

Applying Process Frameworks Holly Lyke-Ho-Gland

Driving Process Improvements: At the Intersection of Benchmarking and Process Frameworks

Benchmarking is a vital activity. However, that statement raises the question, “what does benchmarking really mean?” Furthermore, why do companies benchmark and what value do they derive from it?

Simply put, benchmarking is the process of comparing and measuring your organization against others to gain information on philosophies, practices, and measures that will help your organization take action to improve its performance. It also gives organizations an idea of where their performance stands in relation to the competition and insight into how they can raise their performance to levels that will lead to the achievement of business goals. Organizations typically conduct benchmarking for a variety of reasons, including:

1. improving profits and effectiveness,
2. accelerating and managing change,
3. setting stretch goals,
4. achieving breakthroughs or innovations,
5. overcoming “not invented here” complacency or arrogance, and
6. gaining new perspectives.

To answer the aforementioned questions and dig deeper into benchmarking and its value, APQC conducted a [survey](#) to provide insights into common benchmarking practices and the value benchmarking provides for core business activities such as: process improvements, performance management, and strategic planning.

But What are They Using Benchmarking For?

Generally speaking, organizations continue to nurture their support for benchmarking activities; over half of the survey respondents have increased their investment over the last three years. This is due to their tendency to leverage benchmarking for an array of reasons, from managing ongoing performance (51%) to providing context to support their business cases (61%). However, to understand where and how organizations derived value from benchmarking, we asked respondents which business activities they supported with benchmarking within the last 12 months (Figure 1).

Purpose of Benchmarking Projects

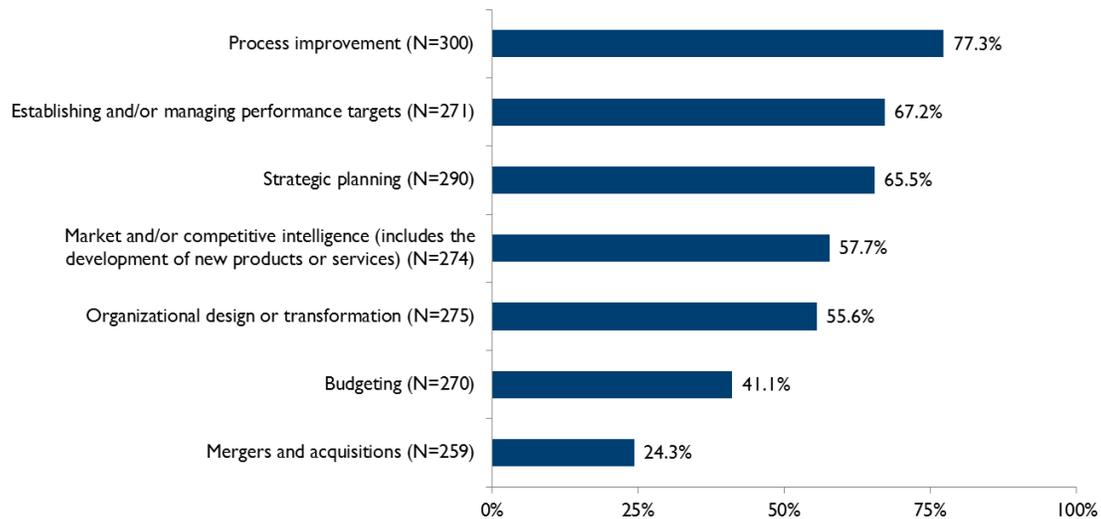


Figure 1

Though process improvement is the primary application of benchmarking—over three-quarters of respondents—there is a vast array of reasons the respondents use benchmarking. The majority of respondents are also using benchmarking for everything from establishing and managing performance target to organizational transformation.

Benchmarking for Process Improvements

Simply stated, process improvement is a systematic approach that helps an organization optimize its underlying processes and achieve more efficient results. Process improvement includes a series of actions by a process owner to identify, analyze, and improve existing business processes within an organization to meet new goals and objectives, such as increasing performance, reducing cost, and improving cycle times.

As discussed in an earlier [article](#) on frameworks and end-to-end processes, benchmarking current performance is a natural extension of process mapping. Once the organization has established a common process model and mapped out its processes, it can then use the information it gathered while assessing the current state and mapping activities for benchmarking.

Hence, the reliance on benchmarking to support organizations' process improvement efforts comes as no surprise. Organizations are using benchmarking to create an objective foundation for decision making and provide context around performance to

identify and prioritize what is worthy of the investment that improvements require, as well as uncover new practices for adoption or adaptation (Figure 2).

Process Improvement Benchmarking Practices

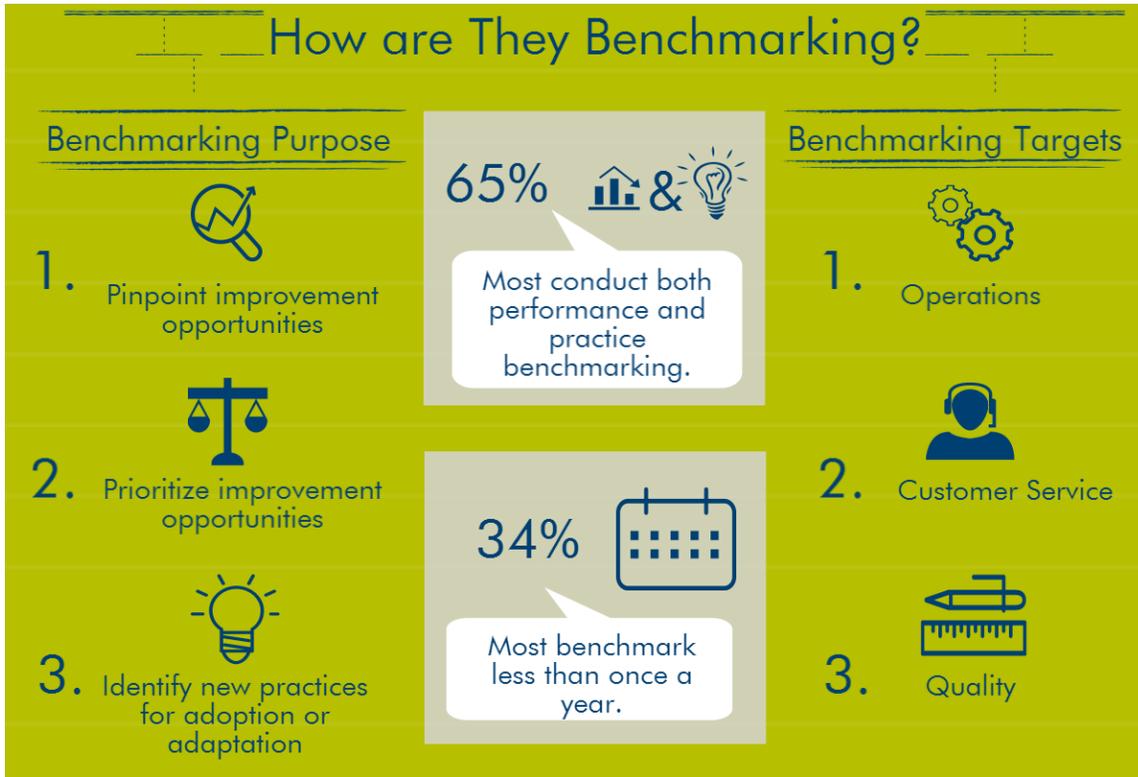


Figure 2

Though organizations are conducting benchmarking for all the “right” reasons, it is concerning that they are typically benchmarking less than once a year for process improvements. The most likely reason for this is the tendency to benchmark processes reactively rather than as part of ongoing performance management. When we looked at the benchmarking practices for organizational performance management, the average rate of benchmarking jumped to once a year—most likely as a result of initial goal setting. In other words, organizations are missing out on opportunities to leverage benchmarking at regular intervals to provide context for their performance and proactively look for areas of improvement.

In addition to looking at the benchmarking practices for process improvements, we also wanted to understand organizations’ satisfaction with the effectiveness of the business activity—in this instance, process improvements—and the ability of benchmarking to help meet their goals (Figure 3).

Process Improvement and Benchmarking Effectiveness

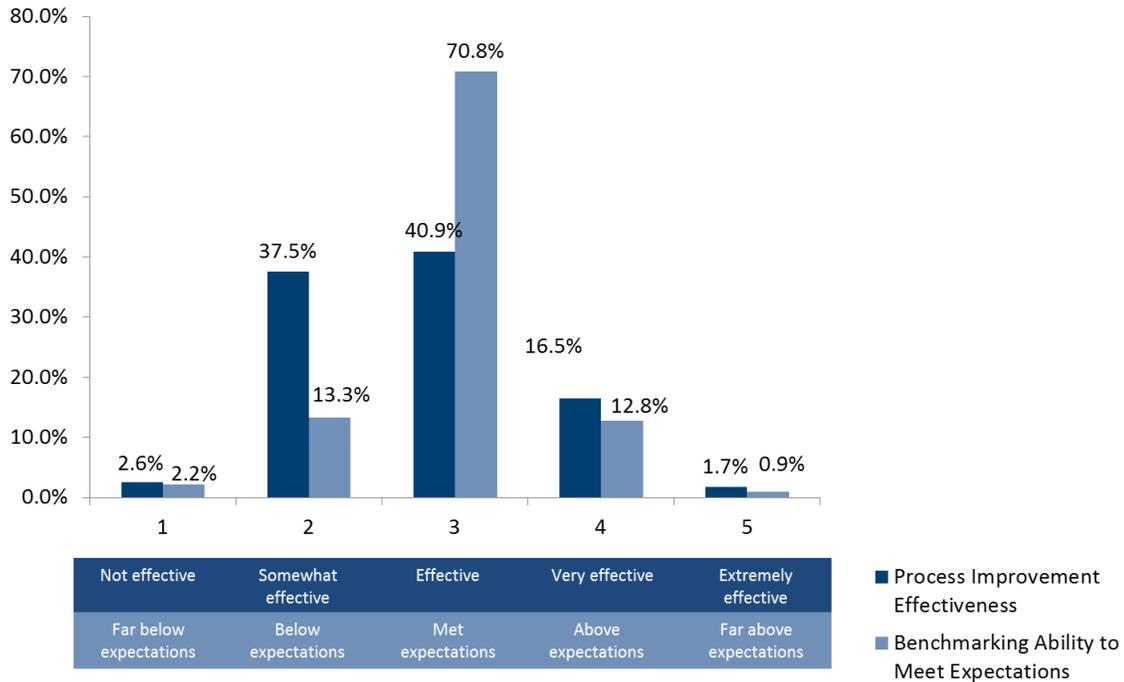


Figure 3

What we found is that, generally, benchmarking efforts are meeting the expectations of organizations (71 %). However, organizations are less optimistic in regard to their process improvement efforts in general; though 41 percent cite their efforts are effective, over a third of respondents indicate that they are only somewhat effective or not effective at all.

This raises the question, “why are organizations less than satisfied with their process improvement efforts?”

How do Frameworks Help?

Though benchmarking is generally a part of how organizations conduct business, this does not mean it is not without its challenges. The two biggest challenges organizations face when benchmarking are:

1. Identifying true best practice organizations for comparison (52%)
2. Identifying valid data that organizations can use to make apples-to-apples comparisons (49%)

In other words, organizations struggle with ensuring their information (processes and measures) is comparable across the organization and with other organizations, which boils down to a matter of language and identification. This becomes even more

relevant when considering that 53 percent of organizations outsource the data collection activities for performance benchmarking.

This is where process frameworks are particularly helpful. Frameworks provide a common foundation for measures and organizational capabilities—or a common language for both practice and performance. Additionally, some frameworks, like APQC’s [Process Classification Framework® \(PCF\)](#), provide a list of common key performance indicators (KPIs) for the process elements, giving organizations an starting point for identifying the best fit KPIs.

For example, [EMC](#) determined that process performance measurement without context does not provide meaningful information for decision makers. Hence, it uses internal and external benchmarks for its performance measures, identified using the PCF, to put its performance in context and establish apples-to-apples comparisons both internally and externally. The research included identifying the top quartile, the median, and the bottom quartile performance measures through third-party sites, such as [APQC’s benchmarking portal](#), and comparing peer organizations’ measures when possible. This information is integrated into an end-to-end process scorecard (Figure 4) to track performance over time to meet EMC’s objectives of understanding which processes provide strategic value and identifying and prioritizing improvement opportunities.

End-to-End Processes Scorecard

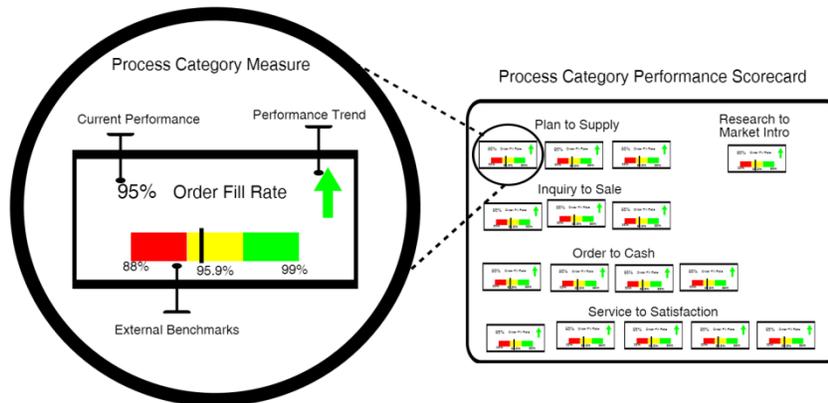


Figure 4

The features of the scorecard help decision makers understand the performance of the process, and they also provide the ability to scan the scorecard, identify performance issues, and drill in to identify opportunities for improvements.

Conclusion

The long-term goal of intersecting benchmarks with a process framework helps organizations improve their process improvement efforts. For organizations like EMC, the idea of leveraging both a framework and benchmarks helps it enhance the organization’s process improvement process through common language and

objective, data-based decision making. Applying benchmarks helps ensure improvement projects:

- goals are established in the context of median, bottom, and best-in-class performance;
- decisions are based on quantifiable variance between goals and performance, and
- process and performance comparisons are made using the same measures and taxonomy. .

Author.

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