



# Glossary of Benchmarking Terms

Dear Reader,

The Global Benchmarking Network (GBN) is an international association of private, public, non-profit and research institutions with an expertise in benchmarking. We intend to leverage our capabilities and benchmarking knowledge by means of mutual exchange among members and to introduce best practices identified by benchmarking to a wider audience of partners. Based on the distinct experience of our members from all over the world, we keep track of the state of the art in benchmarking and contribute to its enhancement.

Within the GBN, and also on a more general note, it is crucial to share a common understanding of the terminology in our field of study. Benchmarking newcomers and experts alike may profit from defined standards in benchmarking terminology. It allows experts to express their ideas in a particularly concise fashion whereas newcomers may use it to quickly establish a comfortable familiarity with the jargon we frequently use. For this purpose, we have prepared the benchmarking glossary enclosed. It consists of a list of terms that often surface in benchmarking projects or papers and provides definitions for every single entry. We hope that you enjoy the glossary and find it useful when help is needed. Of course, we will gladly amend the glossary or eliminate any inconsistency you notice.

A handwritten signature in black ink, appearing to read 'Robert C. Camp', is written in a cursive style.

Robert C. Camp, PhD

GBN President

### A

#### **Activity**

A series of transactions that translates inputs into outputs using resources in response to a business requirement; sequences of activities in logical combinations form processes

### B

#### **Benchmark**

A measured, "best-in-class" achievement; a reference or measurement standard for comparison; this performance level is recognized as the standard of excellence for a specific business process.

#### **Benchmarker**

(The host) Those doing the benchmarking.

#### **Benchmarkee**

(The partner) Those being benchmarked.

#### **Benchmarking**

Benchmarking is the search for solutions leading an enterprise to better performances, which is based on the best methods and procedures of the industry. The establishment of company targets on the basis of the optimum methods and procedures of industry is an important success factor of business strategy.

#### **Benchmarking Facilitator**

Benchmarking Facilitator assists the Benchmarking project participants through the process. Facilitators also provide a service by gathering the results data from the participants, compiling it into meaningful comparisons, and blinding the sources before providing the information to the participants.

#### **Benchmarking gap**

The difference in performance between the benchmark for a particular activity and other companies in the comparison; the measured leadership advantage of the benchmark organization over other organizations.

#### **Benchmarking of companies**

Here, companies learn from another; they compare index numbers and exchange information about Benchmarking objects.

#### **Benchmarking of Sectors**

The Benchmarking of sectors compares the performances of individual sectors. The goal is to learn from other sector which, according to certain criteria, perform better.

### **Benchmarking of the environment**

The Benchmarking of the environment gains increasing importance for comparing political, social or economic environment.

### **Benchmarking Partners**

Benchmarking Partners are the comparative companies considered in the Benchmarking project, who are willing to exchange information openly and thus to enter a mutual learning process.

### **Best-in-class**

Outstanding process performance within an industry; words used as synonyms are best practice and best-of-breed.

### **Best-in-class benchmarking**

Identifying the best processes regardless of the industry. For example, a hotel's accounting department looking at that of a manufacturing business may identify it as having the fastest accounts receivable turnover.

### **Best-of-breed**

Outstanding process performance within an industry; words used as synonyms are best practice and best-in-class.

### **Best practice**

There is no single "best practice" because best is not best for everyone. Every organization is different in some way – different missions, cultures, environments, and technologies. What is meant by "best" are those practices that have been shown to produce superior results; selected by a systematic process; and judged as exemplary, good, or successfully demonstrated. Best practices are then adapted to fit a particular organization.

### **Business management**

Benchmarking support functions such as human resources, research and development, orderprocessing, or management information systems.

### **Business practices**

Methods or approaches that help to facilitate the execution of business processes.

### C

#### **Capital productivity measure**

This measure is an economic productivity indicator. It measures the level of output (in dollars / euros) achieved for each dollar / euro of asset.

#### **Code of conduct**

A behavioural convention that describes the protocol of behaviours – the set of conventions prescribing correct etiquette and procedures to be used in a common activity.

#### **Company-Specific Benchmarking**

It is hardly ever possible to find internal processes that can really be compared with each other. The processes are usually characterized by technological, organisational and personal influences and are targeted on ancillary plants or departments.

#### **Comparison**

This stage in Benchmarking project focuses on the selection of comparative companies and the comparison of objects set at the start of project. The result of comparison stage is a combination of those practices and parameters that have been considered the best when comparing them to the individual aspects of the Benchmarking project. Regarding the studied business process, this leads to the best practices of all Benchmarking partners

#### **Competitive analysis**

Analysing the magnitude and rationale for the gap between one's own organizational performance measures and the performance measures of competing organizations.

#### **Competitive**

A measure of organizational performance compared against benchmarking competing Organizations.

#### **Consortium Approach to Benchmarking**

This approach helps in involving competitive organisations in benchmarking efforts. The participants in a consortium project would generally have minimal training or experience in benchmarking. This would require the expertise of a benchmarking facilitator to assist the participants through the process.

#### **Continuous process**

Ongoing improvement of business processes in terms of quality, improvement cost, or cycle time.

#### **Core competencies**

Strategic business capabilities that provide a company with a marketplace advantage.

### **Corporation-Specific Benchmarking**

This method is used when comparing several plants or parts of a company within a corporation. It can prove as an objective and sound preparation of external Benchmarking.

### **Critical success factors**

Quantitative measures for effectiveness, economy, and efficiency; those few areas where satisfactory performance is essential in order for a business to succeed; characteristics, conditions, or variables that have a direct influence on a customer's satisfaction with a specific business process; the set of things that must be done right if a vision is to be achieved.

### **Customer analysis**

The evaluation of a customer's conditions and trends relative to a particular product or service of a business-tool include customer focus groups, field trial testing, customer satisfaction measurement, customer feedback systems, and the use of various types of questionnaires and survey instruments.

## E

### **Economic productivity**

It is the level output or added value (in monetary value) achieved by an enterprise (manufacturing/service) for every unit of input of any specific resource or a set of resources (in monetary value).

### **Economic productivity benchmarking**

It provides enterprises with a systematic method to compile economic productivity indicators. This method is instrumental for enterprises to develop a economic productivity dashboard and thus identify activities and processes that are not adding to value but to cost.

### **Economic productivity indicators**

These indicators indicate the contribution of each unit of input (internal or external resources) to final output (value addition, profitability and return on investment). They help to identify areas of low productivity and they can also be studied over time, between different departments, or compared with those of the industry.

### **Effectiveness**

Doing the right job.

### **Efficiency**

Doing the job in the right way.

### **Enabler**

Those processes, practices, or methods that facilitate the implementation of a best practice and help to meet a critical success factor; enablers help to explain the reasons behind the performance indicated by a benchmark.

### **Entitlement**

The best that can be achieved in process performance using current resources to eliminate waste and improve cycle time; obvious improvements that are identified during the process of benchmarking and that may be accomplished as short-term goals.

### **Etiquette**

The conduct or procedure required to be observed in social or official life.

### **Exchange**

The act of giving or taking one thing in return for another.

### **External Benchmarking**

Benchmarking is a method to look to the outside. Here, the practices of the own company are compared with the practices of external companies. Comparison implies that there must be basic similarities. These similarities must be identified before Benchmarking.

## F

### **Functional**

Process benchmarking that compares a particular business benchmarking function at two or more companies.

### **Functional benchmarking**

Identifying competitors or industry leaders not only in the same but also in different industries.

### **Flowchart**

A schematic diagram that uses various graphic symbols to depict the nature and flow of the steps in a process. The flowcharts can be drawn to represent different levels of analysis, e.g., macro, mini, and micro.

## G

### **Gap**

In the context of statistical sampling, a gap is the portion of the universe not included in the frame. The larger the gap, the higher the risk of invalid results. In the context of strategic planning, a gap is the difference between what an organization is doing today to accomplish its mission and what it needs to do to achieve its vision of the future organization.

### **Generic benchmarking**

Process benchmarking that compares a particular business function or process at two or more companies independent of their industries.

### **Global benchmarking**

The extension of strategic benchmarking to a global scale.

### **Goals**

The numerical target value or observed performance that indicates the strategic direction of an organization.

## I

### **International Benchmarking Clearinghouse (IBC)**

A part of the American Productivity and Quality Centre (APQC) that specializes in networking services, information searches, and databases for benchmarking.

### **Implementation**

Specific tasks that will make a strategy into a reality.

### **Independent Benchmarking**

Independent Benchmarking is compellingly Benchmarking of business processes. A clear definition of the process that should be compared is a mandatory prerequisite. During the definition stage, the project team is often able to identify incipient weak points and develop appropriate measure.

### **Industry benchmarking**

Conducting research only in a whole industry to obtain baseline information, e.g. hotel industry.

### **Internal benchmarking**

Internal Analysis lays the foundation of the understanding of the own processes. Also the participants identify certain strengths and potential areas of improvement.

### **Internal benchmarking**

Process benchmarking that is performed within an organization by comparing similar business units or business processes.

## K

### **Key business process**

Those processes that influence the customer's perception of your business.

## L

### **Leadership**

The process of inducing others to take action toward a common goal.

### **Leadership goal**

A goal whose achievement will place an organization in a leadership position among similar organizations.

### **Long-term goal**

A goal that may be accomplished in a longer term, usually one to five years.

## M

### **Market-Specific Benchmarking**

With market-specific Benchmarking companies can learn from their competitors; they can introduce improvements and keep an eye on the market objectively.

### **Metrics**

The quantified effect of implementing the practices.

### **Milestone**

A mark of a significant point in development.

### **Model**

A description, representation, or analogy that is used to help visualize something that cannot be directly understood.

## N

### **Networking**

A decentralized organization of independent participants who develop a degree of interdependence and share a coherent set of values and interests.

### **Non-competitive benchmarking**

Involves comparison of a related process in a non-competitive organisation, a related process in a different industry and an unrelated process in a different industry.

## O

### **Objective**

The set of results to be achieved that will deploy a vision into reality.

### **Operational benchmarking**

Attempting to exceed the best practice organisations at a specific activity, function or operation.

### **Opportunities**

Arise both from elements under the control of the industry and from changes in external factors that can be credited to the organisation's advantage.

P

**Parity goal**

A goal whose achievement will place an organization at an equal position among similar organizations.

**Partner**

To form relationship between two parties who are associates or colleagues involving close cooperation and implying joint rights and responsibilities.

**Performance**

Measurement of the performance of one company's product benchmarking against that of another company.

**Performance benchmarking**

An activity of comparing one's performance level against other businesses on the basis of ranking, e.g. the speed of computer processing, reliability, and so on.

**Plan-Do-Check-Act Cycle**

Also known as Deming cycle, it is an application of the scientific method useful for gaining knowledge about and improving a process.

**Process**

A series of interrelated activities that convert inputs into results (outputs); processes consume resources and require standards for repeatable performance; processes respond to control systems that direct the quality, rate, and cost of performance.

**Process benchmarking**

The measurement of discrete process performance and functionality against organisation that is excellent in those processes.

**Prerequisites for Benchmarking**

Several prerequisites have to be fulfilled to practice Bench marking, such as; knowledge of BM method, enough time allotment, active management participation and acceptance of changes due to benchmarking study, etc.

Q

**Quality**

The extent to which a product or service meets or exceeds customer requirements and expectations.

**Quality Characteristic**

A property or attribute of a product or service that is considered important to a stakeholder.

### **Quality Philosophy**

An enduring, value-based set of interrelated statements created by an organization's guiding members that reflect the quality principles, concepts, and methods that address what the organization stands for and how it conducts its business.

### **Questionnaire**

A set of questions for obtaining statistically useful process or personal information.

## R

### **Realisation**

This is the stage in Benchmarking project, where aspects learned are not copied but transferred into the own company to improve business processes, methods, products or services decisively.

### **Reengineering**

The radical redesign of business processes, organizational structures, management systems, and values of an organization to achieve breakthroughs in business performance.

### **Reverse engineering**

A comparison of the product characteristics, functionality, and performance with similar products made by competitors.

## S

### **Short-term goal**

Goal that may be accomplished within a short time frame, usually less than one year.

### **Stakeholders**

The groups and individuals inside or outside the organization who affect and are affected by the achievement of the organization's mission, goals, and strategies.

### **Strategic alliance**

A strategic bond or connection between organizations with common interests; an association to further the common interests of its participants.

### **Strategic benchmarking**

A systematic business process for evaluating alternatives, implementing strategies, and improving performance by understanding and adapting successful strategies from external partners who participate in an ongoing strategic alliance.

### **Strategic Goal**

A long-range change target that guides an organization's efforts in moving toward a desired future state.

### **Strategic intent**

A statement of the persistent ambitions of a company that helps to guide its decisions for resource allocation and goal setting.

### **Strategic planning**

A road map to gain competitive advantage by achieving goals that define business objectives for critical success factors.

### **Strategy**

The plans and means to achieve the goal for a particular objective.

### **Strengths**

Those attractions, facilities and operation that match up to the customer's needs.

### **Survey**

To query individuals in order to collect data for the purpose of analyzing some group or sample of a population.

### **System**

A network of interdependent components that work together to accomplish a common aim.

## T

### **Target**

A mark to shoot for; a goal to be achieved.

### **Team leader**

An individual who participates on a team and takes on the leadership role for that team.

### **Team member**

An individual who participates on a team and may take on one or more roles with respect to that team.

### **Threats**

Arise from both internal and external factors.

### **Thesaurus**

A book of words and their synonyms.

### **Total Productivity measure**

This measure is an economic productivity indicator. It measures the level of output (in dollars / euros) achieved for each dollar / euro spent by the company.

**Total quality**

A customer-focused management philosophy and strategy management that seeks continuous improvement in business processes using analytical tools and teamwork that encompasses the participation of all employees.

**V**

**Vision**

The achievable state of what an organization wants to do and where it wants to go.

**W**

**Weaknesses**

Lack of those attractions, facilities and operation that match up to the customer's needs.

**World-class**

Leading performance in a process independent of industry, function, or location.

**Sources and Contributors**

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