2. Monitor improvement, re-benchmark
  - Monitor implementation. Re-benchmark the service or process periodically and revisit your benchmarking partners every few years.
  - The goal posts are forever moving. “Keep your benchmarks evergreen”.

## THE BENCHMARKING CODE OF CONDUCT

The International Benchmarking Clearinghouse has developed a Benchmarking Code of Conduct to ensure practitioners conduct benchmarking exercises in an efficient, effective and ethical manner.

1. **Principle of legality:** Keep it legal
2. **Principle of exchange:** Be willing to give what you get
3. **Principle of confidentiality:** Respect confidentiality
4. **Principle of use:** Keep information internal
5. **Principle of contact :** Work through designated benchmarking contacts & Do not refer without permission
6. **Principle of Preparation:** Be prepared from the start
7. **Principle of completion:** Follow through with commitments
8. **Principle of understanding and action:** Understanding expectations

Source: [www.orau.gov/pbm/pbmhandbook/apqc.pdf](http://www.orau.gov/pbm/pbmhandbook/apqc.pdf)

## BENCHMARKING PROTOCOL

According to the International Benchmarking Clearinghouse Benchmarking Protocol benchmarkers are required to:

- “Know and abide by the Benchmarking Code of Conduct
- Have a basic knowledge of benchmarking and follow a benchmarking process
- Prior to initiating contact with potential benchmarking partners, have determined what to benchmark, identified key performance variables to study, recognised superior performing companies, and completed a rigorous self-assessment
- Have a questionnaire and interview guide developed, and share these in advance if requested
- Possess the authority to share and are willing to share information with benchmarking partners
- Work through a specified host and mutually agreed upon scheduling and meeting arrangements”.

Source: [www.apqc.org](http://www.apqc.org)

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