Benchmarking

Definition

Benchmark A standard against which something can be measured. A survey mark of previously determined position used as a reference point.

Benchmarking A systematic comparison of products, services, and practices for the purpose of identifying best practices and setting targets that lead to improved performance.

Terms of Reference

Purpose of Benchmarking

To share and disseminate good practice within the UK Human Performance Forum member organisations.

To improve performance by observing, studying, monitoring and applying the strategies and techniques employed by top performers, recognising that top performers are not necessarily 'best in class' in every area.

The key to the benchmark process is to generate insight not data – best practices used by the best in class companies and appropriate targets.

In the context of performance improvement, benchmarking is a continuous and systematic process which is used to evaluated similar processes with the intents of incorporating best practice into existing processes.

Benchmarking is a two-way, mutually beneficial exchange.

Scope

Benchmarking activities typically involve visits to off-site top performing locations. However, there are also benefits to be gained from internal benchmarking.

Benchmarking Process

Establish Benchmarking Criteria

- Human Performance Processes are defined in the Body of Knowledge.
- A Benchmarking Mapping Exercise has been carried out to identify ‘internal’ top performers for process areas.
- Benchmarking should be based on member requests/requirements.
- Identify legal considerations pertaining to information or processes.
- Establish the code of conduct of team members (confidentiality, ground rules of the activity and professional ethics).

Define the Issue to be Benchmarked

- Select and define the process(es) to be benchmarked during the benchmarking activity.
- Agree clear statement of purpose and scope for defined benchmarking activity.
- Decide which standards will be used during activity.
- Identify team leader and team members.

Team Member Benchmarking Responsibilities

- Obtain appropriate managerial approval from own organisation for participation and personal expenses
- Keep a daily personal diary or log.
- Each individual involved in a benchmarking trip is responsible for obtaining and documenting any data or information as required and presenting it at the debriefing.
- Understand the process to be benchmarked.
- Participate in benchmarking activity with open mind.

Select Benchmark Partner(s)

- Identify potential external companies with best-in-class processes.
- Not necessarily the ‘world best’ overall.
- Need to have a proven track record in chosen process area.
- Remember the goal is to maximise information gained.

Plan Benchmarking Activity

- Produce plan.
- Agree responsibilities.
- Establish point of contact with Benchmarking partner.
- Define benchmark measures – quantitative and qualitative
- Carry out pre visit investigation/research.
- Identify inputs and outputs to activity (including communication plan)

Collect and evaluate data

- Quality data is the cornerstone to benchmarking analysis.
- Focus data collection on the defined process areas.
- Check the validation of information and data collected.
- Data should include trends and ‘snapshots’ in time.
- Check that the data is consistent with the questions asked.

Gap Analysis and Best Practice

- Determine the benchmark(s) for the process.
- The benchmark will represent the superior level of performance which is being achieved by the benchmark partner.
- Develop list of factors that appear to be driving the benchmark performance
  - Culture
  - Business practices
  - Work processes
  - Economics
  - Environment

Document Results & Provide Feedback

- Document results of activity in a formal report and in a presentation.
- Provide:
  - Overview of activity – areas benchmarked goals of study, participants.
  - Results – gap analysis, best practices.
  - Details – measures, survey methods.
  - Recommendations for future activities.

Evaluate/ Implement/ Review

- Review own organisations current plans & make modifications
- Project future performance.
- Evaluate best practices.
- Make recommendations.
- Provide feedback to forum on success of initiatives/changes made following the benchmark activity

Establish Benchmarking Criteria

Human Performance Processes are defined in the Body of Knowledge.

Identify Benchmarking Targets

Each member organisation has carried out a Benchmarking Mapping Exercise against these processes to identify areas where they can offer learning or experience. Potential 'external' benchmarking partners should also be identified along with their areas of excellence using this benchmark map (available on the Eroom).

Benchmarking Schedule

Forum members will agree a benchmarking schedule based on the requirements/requests of member organisations. The activities may focus on one or, in order to achieve the optimum benefit from the activity, a combination of processes. Alternatively the activities may focus on an issue which may impact a number of processes. Forum members will agree a lead for scheduled activities.

Code of Conduct

Prior to any benchmarking being undertaken the forum will agree a code of conduct for team members which takes consideration of ground rules of the activity, professional ethics and confidentiality as well as legal considerations pertaining to information and processes. Team members should be cognisant of the fact that they are not only representatives of their own organisation but also of the UK Nuclear Human Performance Forum.

Define the Issue to be Benchmarked

The lead will select and define the issue/process(es) to be benchmarked during the benchmarking activity.

Once the benchmark subject has been selected, prepare a brief statement of the purpose of the study. The purpose of the study should address:

- who the team leader, facilitator, and team members should be
- development of a project plan
- definition of scope and deliverables
- relevant standards/documentation to be used during the study.

You will need to perform some pre-benchmarking work. This will assist you tremendously when you benchmark other companies by giving you a good understanding of how your process differs from their processes. Additionally, it points you in the right direction in terms of understanding where the process could use some improvement. These are the areas you would select to benchmark to obtain the greatest benefit. A pre job brief prior to the benchmarking visit would benefit the team in understanding roles, goals and specifics of the visit.

Team Member Benchmarking Responsibilities

It is the responsibility of each team member to obtain appropriate managerial approval for participation in the activity and for any personal expenses incurred during the activity.

In order to support any findings or observations and assist with team discussions each team member should keep a daily personal diary or log. Additionally, each team member is responsible for obtaining and documenting any relevant data or information and for presenting it at the debriefing.

Select Benchmark Partner(s)

"Benchmark partner" refers to any group or organisation that a team may want to compare itself against. It is not necessary to have selected the world's best partner, but the team must be confident that it has found very good partners. Just because one team identified Company X as excellent in one area, it does not necessarily mean that Company X will be an expert at the process that your team is benchmarking.

Company Selection and Benchmark Partners:

1. Use a Benchmarking map to identify top performers within the UK Nuclear Human Performance Forum.

2. Identify potential external companies with best-in-class processes.

Plan Benchmarking Activity

Produce a plan for the activity which clearly identifies inputs and outputs and includes a communication plan.

Agree responsibilities within the team. There will be a certain amount of administration work relative to the visit which may be time consuming so it may be useful to identify an additional resource for this.

At an early point in the planning stages establish a point of contact with Benchmarking partner who can ensure that availability of personnel/resources have been agreed.

Determine Benchmark Measures

Once the subject has been selected, determine the measures that should be used. It is very important to select measures that are true indicators of performance.

Two types of information are needed:

Quantitative measures are used to determine the size of the performance gap. This could include such things as number of employees, cost, and durations. Quantitative measures should consider both productivity and effectiveness of an operation.

Qualitative information is used to explain the gap. What makes the partner best in class? Qualitative information includes such things as methodology, philosophy of operation, organisational focus, procedural detail, and personnel training.

Several considerations should go into defining performance measures:

- They need to relate to the underlying issue (that is, how does the function affect the issue).
- Consider current process measures.
- A small number of key measures will help keep the project focused.
- Consider input, process, and output measures.
- Measures need to reflect a balance between productivity and effectiveness.
- Ask yourself, “If I had information on 20 companies, what would tell me which ones I would want to benchmark on a specific topic?”
- Use measures that will allow comparison from one company to another.

The last item is critical because collected data must often be normalised to allow meaningful comparison.

If it is not possible to think of a way to measure the subject, it should not be concluded that it is not a good subject for a benchmark study. Whilst most activities are measurable, it is sometimes not possible to develop an appropriate numerical measurement. Rather than not benchmark, it may be possible to use a method of evaluating a subject in a manner that will allow the team to draw lessons for application themselves.

Determine Level and Method of Data Collection

Regardless of the method used, the first step is to identify the data to collect.

Prepare a list of questions

Review the benchmark study purpose, subject(s), and measurements, then prepare a list of questions to be used to gather the data required. Make sure the questions are clear. Provide definitions, particularly for any measurements. Try to use terms that are generally understood in the industry.

Make sure each of the questions has a purpose and that the information obtained is relevant to the study. These questions should support the quantitative measures and qualitative information to be used when evaluating the collected data. Do not waste time and energy gathering data with no purpose in mind.

In preparing the benchmarking, it may be found that more than one data collection method is required. The method or combination of methods selected will be determined by the requirements of the project.

Determine who will conduct the data gathering

The team collecting the data should consist of process experts with some knowledge of and training on the benchmarking process. Team members must also possess strong interpersonal skills. Data collection is a critical part of benchmarking. Data collection must always be ethical. Remember, benchmarking is a two-way, mutually beneficial exchange.

Once the scope of the project is understood, the team needs to determine who will conduct the data gathering.

The determination of who will conduct the data gathering will be dictated by the requirements of the benchmark visit.

Collect and evaluate data

Collect Data

Quality data is the cornerstone of all good benchmarking analysis.

It is very easy to widen the scope of the activity so ensure that the data collection remains focussed on the defined issues/process areas.

As the data is collected, it needs to be reviewed and discussed to ensure it is complete and consistent with the questions which have been developed. If deficiencies are in the data, it's much easier to correct them now rather than later.

Data should include both trends and 'snapshots in time'. It should also be viewed in the context of the company strategy and long term plans, remembering that processes do not become imbedded overnight so an understanding of the steps that were required to reach the current position are also relevant.

The analysis of the data takes place in two steps. Step one is to quantify the differences. How does performance compare to the best in class? The next step is to use the qualitative data to determine what creates the gap.

Gap Analysis and Best Practice

After the data has been analysed, determine the benchmark(s) for the issue/process(es). The benchmark will represent the superior level of performance that is being achieved by at least one of the benchmark partners.

From the information gathered, develop a list of factors that appear to be driving the benchmark performance, which could include:

- Business practices
- Work processes
- Standards
- Environment
- Economics
- Culture

For their own companies, team members should compare their own internal measurement data against the benchmark. Ensure that there is consistency between the comparative internal data and the data collected from outside sources. The difference between the benchmark and performance represents the performance gap.

It is necessary to do a reality check by separating the gap into two components: those items that are controllable and those that are not.

Document Results & Provide Feedback

Consideration should be given as to who will be receiving feedback on the activity. This will determine whether a formal report is required as well as a presentation.

Whichever format(s) are chosen, they should include the following information:

- Overview of activity
  - Issue/processes benchmarked
  - Reasons for subject choice
  - Goals of study
  - Participants
- Results
  - Gap analysis
  - Best practices
- Details
  - Measures,
  - Survey methods.
- Effectiveness of activity
  - What worked
  - What needs to be improved
  - Recommendations for future activities.

The team members should agree the method and extent of any further dissemination of the information obtained from the benchmarking activity.

Evaluate/ Implement/ Review

The team members should review and evaluate the findings and determine whether any further actions are required.

Forum member organisations may wish to carry out further work based on the findings of the benchmarking activity. This may include the following:

- Review current plans & make modifications based on gap information as appropriate.
- Evaluate the best practices for inclusion in improvement plans
- Make recommendations for applying the strategies and techniques used by top performers and based on best practice.
- Provide feedback to forum on success of initiatives/changes made following the benchmark activity