

A GLOBAL BENCHMARKING NETWORK PUBLICATION

# GLOSSARY OF BENCHMARKING TERMS AND BENCHMARKING FAQ



Global  
Benchmarking  
Network

# FOREWORD

Dear Reader,

The Global Benchmarking Network (GBN) is an international association of private, public, nonprofit 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.

Robert C. Camp, PhD



GBN President



# GLOSSARY OF BENCHMARKING TERMS

## 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

## 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, order processing, or management information systems.



## BUSINESS PRACTICES

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

## 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.

## 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**UNCTIONAL

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**AP

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**NTERNATIONAL 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 ANALYSIS

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.

## KEY BUSINESS PROCESS

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

## 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.

## 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.

## 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.

## 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.

## 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 Benchmarking, such as; knowledge of BM method, enough time allotment, active management participation and acceptance of changes due to benchmarking study, etc.

## 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.

## 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.

## 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.

## 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.

## VISION

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

## 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.



# BENCHMARKING FAQs

## BENCHMARKING IS YOUR KEY TO BECOMING THE BEST OF THE BEST – ROBERT CAMP

### 1. WHAT IS BENCHMARKING?

Benchmarking is a business practice which stimulates process improvement by determining best practices across organizations, through performance measurement and understanding those factors which enabled higher performance of the leading organizations.

### 2. WHAT ARE THE ADVANTAGES OF BENCHMARKING?

Benchmarking provides an independent assessment of how well a process is operating, by evaluating performance of similar processes across different organizations. This enables setting of an objective baseline for realistic, quantitative performance goals for your own organization. (for more details refer to BestPrax Benchmark)

**ii.** Benchmarking broadens an organization's experience base. By looking at the experience of other organizations it gives examples of behaviors, systems and methods which enable better performance – as well as insights into those things that do not work so well. In this sense it supports a learning organization. (for more details refer to BestPrax Conclave)

**iii.** Benchmarking provides a stimulus for making breakthrough change initiatives a reality by enhancing the creativity and innovation of teams who are working on process improvement. Their source of innovative ideas is expanded to include all of the benchmarking partner organizations (for more details refer to Creativity Labs) (for more details refer to Creativity Labs)

### 3. WHAT ROLE DOES BENCHMARKING PLAY IN A LEARNING ORGANIZATION?

Benchmarking facilitates cross-organizational learning. It is an efficient vehicle for transferring "learning" across organizational boundaries. It is, in fact, a learning process – taking lessons from one organization and translating them into the unique culture and mission orientation of a different organization.

### 4. WHAT DO YOU MEAN BY PROCESS BENCHMARKING?

Process benchmarking is benchmarking that uses the discovery of process performance information to identify ways to improve an organization.

### 5. HOW DO YOU DISTINGUISH BETWEEN STRATEGIC AND OPERATIONAL BENCHMARKING?

Strategic benchmarking studies influence broad-based change and have the ability to shift the entire focus of an organization – restructure, goals realignment, re-engineering core business processes, etc. Operational benchmarking studies are smaller in scope. They are targeted at improving specific manufacturing and service delivery practices, as well as business and support processes.

## **6. WHAT ARE THE OUTCOMES OF A BENCHMARKING STUDY?**

The primary outcomes are the measurement comparisons among the participating organizations and the set of best practices which are “enablers” of the leading organization’s performance.

## **7. WHAT ARE SOME OF THE PITFALLS TO AVOID WHEN YOU BEGIN BENCHMARKING?**

At the initial stage of benchmarking it is very possible to let excitement about the ability to visit other organizations create a high level of enthusiasm and involvement in benchmarking. It is improvement to make sure that initial studies not only bring back the information that is significant to the business, but also that the initial studies teach the teams how to do benchmarking so that the organization develops to own competency in the field.





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FOR FURTHER INFORMATION CONTACT:  
GBN SECRETARIAT AT ICB, BERLIN  
TEL. +49 (0) 30-39006-171  
EMAIL: [GBN@IPK.FHG.DE](mailto:GBN@IPK.FHG.DE) FAX +49 (0) 30-3932503

