

Benchmarking Guidelines

EFQM User Guide



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We are committed to helping organisations drive improvement through the EFQM Excellence Model, a comprehensive management framework used by over 30,000 organisations in Europe.

To help you implement our Model, we provide training and assessment tools as well as recognition for high performing organisations. But our real talent comes from gathering good practice and sharing them through our network.

We at EFQM, a not-for-profit membership Foundation founded in 1989, aim to share what works, through case studies, online seminars, working groups, conferences and thematic events.

Sharing our members' enthusiasm, their motivation and the results they achieve; that is what we work for.

The EFQM Team: January 2014



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Introduction

The value-add of Benchmarking for any organisation's drive to be the "best of the best":

"Benchmarking is the practice of being humble enough to admit that someone else is better at something and wise enough to try and learn how to match and even surpass them at it."

APOC

Where did it all begin?

The word "benchmark" is not of this century or even the century before. Depending on which story you prefer, it was either:

- a) First used in the mid 1800's in the world of surveyors, it being a mark cut into a wall, pillar, or building as a reference point in measuring altitudes.
- b) First used by shoemakers, to measure a person's feet for a pair of shoes. The shoemaker would place the customer's foot on a bench and then mark it out to make a template for the shoes.

In the world of modern day management "benchmark" has come to represent the level of performance to which others must aspire if they are to be seen as offering outstanding levels of performance. Certainly to win the EFQM Excellence Award, an organisation has to demonstrate that it is performing at a level above others, including its peers operating in the same environment.

In the EFQM Excellence Model 2013, benchmarking is defined as:

"Benchmarking: A systematic comparison of approaches with other relevant organisations that gains insights that will help the organisation to take action to improve its performance."

It should be noted that the focus is on understanding HOW someone does something, not just the results they achieve. There is a clear distinction between benchmarking and comparing data, which is defined in the Model as:

"Comparisons: Data used to compare the performance of one organisation or process with another."

This is reflected in the RADAR logic we use to assess. The ability to demonstrate that the way approaches and processes are conducted have been BENCHMARKED with other organisations would be considered when assessing the Enablers. The ability to demonstrate how performance COMPARES with other organisations would be considered when assessing the Results.

What is Benchmarking?

There are many definitions of benchmarking available on the Internet, most of them perfectly sensible. The exact wording of a definition is not the most important point. What is important is that each organisation takes ownership of its own definition, communicates it well internally and makes sure that the definition works within its current context.

Fundamentally, regardless of the specific definition adopted, it is about an organisation using a structured approach to step outside the four walls of its own house to see how others are performing similar tasks but achieving better results. It is a learning opportunity that is only completed when the lessons learnt have subsequently been incorporated into the organisation's own way of working.

One point that is often debated, although rarely concluded, is how to define "Best Practice". At EFQM, we prefer using the expression "Good Practice" rather than "Best Practice" because who is to say what is truly "best", especially when comparing organisations of completely different sizes and sectors?

An organisation undertaking a benchmarking project will identify an outstanding practice that works incredibly well for another organisation, and it may be "best" for them but it is not simply a matter of doing the equivalent to "doing a cut and paste" and transplanting that practice into one's own organisation. Just because something works effectively in one organisation or situation does not necessarily mean it will perform the same way in another. There are many factors which influence the efficiency and effectiveness of an approach, some of which, like organisational culture, are not easily transferable.

What the organisation undertaking the benchmarking exercise should look for is an understanding of why the other organisation does something in a particular way, why it works for them, draw inspiration from it and decide how they can take the learning and make it a Good Practice within their own context.

Why bother benchmarking?

There can be several reasons for an organisation to undertake a benchmarking activity. These may include:

- To create a better understanding of the current position/performance of an organisation (its strengths and areas for improvement), especially in those processes and performance areas which are critical to supporting the creation and execution of the organisation's strategy
- To help focus on the capabilities/competences critical to building a strategic advantage
- To measure its performance against other organisations, analysing the reasons for any differences and then setting appropriate targets for improvement
- To identify areas where waste can be cut or investment in people/equipment, needs to be made
- To encourage the discovery of new ideas by looking outside the organisation and encourage sharing on good practices
- To obtain data, information, knowledge to support fact based decision-making for change
- To provide the organisation's people with a "lightning rod" around which they can congregate and be motivated/empowered, to take the organisation to the next level of performance
- To enhance the organisation's reputation. There is nothing wrong with being able to proudly state that you are #1 and can prove it. It's the "top box" on the RADAR scorecard we use for assessments
- To challenge the status quo and keep the organisation moving.

Of the potential benefits listed above, identify the top 2 or 3 that you think are the most important for your organisation and then ask colleagues to do the same exercise and check for consensus. If you do not have a shared view of why you are undertaking a benchmarking exercise then probably at least one of you will be disappointed with the outcome.

The Downside?

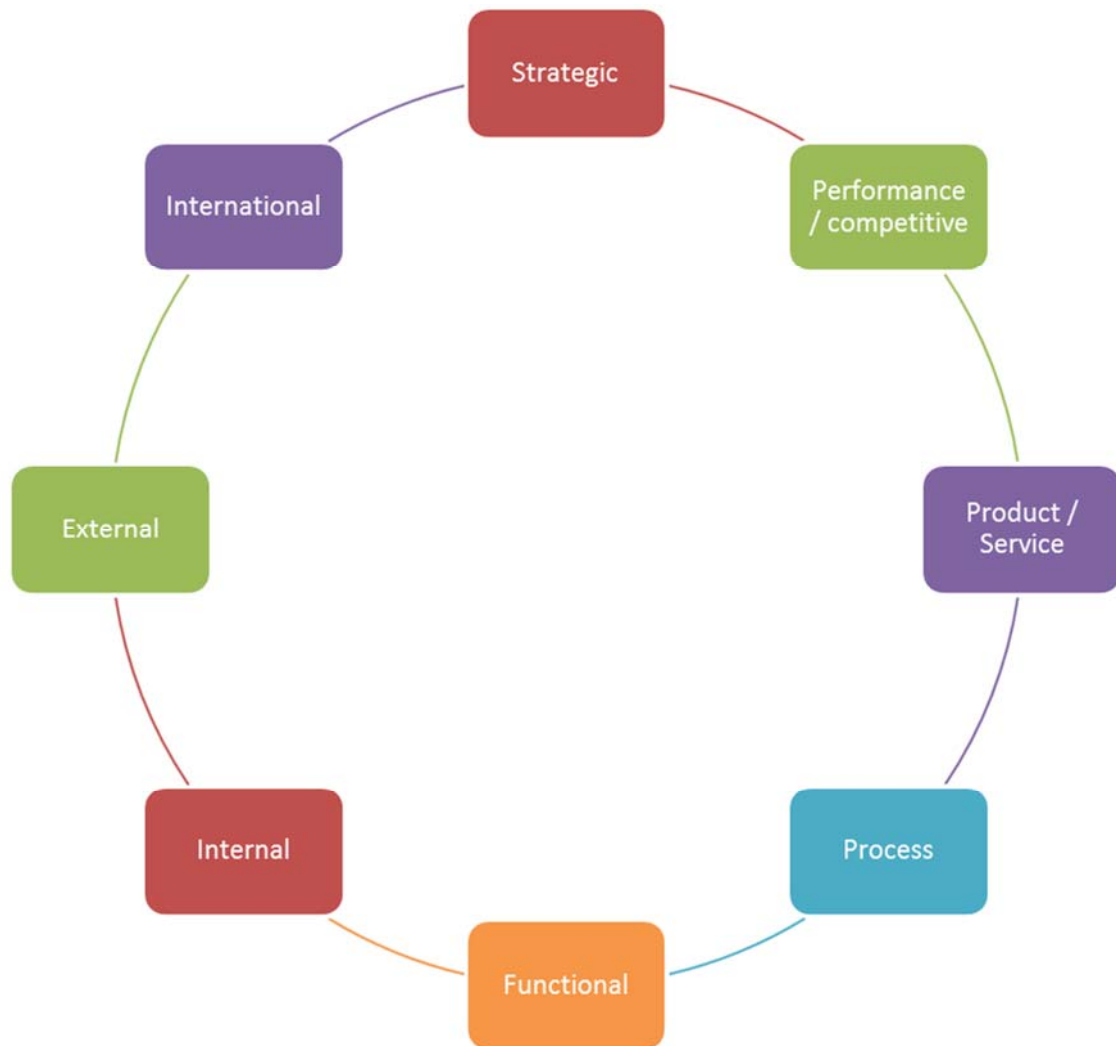
The world moves on. Remember that what is considered as excellent today may only be adequate tomorrow. Comparisons and benchmarks can be useful for setting targets but, if you set a goal of reaching the today's "world class" performance level in 3 years, will it still be "world class" when you get there?

If you truly want to achieve "world class" levels, it's more than likely you'll need to innovate rather than imitate. So, in this light, is there any value in benchmarking? As many "innovations" are not genuinely new ideas, they're just new within that context, it depends where you're looking for inspiration.

"Innovation distinguishes between a leader and a follower." Steve Jobs

What are the different types of Benchmarking?

There are many different types and classifications for benchmarking activities. We've highlighted 8 below to give some indication of the different types of activities you may want to consider:



Strategic Benchmarking

This involves examining long-term strategies, for example regarding core competencies, new product and service development or improving capabilities for dealing with change. This type of benchmarking is used by successful high performers in order to improve a business's overall performance.

Performance Benchmarking (or Competitive Benchmarking)

This looks at performance characteristics in relation to key products and services in the same sector. In order to protect confidentiality this type of analysis is often undertaken through trade associations or third parties.

Product / Service Benchmarking

This looks at comparing specific attributes of a product or service. This can either be done internally, for example, where the same product is being manufactured in different locations, or externally, against similar products & services delivered by competitors.

Process Benchmarking

This focuses on improving critical processes and operations through comparison with best practice organisations performing similar work. This often results in short term benefits.

Functional Benchmarking

This compares a business with partners drawn from different sectors to find innovative ways of improving work processes. This can lead to dramatic improvements.

Internal Benchmarking

This involves benchmarking businesses or operations from within the same organisation (e.g. business units in different countries). Access to sensitive and/or standardised data is easier, usually less time and resources are needed and ultimately practices may be relatively easier to implement. However, real innovation may be lacking: best in class performance is more likely to be found through external benchmarking.

External Benchmarking

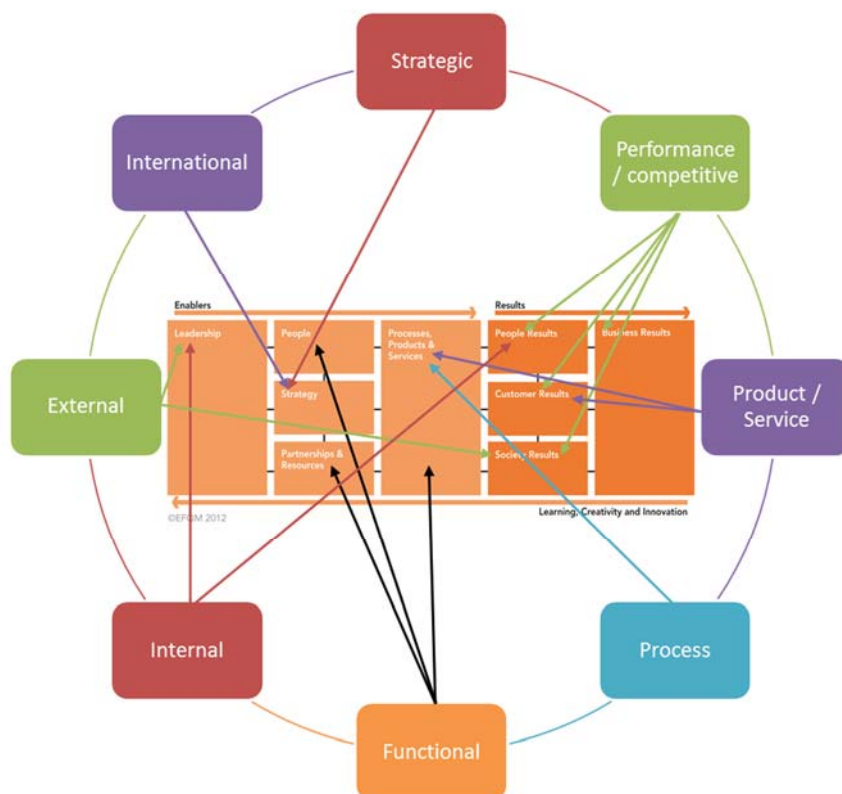
This analyses best in class outside organisations, providing the opportunity to learn from those at the leading edge. This can take up significant time and resource to ensure the credibility of the findings.

International Benchmarking

This identifies and analyses best practitioners elsewhere in the world, perhaps because there are too few benchmarking partners within the same country to produce valid results.

Globalisation and advances in information technology are increasing opportunities for international projects. However, these can take more time and resources to set up and implement and the results may need careful analysis due to national differences.

The diagram below shows how you could use these different approaches for benchmarking for different criteria:

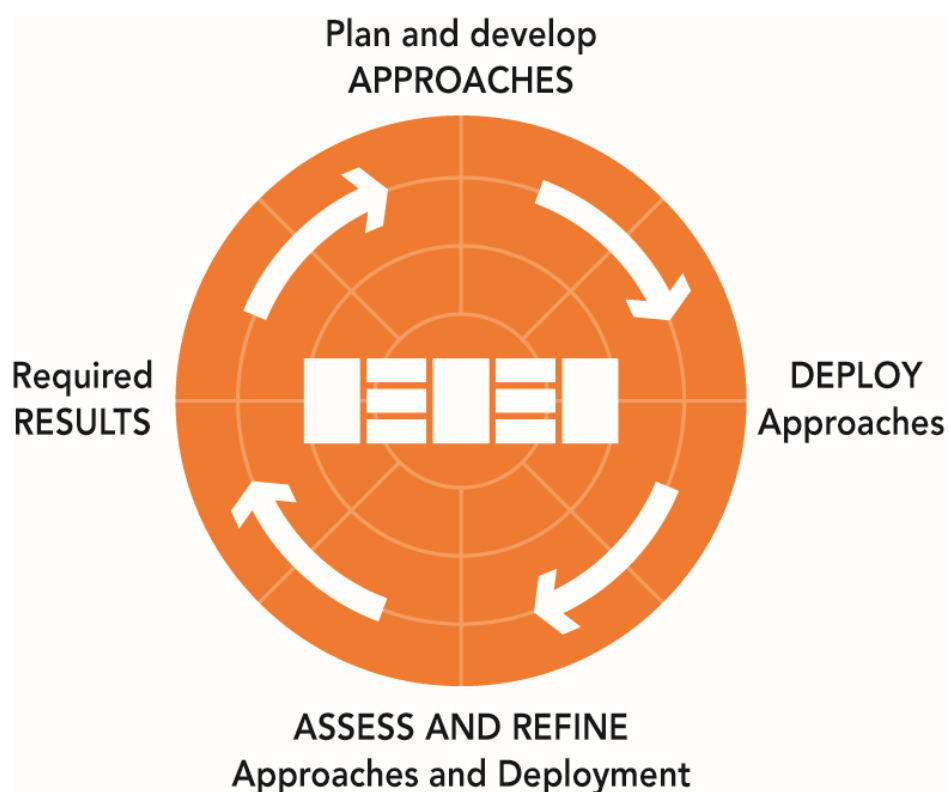


The table below summarises the generally accepted different classifications in terms of either “What to Benchmark” or “Who to Benchmark” but there will often be overlaps between one or more of these classifications.

What to Benchmark?	Who to Benchmark?
Product: the process of designing new products or upgrades to current ones and can include reverse engineering	Internal: A comparison of operations and processes within different parts of the same organisation External: A comparison of product / service attributes with competitors
Process: Identifying and observing the Good Practices of others in key business processes	External-Generic: Comparisons of business processes or functions that are very similar, regardless of industry sector
Function: A comparison of similar functions within the same broad industry, or with industry leaders	External-Best In Class: Within the industry sector: Specific competitor to competitor comparisons for a product or function
Strategic: Learning how others compete, maintain competitive advantage in their industry sector.	External-Global Role Model: Regardless of industry sector, recognised as outstanding by all

Where does benchmarking fit in the EFQM Model?

The concept of benchmarking is embedded in the Concepts and Criteria of the EFQM Excellence Model but is most visible in the RADAR.



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The RADAR is a dynamic cycle; the basic logic is that organisations should:

- Determine the Results they are aiming to achieve as part of their strategy.
- Plan and develop an integrated set of sound Approaches to deliver the required results both now and in the future.
- Deploy the approaches in a systematic way to ensure implementation.
- Assess and refine the deployed approaches based on monitoring and analysing the results achieved and ongoing learning activities.

It's quite possible that if your organisation is going to do something completely new, benchmarking could be included in part of the planning and development of an approach you're developing to support this activity. However, it's generally more common that we're trying to improve an existing approach.

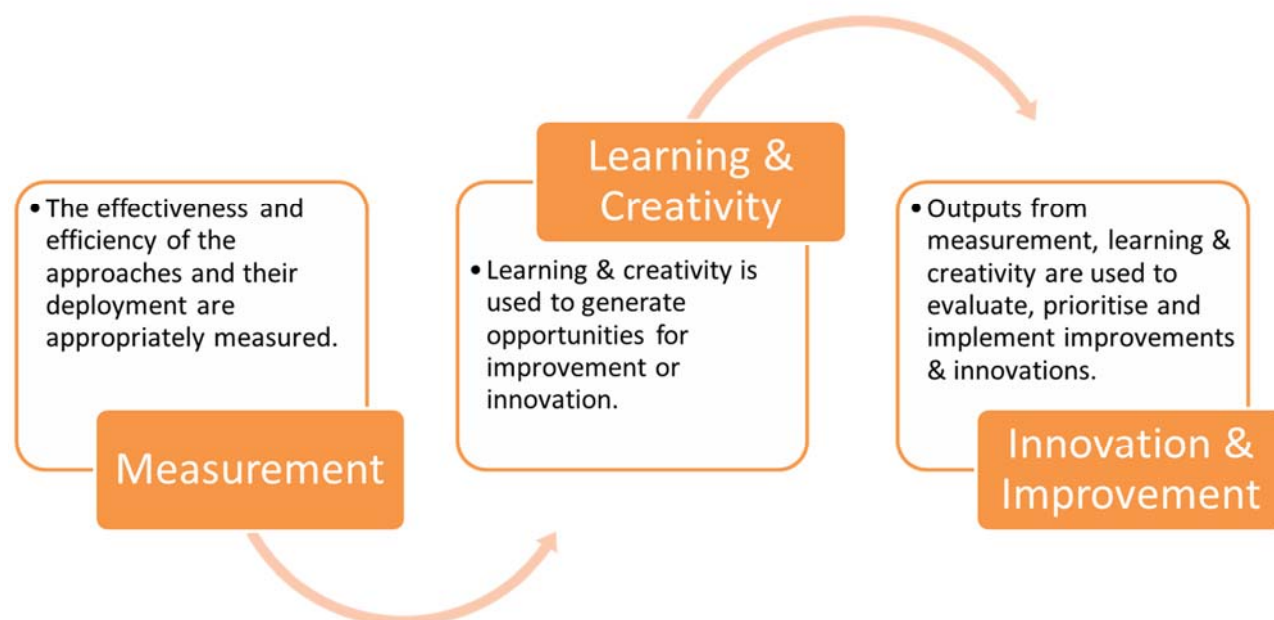
If we look at the RADAR attributes in more detail, it's easier to see where benchmarking comes into play.

RADAR for Enablers

Elements	Attributes	Guidance
Approach	Sound	The approaches have a clear rationale, based on the relevant stakeholder needs, and are process based.
	Integrated	The approaches support strategy and are linked to other relevant approaches.
Deployment	Implemented	The approaches are implemented in relevant areas, in a timely manner.
	Structured	The execution is structured and enables flexibility and organisational agility.
Assessment & Refinement	Measurement	The effectiveness and efficiency of the approaches and their deployment are appropriately measured.
	Learning & Creativity	Learning & creativity is used to generate opportunities for improvement or innovation.
	Improvement & Innovation	Outputs from measurement, learning & creativity are used to evaluate, prioritise and implement improvements & innovations.

Whilst the most obvious link to benchmarking activities links to the "Assess & Refine" element, it's also worth bearing in mind:

- Examples of benchmarking approaches help demonstrate the soundness of the approaches adopted.
- The ability to rapidly implement improvements helps demonstrate agility and flexibility.



RADAR for Results

Elements	Attributes	Guidance
Relevance & Usability	Scope & Relevance	A coherent set of results, including key results, are identified that demonstrate the performance of the organisation in terms of its strategy, objectives and the needs and expectations of the relevant stakeholders.
	Integrity	Results are timely, reliable & accurate.
	Segmentation	Results are appropriately segmented to provide meaningful insights.
Performance	Trends	Positive trends or sustained good performance over at least 3 years.
	Targets	Relevant targets are set and consistently achieved for the key results, in line with the strategic goals.
	Comparisons	Relevant external comparisons are made and are favourable for the key results, in line with the strategic goals.
	Confidence	There is confidence that performance levels will be sustained into the future, based on established cause & effect relationships.

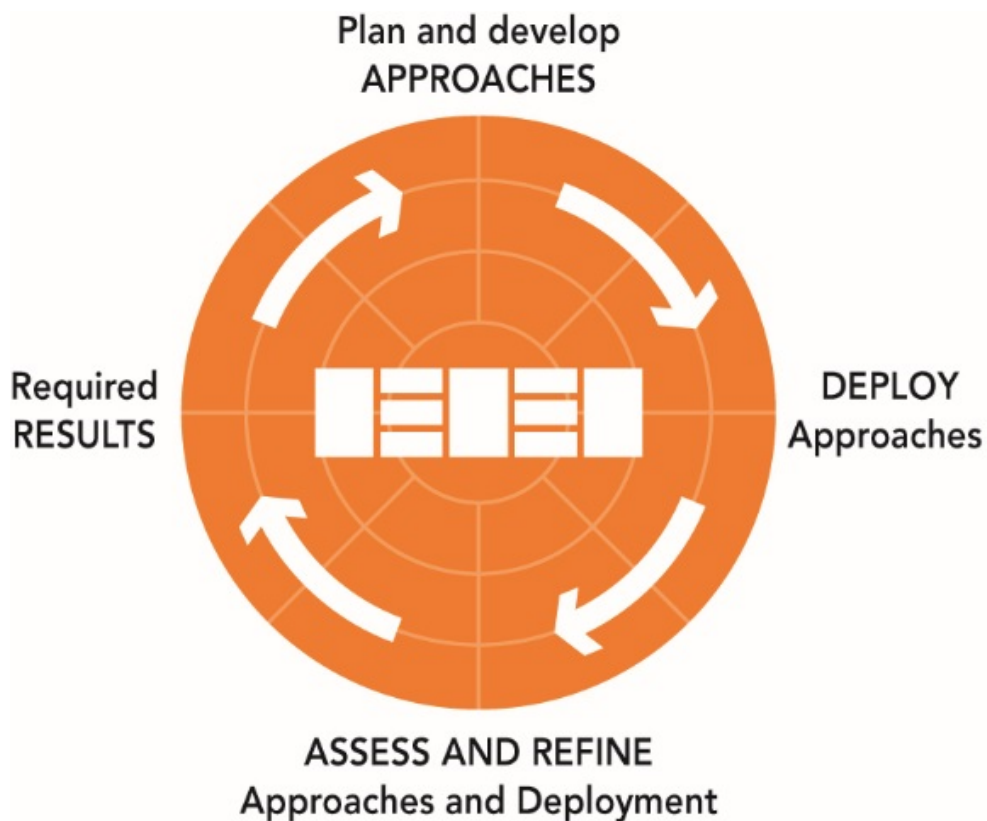
When assessing results, one of the attributes in the “Performance” element is “Comparisons”. This is where the distinction between “benchmarking” and “comparisons” is clearest. And it’s worth remembering that one of the ways of demonstrating the relevance of targets is comparisons with the performance levels of other organisations.



RADAR Dynamics

The RADAR is a dynamic cycle. When we're applying it to a single approach or process, the separation between Enablers and Results we see in the Criteria is less distinct. In terms of "the way we work" in the real world, if we're applying the RADAR, we just from using the Enablers RADAR to the Results RADAR and back again. As we explained above, we use the "Measurement" element of the Enabler RADAR to assess whether we have the right measures in place to be able to determine the effectiveness and efficiency of the approach and its deployment. Improvements identified here could generate opportunities for improvement in terms of the "Scope and Relevance" of the results being used but it's possible in theory to scope high in "Measurement" even though performance is poor because you have the right measures in place. This would be balanced by lower scores in the "Learning & Creativity" and "Innovation & Improvement" elements.

The actual assessment of how "good" the results are is done using the "Performance" elements of the Results RADAR. This is where we analyse the trends, whether targets are met and how performance compares with other organisations. In terms of the dynamic of the EFQM Model, if we want to improve a result, we have to change what we do in the Enablers. At this point we switch back to the Enablers RADAR, where the outputs from this review will feed into Learning, Innovation and Improvement (see diagram below).



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Where does benchmarking fit in the Assessment Cycle?

Unless you're looking to understand or improve your self-assessment methodology, the most likely point where benchmarking will enter the cycle is once you've agreed the priorities and are developing the action plans.



In terms of the definitions of “benchmarking” and “comparisons”, the first focuses on the 5 Enabling Criteria and the second on the 4 Results Criteria. However, if we think of processes in terms of the RADAR, it makes things easier. The key results, which will appear in the appropriate Results Criteria will be defined in, and used to, Assess and Refine the relevant Approach.

In most cases, a benchmarking project will be a combination of both these activities; first comparing results to identify who is better than you, followed by benchmarking their approaches and supporting processes to find out how they are achieving this. After all, you want to make sure you're benchmarking with someone who's better than you are.

Benchmarking Methodologies

A benchmarking project, if it is to be done both effectively and efficiently, needs to follow a structured methodology. Without a structured approach, there is always a risk that the exercise will be little more than “industrial tourism”.

As any search engine will highlight, there are a number of different benchmarking methodologies readily available for use. At the end of the day, it doesn’t matter which methodology you choose, the biggest mistake is not to have a methodology and trust in serendipity. As with most things, it’s best to start with something simple and adapt from there based on your experience of what works.

Remember what we said previously about the difference between benchmarking and comparisons. You want to make sure you’re benchmarking with someone who’s currently performing a similar activity better than you are. It’s therefore advisable to first compare results to identify who is better than you, followed by benchmarking their process to find out how they are achieving this.

Benchmarking Approach

Here’s an example of how your benchmarking project could be structured, based on 4 phases:



Plan

As with most things in life, you need to be clear what your goal is from the start and develop an appropriate plan to ensure you have the best chance of getting the desired result. The key areas to define are:

- The theme for the project
- Expected outcomes e.g. desired performance levels
- Who from your organisation needs to be involved in the project team
- Your current process flow and performance levels
- The information you need to collect
- Target organisations to compare / benchmark with

Collect

Once your plan is complete, you can move to the collection phase. Some comparisons can be done remotely, using information publicly available on the web. Whilst annual reports tend to only include high-level financial information, sustainability reports often include more insights into the activities behind the results presented. True benchmarking to really understand how a process or activity is conducted is still something that is best done face to face. The key steps in the collection phase are to:

- Collect relevant performance data
- Identify potential benchmark partners
- Create a questionnaire / checklist to collect structured information during the visit
- Conduct the visit and collect the information required

Analyse

Now you've collected the information you wanted, it's time to analyse and understand where the opportunities for improvement are. The key steps in this phase are to:

- Compare the process performance indicators
- Compare the process flows or key activities
- Identify the gaps between you and the benchmark
- Identify possible actions to address the opportunities identified
- Agree the priorities
- Develop your improvement plan

Refine

The final stage is to put your improvement plan into action. The key steps in this phase are:

- Implementing the improvement plan
- Checking the effectiveness of the improvements implemented
- Closing the project and reverting to "business as usual"

Tips for planning your benchmarking project

Remember, it is not the role of the Quality / Excellence professional to undertake the benchmarking project. It is their role to facilitate the process and make sure the process owners have the tools and support they need to ensure the success of the project. When planning a benchmarking project we suggest you remember the following points:

- Engage the people from within the organisation who have a vested interest in the theme e.g. the process owners.
- Define a benchmarking methodology that will work repeatedly for your organisation.
- Use simple tools & templates to support the process (see Appendix 1 for an example of how to capture or share good practice using the RADAR).
- Be clear about the theme and objective before starting and allow enough time at the end of the project to ensure “lessons learned” can be shared and captured.
- Be open to ideas regarding benchmark partners; sometimes inspiration come from unlikely places.
- We talk about “Benchmark Partners” for a reason; what would they like to learn from you in return?
- Agree some “rules of engagement” with your benchmark partner, so you are both clear about expectations and how you will work together (see Appendix 2).

Benchmarking with Competitors

Many people struggle to see the benefits of “cross-sector” benchmarking; it seems logical to compare yourself with your competitors. After all, in many markets, that’s who your customers will be comparing you with. But, there may be a problem...

Seek Legal Advice!

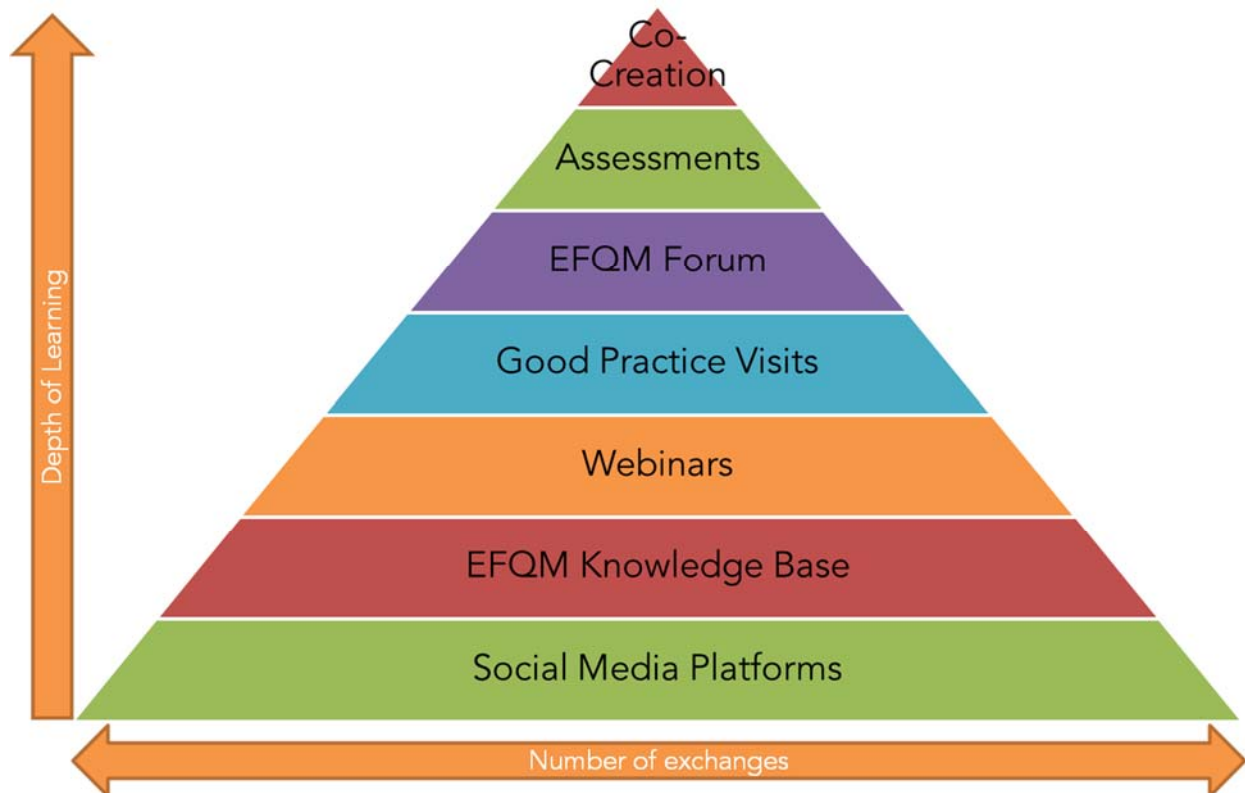
The greatest barrier, assuming you’ve found a competitor who’s prepared to exchange, is most likely to be legal. Legislation designed to prevent anti-competitive behaviour can make benchmarking with both actual and potential competitors very difficult. If you are thinking of benchmarking with a competitor, take legal advice first. What may seem like an innocent activity to you may be seen in a different light by the authorities.

As a minimum, you need to consider the following points when considering benchmarking with both actual and potential competitors:

- In Benchmarking with actual or potential competitors, ensure compliance with competition law. Always take legal advice before benchmarking contact with actual or potential competitors and throughout the benchmarking process. If uncomfortable, do not proceed. Alternatively, negotiate and sign a specific nondisclosure agreement that will satisfy the legal counsel representing each partner.
- Do not ask competitors for sensitive data or cause the benchmarking partner to feel they must provide such data to keep the process going.
- Do not ask competitors for data outside the agreed scope of the study.
- Consider using an experienced and reputable third party to assemble and ‘blind’ competitive data.
- Any information obtained from a benchmarking partner should be treated as internal, privileged communication. If "confidential" or proprietary material is to be exchanged, then a specific agreement should be executed to specify the content of the material that needs to be protected, the duration of the period of protection, the conditions for permitting access to the material, and the specific handling requirements that are necessary for that material.

How can EFQM help?

EFQM provides a number of opportunities for you to learn from other organisations within the network:



- **Social Media Platforms:** Thousands of Model Users belong to the EFQM Network for Sustainable Excellence. Posting a question here is often the quickest way to gain insights and experience from the network.
- **EFQM Knowledge Base:** The EFQM Knowledge Base contains Good Practices, identified and captured by our Assessor Teams during the EFQM Excellence Award process. They give insights into what the Assessors saw that was helping sustain the success of the organisation. There are also many tools, user guides and videos available. The EFQM Knowledge Base is free for our members. EFQM will help members identify potential benchmarking partners based on good practices identified via assessments.
- **Webinars:** We hold regular webinars on a variety of topics, including tools and techniques, good practices and new services. Check the calendar on the website for dates and topics. Again, the webinars are free to join and a great way to learn without leaving your desk.
- **Good Practice Visits:** Whilst it's nice to read or hear about what an organisation does, to really understand how it works, it's better to experience it live. We arrange Good Practice Visits throughout the year with organisations who have been recognised through the EFQM Levels of Excellence. These are free for members to join and not only give you the chance to learn from the host organisations; there's always opportunities to network with other like-minded individuals during the event.
- **EFQM Forum:** The annual EFQM Forum remains the place to be if you want to learn from the EFQM Excellence Award nominees, cutting-edge key note speakers and exchange ideas with people in the network. We design the format of the event to maximise the learning experience, both in terms of the speakers on-stage and the networking breaks.
- **Assessments:** One of the unique aspects of an EFQM Assessment is the Assessors. We train and select people from our members to conduct the assessments; real managers with real jobs. This creates a "win-win" experience for both the applicant and the assessors as learning, good practice and new ideas are exchanged throughout the assessment process.
- **Co-creation:** The top of the pyramid in terms of learning through EFQM is the co-creation of new products and services. This starts with the review of the EFQM Excellence Model itself, where ideas and suggestions are gathered from throughout our stakeholder community to ensure the Model continues to challenge organisations striving for excellence. We also develop new trainings, assessments, user guides and frameworks, often with a smaller group of members, to collate existing knowledge and experience and create something new.

Final Thoughts

A successful benchmarking project will inspire an organisation to change how it currently manages its affairs. If that organisation already has a proven track record of managing change projects successfully then the prognosis for the changes being proposed as a result of the benchmarking activity becoming embedded in the organisation is healthy indeed.

However, if the organisation is not known for managing change successfully then there are more fundamental questions to be addressed, e.g.

- Why haven't previous changes been successful?
- What needs to change to give this improvement initiative a chance of success where others have failed?

We started this guide with two quotes and so it seems appropriate to close it in a similar fashion.

*"It is not the strongest or the most intelligent who will survive
but those who can best adapt to change."
Charles Darwin*

Acknowledgements

We'd like to thank Geoff Carter for his contribution to this document.

Appendix 1 - RADAR Template

This simple RADAR template can be used to capture information in a structured way prior to an exchange. At EFQM, we use this structure to capture good practice spotted during assessments. Some members use a similar template for capturing and sharing internal good practice between locations.

Subject	
Organisation	
Contact Details	
Result	(Please summarise the key objective of the approach you have adopted)
Approach	(Please describe the current approach within your organisation)
Deployment	(Please describe where / how / this approach was implemented within your organisation)
Assessment	(Please describe how you currently measure the effectiveness and efficiency of the current approach & deployment)
Current Performance	(Please describe how the process is currently performing)
Refinement	(Please describe how you have improved the approach and / or deployment over time)

Appendix 2 – Rules of Engagement

Setting some “rules of engagement” helps to clarify the expectations of the parties involved. Mutually agreeing these rules also helps you understand each other a little better – think of it as an ice-breaker.

Here’s an example that you could use as a starting point:

Preparation

- We will agree an agenda in advance of each meeting.
- We will be prepared for each meeting, in line with the agreed agenda, to ensure we make best use of our time.
- We will agree how information exchanged is to be used before meeting.
- We will clarify any legal issues or concerns before meeting.
- We will arrive on time and finish on time.

Open Exchange

- We will be as open, honest and respectful in all exchanges as possible.
- We will provide the same type and level of information as we would expect to receive from you.
- We will try to avoid using corporate jargon and acronyms; where this is not possible, we will provide a translation.
- We will endeavour to deliver the information we have promised, within the agreed timescale.
- We will not ask for information outside the agreed scope.

Respecting Confidentiality

- We will treat all information obtained through this benchmarking project as “company confidential”.
- We will not name the organisation or individuals involved in any open forum without your prior permission.
- We will not pass your contact details on to a 3rd party without prior permission.
- We will only use the information exchanged in line with our agreement.

Getting involved

EFQM is a membership organisation. We rely on input, ideas and suggestions from you to create a vibrant community. If you have any ideas, questions or suggestions, please don't hesitate to contact us via e-mail (info@efqm.org) or via telephone (+32 2 775 35 11).

- Join the [EFQM Network for Sustainable Excellence](#) on LinkedIn
- Follow [@EFQM](#) on Twitter and ask any question using [#askEFQM](#)
- Find the [EFQM page](#) on Facebook
- View [EFQM videos](#) on YouTube
- Meet the [EFQM Team](#) on EFQM website

Becoming a member

Organisations can join the EFQM member community and enjoy some exclusive benefits such as access to free assessment and improvement tools, participation to events, themed webinars and good practice visits. To learn more about our member community, feel free to contact us or to join one of the free introduction meetings at our offices in Brussels.

As a member of EFQM, you will enjoy the following exclusive benefits:

- Expert advice and support for your organisation's journey towards excellence.
- Access to the EFQM Knowledge Base, a database containing a number of free to download assessment, management and improvement tools; as well as Good Practices identified from the last 3 years of the EFQM Excellence Awards.
- There are themed events and webinars throughout the year, with Good Practices and new tools being shared and explained by EFQM and member organisations.
- Members receive a discount of 20% on EFQM Products & Services, including Training, Publications and Recognition.

For more information about EFQM:

- Website : www.efqm.org
- Email : info@efqm.org

Through EFQM, there are numerous opportunities for you to engage in interactive discussions or activities on this or other topics. For more information, [please contact us at info@efqm.org](#).



EFQM

Avenue des Olympiades 2

1140 Brussels, Belgium

Tel: +32 2 775 35 11

Fax: +32 2 775 35 96

info@efqm.org

www.efqm.org

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