Benchmarking:*

*Quick Reference Guide*

The information contained herein provides a brief overview of APQC’s benchmarking methodology, tools, resources, and templates.
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Introduction to Benchmarking

- Benchmarking is an approach an organization uses to measure its internal processes and then look externally to identify, understand, and adapt practices used by best-in-class organizations.

- When an organization begins a benchmarking initiative, a common mistake is to limit the benchmarking activity to industry peers. Benchmarking industry peers is essential; however, most organizations have a good idea how their industry performs.

- For breakthrough improvement, it is imperative to learn from other industries performing a similar process successfully. Learning from other organizations and using their successfully demonstrated practices, ideas, and insights reduces costs and cycle time and ultimately provides a competitive advantage in the marketplace.

- Why benchmark?
  - Improve profits and effectiveness
  - Accelerate and manage change
  - Set stretch goals
  - Achieve breakthroughs or innovations
  - Create a sense of urgency
  - Overcome complacency or arrogance
  - See from a new perspective
  - Make improvements to address Baldrige National Quality Program criteria
Scoping a Benchmarking Study

- A benchmarking team’s first objective is to clearly understand what business outcomes are expected by management.
- The team should then determine what is in and out of scope for a benchmarking study.
- A helpful tool to assist in scoping a benchmarking study is the APQC Process Classification Framework©. This is a representation of major processes and subprocesses that can provide focus to the scope of the benchmarking study.
Plan: Set Strategic Direction
In the planning phase of benchmarking, the key business processes and issues are examined across organizational lines (e.g., departments, functions, and geographies). Opportunities to improve a key business process are selected.

Collect: Identify Best Practices
In the collection phase of benchmarking, the key business processes and issues are examined outside of the organization. The global best practices for a given process are identified across industries. From the research, specific organizations are identified for in-depth analysis.

Adapt: Create a Process Improvement Strategy
In the adaptation phase of benchmarking, an implementation plan is created with mechanisms to monitor and report progress. As needed, the benchmarking activity may be recalibrated and recycled as part of a plan for continuous improvement.

Analyze: Understand Processes and Opportunities
In the analysis phase of benchmarking, the collected data is analyzed for an in-depth understanding of why and how best-practice organizations execute the process to gain a competitive advantage. The best practice is evaluated to determine applicability.
PLAN: Set Strategic Direction

Purpose: In the planning phase of benchmarking, the key business processes and issues are examined across organizational lines (e.g., departments, functions, and geographies). Opportunities to improve a key business process are selected.

Results:
- Secure executive commitment for the business case.
- Understand the current state of key business processes and the relationships with suppliers and customers.
- Identify critical success factors.
- Prioritize processes that have the greatest impact on business objectives and results.
- Select key process to improve through benchmarking.
- Identify measures and enablers.
- Define approach for data collection and partner selection.
- Allocate resources for a benchmarking initiative.
COLLECT: Identify Best Practices

Purpose: In the collection phase of benchmarking, the key business processes and issues are examined outside of the organization. The global best practices for a given process are identified across industries. From the research, specific organizations are identified for in-depth analysis.

Results: Research best-practice organizations concerning the process.
- Create a secondary research report, using information in the public domain about the process, to identify cross-industry best practice and potential benchmarking partners.
- Conduct primary research study of benchmarking partners through surveys, interviews, and site visits.
ANALYZE: Understand Processes and Opportunities

Purpose: In the analysis phase of benchmarking, the collected data is analyzed for an in-depth understanding of why and how best-practice organizations execute the process to gain a competitive advantage. The best practice is evaluated to determine applicability.

Results: • Compile, sort, normalize, and analyze raw data.
• Create full report for in-house use (if partners agree) and report with blinded data for benchmarking partners.
• Map and deconstruct process to facilitate comparison.
• Assess culture drivers and operational process enablers.
• Identify and understand gaps between current process and benchmarks.
• Understand costs and benefits of adapting new process.
• Formulate an implementation strategy.
ADAPT: Process Improvement Strategy

Purpose: In the adaptation phase of benchmarking, an implementation plan is created with mechanisms to monitor and report progress. As needed, the benchmarking activity may be recalibrated and recycled as part of a plan for continuous improvement.

Results:
- Make recommendations for process redesign.
- Secure executive commitment to transform process.
- Create implementation plan with contingencies.
- Institute process to monitor and report progress.
- Create change management plan.
- Pilot implementation → Further adapt → Full implementation
- Plan for continuous improvement.
Benchmarking Success Components

**Culture**
- Quest for Continuous Improvement
- Knowledge Sharing
- Teamwork/Collaboration
- Learning
- Open Minded
- Unconventional Thinking

**Team Structure**
- CORE
  - Team Leader
  - Data Collectors
  - Analysts
  - Writers
  - Interviewers
  - Unconventional Thinkers

- STRATEGIC
  - Executive Champion
  - Process Sponsor
  - Facilitator
  - Customer

**Tools**
- Benchmarking Code of Conduct
- Business Process Analysis Tools
- Scope Management Tools
- Project Management Software/Tools
- Databases/Other Data Sources
- Data Collection Software/Tools
- Data Analysis Software/Tools
- Report/Presentation Formats

**Competencies**
- Project Management Skills
- Process Analysis Methods
- Research Methods
- Data Collection Techniques
- Data Analysis Methods
- Instrument/Tool Design
- Interviewing Skills
- Writing Skills
- Presentation Skills
- Implementation Skills

**Process**
- Benchmarking Methodology
- Business Process Analysis
- Project Management
- Secondary Research
- Partner Identification
- Primary Research
- Partner Interviewing
- Data Collection
- Data Analysis
- Instrument Design
- Report Development
- Knowledge Transfer

**Results**
- Best Practices Identified from Inside and/or Outside the Industry
- Reduced Cycle Time for Innovation
- Avoidance of Mistakes from Lessons Learned by Others
- Expanded Business/Professional Network

**Strategy**
- Business Improvement Opportunity
- Desired Market Position
- Target Market
- Target Customer
- Critical Success Factors
- Benchmarking Business Goal
- Sourcing Approach
- Executive Commitment

**Delivery Support**
- In-House Benchmarking Competency Center
- Third-Party Benchmarking Organization
- Executive Management
- Benchmarking Partners
- Implementation Support
Benchmarking Tools and Templates

Plan
- Project budget
- Project planning tool
- Data collection and scope planning model
- Roles and responsibilities of benchmarking team members
- APQC’s Benchmarking Code of Conduct and Process Classification Framework
- Corporate reports and documents—financial, sales, marketing, labor, production, service, supplier, customer, and organization charts
- Business process analysis tools—spider chart, core process ranking chart, criteria testing matrix, relationship map, and cross-functional process flow map
- Needs assessment tools—cause-and-effect diagram (Ishikawa and fishbone), structure diagram (tree), affinity diagram, and brainstorming

Collect
- Knowledge map
- Keyword generator tool
- Data sources—databases, libraries, associations, and professional organizations
- Data capture tools—instrument design software, detailed questionnaire, and site visit planning tool
- Data display tools—control chart, cause-and-effect diagram, bar chart, Pareto chart, time line, histogram, pie chart, and scatter diagram
- Partner selection tools—selection criteria, screening survey, and partner profile
Benchmarking Tools and Templates (continued)

**Analyze**
- Normalizing data tool
- Data analysis tools—interrelationship digraph, cause-and-effect diagram, and root-cause analysis
- Implementation planning tools—stakeholder analysis, barrier analysis, and cost/benefit analysis
- Data display tools—control chart, cause-and-effect diagram, bar chart, time line, histogram, pie chart, and scatter diagram
- Process selection model—What to implement? Why this practice? Who to involve? How to implement? When to implement?
- Final report format

**Adapt**
- Critical path method
- Implementation road map—Gantt chart
- Performance assessment tools
- Contingency plan
- Stakeholder analysis
- Communication plan
Secondary Source Research: Databases, Listings, and Searchable Directories

There is an extensive amount of electronic resources with which to perform effective and thorough secondary research.

1. **General Databases**: Contain information in various subject matters such as legal, government, scientific, and technology.
2. **Company Information**: These resources allow access to information on individual firms as well as entire industries.
   - Directories
   - Annual Reports
   - Wire Services/Press Releases
   - White Papers
   - Newspapers
3. **Trade Associations**: Provides access to information developed by trade associations.
   - Professional
   - Promotion and Sales
   - Marketing Research
   - Transportation and Distribution
   - Trade Shows
4. **Government Resources**: Provides demographic, economic, scientific, and health related statistical information collected by a variety of government agencies.
5. **Academic Resources**: Allows access to academic research and publications on a variety of subject matters.
Key Tools

Normalizing Data Tool
Normalizing data is a process to analyze data from one array to another. Whether it involves converting employee shifts to hours or annualized interest rates to monthly rates, normalizing data is necessary for providing an apples-to-apples comparison.

Scope Planning Model
The scope planning model provides a concise guide for the data collection approach in a benchmarking study. It is important to take into consideration the available resources and desired depth of information when planning a benchmarking study.

Partner Selection Tool
For a benchmarking study to generate quality information, benchmarking partners need to closely fit the criteria established within the scope of your study. A criteria testing matrix can assist in partner selection.
Key Templates

**Screening Survey**
A screening survey helps determine which potential partner is a best-practice organization. APQC provides members with templates from which to produce an effective screening survey.

**Detailed Questionnaire**
A detailed questionnaire is provided to best-practice organizations to collect both in-depth quantitative and qualitative data. APQC provides detailed questionnaire templates, as well as tips for questionnaire design.

**Site Visit Guide**
It is valuable to see firsthand how best-practice organizations execute their processes in their environment. If travel budgets are restricted, virtual/remote site visits can be conducted. Site visits are a vital part of primary research, and APQC can provide a site visit guide template.
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