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Commentaries and Insights from Allawos & Company

Benchmarking

Michael Allawos, Principal Consultant

Is your company performing at the top of its game? How do you know? Are you relying on sales figures, employment numbers, and/or net profits to gage the health and strength of your company?

Benchmarking is comparing one's business process and performance metrics to industry's best and best practices from various companies typically within the same commodity or industry but not necessarily depending on the processes being compared.

Almost any subject matter can be benchmarked if it's measurable. Processes, policies, procedures, employee benefits, job descriptions, pricing, standards, customer satisfaction, value, review process and the list goes on and on. Even some forward thinking governmental agencies perform benchmarking to improve their overall performance and customer satisfaction.

What you don't know can hurt your bottom line as well as the future of your organization. Many industry groups provide benchmarking surveys as a benefit to membership that can be taken advantage of. However, the biggest complaint is that the surveys lack a robust participation rate. Many are reluctant to give out data for fear of increased competition. This is a valid concern.

If you are not a member of any industrial group or collaborative there are a number of companies that can provide the necessary information for a price or even for free.

Another way forward is to simply put a team together within your organization and perform the benchmarking process yourself. The following is a short list to help with that process:

- Put together a team both inside and outside of the process or subject matter that is to be benchmarked
- Identify potential partners
- Focus on your key business drivers
- Decide who or what to benchmark against
- Compare strategic objectives and define the process
- Establish process differences
- Identify data sources
- Assess the efficiency of your processes
- Analyze your allocation of resources
- Review your internal and external costs against industry norms
- Hone in on your real profit margins
- Measure your customer service standards
- Obtaining benchmarking information through widely available industry norms and surveys published for your industry
- Adjust goals
- Review and recalibrate
- Determine the gap
- Implement
- Communicate

This process can be a time intensive process; however, it is an investment into your future and should not be taken lightly. Many firms fail to plan for their future with tools such as benchmarking, strategic planning or even a simple business plan. These are small investments that normally pay for themselves through increased opportunity and less missteps that can lead to costly outcomes.

Six Phases of Benchmarking



Phase 1: Concept & Scope:

This phase is about deciding what type of benchmarking to use, how are you are going to undertake the task and with whom? Stakeholders need to have a shared commitment and understanding of benchmarking goals.

Decide on the scope

- Related to Strategic Plan priorities
- Decide on the type of benchmarking to be undertaken
- Potential improvements that are worth the investment in the benchmarking exercise

Select benchmarking partners

- Choose a partner based on their performance in the specific area to be benchmarked
- Collect evidence of partner performance
- Establish willingness to enter into a benchmarking partnership
- Confirm that the benchmarking partner is able to provide the data required
- Determine the need and schedule site visits if required

Phase 2: Plan & Design:

This phase is critical in identifying and agreeing on the benchmarking project's objectives, scope (as well as what is not in scope), schedule, allocation of tasks, timelines and deliverables, development of a project plan, project team, reference group, and communication plan.

Select the project team

- 3-9 members is a manageable team
- Members need to be open-minded about change and focused on improvement

Phase 3: Self Review

This phase includes: Planning self-review activities; identifying key stakeholders to answer particular sections; writing up institutional context statements for peer review workshops; collecting evidence from as many sources and stakeholders as possible; triangulating the evidence, using focus groups, surveys and interviews to gather data for analysis and consideration.

Identify the data

- Establish how performance will be measured
- Compare business process charts to ensure that the collected data can be used for comparison
- Define performance indicators which are precise enough to support meaningful comparison

Phase 4: Peer Review

A common and useful element of the review process is to conduct a peer review workshop (either face-to-face and/or Skype) with the benchmarking partners comparing processes and data. The key aims of the workshop are:

To identify areas of good practice

To identify areas for improvement

To identify areas for sharing and collaboration

The peer review workshop is also an external validation and calibration exercise to assist institutions to understand the quality of their processes.

Compare data and establish reasons for differences in performance, including

- Operating procedure

- Leadership & management systems
- Resource allocation
- Evaluation systems
- Staff policies & support
- Organizational culture
- Location
- Level of competition



Establish targets for improved performance

- Determine targets that move performance to best practice over time
- Assess the implications of the targets for staff and stakeholders
- Express the targets as performance indicators



Complete the Benchmarking Report

- Brief outline of methodology
- Presentation of quantitative data
- Results of benchmarking analysis
- Summary of findings
- Recommendations



Develop an Action Plan

- Be informed by the current Strategic Plan, Business Plan and Succession Plan
- Address the required change in time-framed incremental steps

Phase 5: Communicate and Implement Improvements

This phase is about communicating the findings from the peer review workshop and implementing improvements. Discussions need to consider who is responsible for carrying out these improvements and do these improvements carry significant budget implications.



Implement the approved Action Plan

- The purpose of benchmarking is to improve so implementation is key
- Requires sustained commitment

Phase 6: Evaluate and Review

This phase is about evaluating the effectiveness of the benchmarking exercise. What were the outcomes? How useful were they? Were they implemented? Reflect on the learnings of the benchmarking exercise to identify how the process could be strengthened.

An important key to success in benchmarking or any other important business process is communication, a teaming approach and buy in at all levels to ensure not only a quality outcome but a successful implementation of corrections or new processes and procedures.

About Allawos & Company, LLC 

Allawos & Company is a comprehensive global management business-consulting firm, tuned to enable organizations to identify and exploit opportunities through creative engagement built on a foundation of decades of senior management experience.

We are a global management consulting firm specializing in business plans, business development, corporate development, contract negotiations, employee surveys, strategic planning and turnarounds.

We service the aerospace industry to healthcare, semiconductor to farming and most industries in between. Our comprehensive consulting services improve the client's condition and leaves behind the tools for growth.

Sincerely,

Michael Allawos



Allawos & Company, LLC
Global Management Consulting Services
Michael Allawos
President
1200 E. Route 66 - Suite 201
Glendora, CA 91740
(626) 335-5015
(626) 824-4546 Cell
Skype: Michael.Allawos
www.allawosandcompany.com
michael.allawos@allawosandcompany.com

Michael Allawos
President & CEO
Principal Consultant
California, USA

Albert van Rensburg
Senior Consultant
International Bus. Dev.
Gauteng, South Africa

Stephanie Jones
Senior Specialist
Employee Relations
California, USA

Dr. David French
Senior Consultant, Human
Development
California, USA

Larry Vertal
Senior Consultant
Corporate Development
California, USA

James Kohlhaas
Senior Consultant
Systems Integration
Washington DC, USA

Jim Shivers
Senior Specialist
Water Treatment
California, USA

Alex Kam
International Trade
Specialist
China & Hong Kong

Ambassador Werner
Brandstetter
International Diplomat & Strategist,
Vienna

Dennis Alfieri
Senior Consultant
Real Estate/Gov. Affairs
California, USA

Magnus Caspar
Senior Consultant
Basel, Switzerland

William (Bill) Dykes
Senior Business Consultant
Texas, USA

**More information is available at
<http://www.allawosandcompany.com>
or by calling (626) 335-5015 or (626) 824-4546**

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