

Benchmarking



This knowledge paper is supportive of Procurement professionals operating at Managerial level of the CIPS Global Standard



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CIPS considers that benchmarking is an activity that, correctly applied, can contribute to continual improvement in purchasing and supply management and as such, is something that CIPS strongly encourages purchasing and supply management professionals to undertake on a regular basis.

- CIPS believes that a valuable tool in any benchmarking exercise is a process model which sets out the factors and parameters to be taken into consideration.
- CIPS encourages P&SM professionals to network and to undertake benchmarking on an informal and ad hoc basis. Benchmarking can therefore be a means of generating minor as well as major changes.
- CIPS strongly recommends that those about to undertake benchmarking thoroughly analyse their own processes first.
- CIPS encourages P&SM professionals to support benchmarking groups or clubs and maximise the benefits which they can provide.
- The CIPS view is that the process of benchmarking should lead to a change for the better.
- CIPS would encourage P&SM professionals to see benchmarking as an opportunity to improve, rather than a threat.
- CIPS believes that the subjects for benchmarking should ideally be linked to the strategic direction of the organisation.
- CIPS encourages P&SM professionals to benchmark their performance, as appropriate, on a regular basis in order that procurement in their organisation can be subject to continuous improvement.
- CIPS encourages P&SM professionals to regularly benchmark their P&SM function in different respects - this can be on an informal, ad hoc basis, it can be part of a thorough longer term benchmarking partnership or indeed as part of a Benchmarking Best Practice Group or Club.

1. Introduction and CIPS Position on Benchmarking

This guide, one of a series, seeks to present, in an integrated fashion, the principles and Practice of benchmarking, together with CIPS views on the subject. These views are listed below, are elaborated upon at appropriate points within the text.

- CIPS considers that benchmarking is an activity that, correctly applied, can contribute to continual improvement in P&SM and as such, is something that CIPS strongly encourages P&SM professionals to undertake on a regular basis.
- CIPS supports the aims and objectives of the European Benchmarking Council and encourages P&SM professionals to adhere to the European Benchmarking Code of Conduct (reproduced as an appendix to this document); CIPS would draw particular attention to the points on competition and legal issues, which CIPS fully endorses.
- CIPS believes that benchmarking their own performance can be an effective way for P&SM professionals to maximise the efficiency levels of the purchasing function.
- CIPS is of the opinion that benchmarking processes need not be confined to one's own sector - it is often possible to make comparisons with purchasing departments of organisations in other sectors.
- CIPS takes the view that, before implementing a benchmarking programme it is essential to decide what precisely is going to be benchmarked and why; an analysis of existing practices and procedures is advisable prior to benchmarking so that relevant data is readily available to share with the organisation's benchmarking partners.

2. Definitions

A definition of benchmarking is:

“... a process used in management in which organisations evaluate various aspects of their processes at the strategic and operational level against current best practice. This then allows organisations to develop plans to bridge gaps in performance. Benchmarking may be a one-off event, but is often treated as a continuous process in which organisations continually seek to challenge their practices. The aim is to engender and sustain superior performance within the organisation.”

There are numerous other definitions. Some examples are:

‘The process of identifying, understanding and adapting practices from anywhere in the world to help your organisation improve its performance.’ ‘The systematic and continuing use of comparators of best practice as operated by competitors in the same industry or companies in other industries to provide objective attainment standards for key areas of business operations.’

‘Knowing the standards expected by customers of yourself and competitors, and a) measuring yourself against those standards on a regular basis and b) setting management systems in place to improve against those benchmarks.’ ‘Superior performance (financial, quality, reliability) over your largest competitors.’

‘Benchmarking involves answering two questions ‘Who is better and Why are they better?’

Traditionally it has been the practice to benchmark against other organisations in one’s own sector but there is now a growing trend to benchmark against companies in other sectors.

3. What are the Basic Principles?

Benchmarking may be described as a process that provides an indication of performance and as such is not a performance measurement tool. Whatever methods are used in undertaking benchmarking, it is important to compare like for like, otherwise findings will be misleading, making it difficult to progress towards improvement. The first principle is to really understand what one is wanting to benchmark and why - it must be specific, for instance, quality standards or specifications, ratio of number of professional purchasing staff to spend, number of suppliers, types of supplier relationships and so on.

The list of potential P&SM subjects which could be benchmarked with another organisation is endless, and invariably benchmarking one aspect leads to the benchmarking of another. As an illustration, benchmarking the total procurement cost of a project can lead to benchmarking processes within the project plan itself. A generic list of benchmarking topics for P &SM might be as follows:

- Powers/authority/status of head of P&SM
- P&SM structures, strategy and individual strategies, e.g., for categories of spend, policies, processes and procedures
- Resources, for example, manpower, calibre of staff, travel budgets
- IT support, training plans and professional development for those in P&SM, number of outsourced services
- Approach to contract management and supplier development
- Approaches to ethical and sustainable sourcing
- The implementation of e-commerce
- Tools and techniques (for whole life costing, for example)

CIPS believes that the subjects for benchmarking should ideally be linked to the strategic direction of the organisation, e.g., speed to market - how this can be improved without creating unacceptable risk in the supply chain. This should be of interest to the Board and is an effective vehicle with which to engage the Board in procurement policy and issues.

4. What are the Objectives of Benchmarking?

CIPS believes that benchmarking is primarily concerned with finding an optimum performance on a given issue. The objective is to improve, and benchmarking should form part of any organisation's quest for continuous improvement.

Specific objectives include:

to identify opportunities for greater value-add, such as savings
to improve the contribution of the P&SM function towards attaining the organisation's strategic goals
to ensure being kept up to date with modern P&SM - as part of a CPD (Continuing Professional Development) programme and to insure against developing an insular perspective
to be inspired to develop new approaches
to challenge (i.e. accepted wisdom and current practice)
to validate (e.g. existing strategy) Benchmarking can provide necessary external confirmation that might be needed to provide additional support for an organisation that has embarked upon a difficult period of change.

Benchmarking allows decisions to be based on facts, and monitors improvements already made.

5. What Types of Benchmarking are there?

Various categorisations have been proposed. A six-part classification is as follows:

- **Internal Benchmarking:** arises when one part of an organisation compares its performance with other parts of the same organisation. A good example would be where one company in a group of companies compares itself with other members of the group. The obvious disadvantage to this form of benchmarking is that practice within the group might not be any better than the best examples to be found outside the group.
- **Competitive benchmarking:** occurs when competitors agree to benchmark their processes. There is an obvious reluctance to do this in many cases and it can, in any case, be difficult to identify emerging competitors.
- **Functional benchmarking:** this happens when organisations compare functions, such as purchasing and supply, finance, personnel etc. with similar functions in other, possibly dissimilar organisations.
- **Generic process benchmarking:** this is similar to functional benchmarking but compares individual processes rather than whole functions.
- **Core competencies benchmarking:** in this case core competencies are compared.
- **Customer benchmarking:** compares the organisation's performance against the expectations of customers.

There is of course no reason why an organisation should not apply more than one of the above approaches simultaneously – competitive benchmarking and customer benchmarking for example.

6. What are its Limitations and Disadvantages?

In spite of the advantages claimed for benchmarking, there are those in the P&SM profession (some in fairly

senior positions) who believe that it is wise to be aware of the limitations of benchmarking, both as a concept and a process. One view for example is that benchmarking has implications of needing to 'catch up with competition' and that if correct purchasing procedures are already in place then benchmarking is unnecessary.

Further points to bear in mind are:

- Possible difficulty in identifying suitable benchmarking partners
- Opposition within the organisation to participation in the benchmarking process
- Since it is not realistic to benchmark all processes simultaneously, problems of prioritisation may arise
- Difficulty of distinguishing between those processes which need to be benchmarked and those which do not
- The risk of aiming to be simply as good as the organisation with whom one is benchmarking may not necessarily be synonymous with optimum performance.
- A benchmark is a point of reference for a measurement at a particular point in time. In reaching a particular level of performance (the benchmark), the organisation benchmarked against may themselves have raised their level of performance.
- There will also be a time lag when benchmarking against other organisations. This would especially be the case where the organisation being benchmarked against is respected amongst its peers as exhibiting best in class policies and practices.

It is also worth noting that whilst it could be argued that benchmarking has lost momentum from the mid-90s onwards there is the paradox that constraints of cost and manpower (a result of heightened competitiveness and the need to maximise shareholder returns which were largely the cause of this loss of momentum) are the very reasons at the base of justifying an increase in benchmarking activity.

Lack of comparability in benchmarking is probably the largest source of criticism and dispute in the process, and has the potential to call the entire results into question. Comparisons against market standards of quality and cost must be "normalised" to adjust for unique or unusual circumstances, including service requirements, volumes of service and geography.

It is perhaps worth mentioning at this point that benchmarking does not necessarily relate solely to systems, processes and organisations; for many in the purchasing department, benchmarking is virtually synonymous with price comparison.

"Benchmarking should ideally be carried out by peers in other organisations as other internal departments may have insufficient insight into how a function actually contributes to the parent organisation's goals"

7. Approaches and Guidance

Benchmarking should begin by focusing on output measures and parameters first so that gaps can be identified, following which the reasons for these gaps can be identified. This should include:

- determining where the organisation is positioned in those area(s) of activity being benchmarked (output measures for example)
- establishing what constitutes optimum (or world class, as appropriate) performance in that area
- determining the degree of discrepancy (ie, gaps) between 1 and 2
- identifying the reasons for the gaps
- setting the appropriate wheels in motion to close the gaps

CIPS recommends the adoption of a so-called Process Model which sets out the factors to be considered in the various stages of the benchmarking operation.

CIPS suggests the following:

- Deciding what needs to be benchmarked
- Drawing up a list of the necessary resources (not least the number of staff required) and ensuring their continued availability throughout the benchmarking process
- Data collection and analysis
- Deciding upon, and putting into effect, the necessary action

CIPS strongly recommends that those about to undertake benchmarking thoroughly analyse their own processes first, as benchmarking partners will want to receive information as well as provide it. Equally, for a benchmarking process to be effective, project management skills are essential as otherwise there is a risk of discussions degenerating into talking shops.

It has been suggested that the key steps in the benchmarking of processes are as follows:

- Determining what customers really want
- Realistically assessing competition
- Identifying best practice
- Learning from other business sectors
- Introducing relevant best practice
- Providing a means to constant improvement

The following stages have also been recommended:

- Self-analysis
- Priorities
- Selecting partners
- Structured enquiry
- Analyse results
- Provide feedback
- Take action

Another sequential process, developed and proposed by the researchers Andersen and Pettersen, comprises the following five steps:

- **Plan:** This is selecting a process to be benchmarked, forming a team to carry out the benchmarking, documenting the process to be benchmarked and establishing measures of performance for the process.
- **Search:** Listing the criteria to identify a benchmarking partner, identifying the partners, selecting a partner and establishing contact.
- **Observe:** Determine information needs and where the information can be found, deciding what/how to gather and record the information, and who carries out the gathering.
- **Analyse:** Involves putting the information previously gathered into a useful format and using it to identify the gaps in one's own performance.
- **Adapt:** Involves the process of effecting an improvement in one's own processes and performance. It involves setting targets, planning, and implementing change.

A variety of tools are available to help in the above steps including spider charts, brainstorming, force field analysis, etc. Benchmarking is a kaizen style process, meaning that improvements, once achieved, should not be seen as a valid reason for discontinuing the process, and that further improvements should always be sought.

Selecting a suitable benchmarking partner

The type of benchmarking selected could well affect the decision about the organisations against which to benchmark. It is of course desirable to select partners who are acknowledged leaders in the function, activity etc. against which it is proposed to benchmark. This raises the question of the difficulty in many cases of finding such partners, as well as what incentives there may be for them to participate.

Selection of partners outside the organisation usually involves one of three possibilities:

- **Direct Approach:** just as importantly this involves the selection of suitable partners against which to benchmark, not always an easy task. Those who are known to be best in class are likely to be approached most often and they might not be able to sustain a large number of benchmarking partners. It is difficult for small companies to benchmark with large ones and as mentioned above, no company will want to reveal secrets to competitor organisation if the secrets are seen as a source of competitive advantage.
- **Benchmarking Clubs:** these can be managed by an outside body acting as an organiser. Sometimes, members of an industrial sector, such as utilities, join together to share information. The information might be processed and re-issued in such a form that it is not possible for the originator of the information to be identified. This is particularly true where the information consists of performance indicators. The organiser will assist in developing discussion and investigation into the process differences which exist among club members (see 10 **Benchmarking groups** for a more detailed discussion).
- **Database Benchmarking:** this is usually associated with performance indicator benchmarking. Organisations supply information in a specified format and compiled in a specified way to a third party. The third party compares the information and re-issues it to the originators in such a format that the original contribution of any particular company cannot be identified. The information is progressively compiled into a database so that the meaningful statistics can be derived and used by contributors for purposes of comparison.

8. How can Benchmarking data best be obtained?

Before embarking on a benchmarking exercise it is advisable to be equipped with as much information as possible. Fortunately there is a wide range of sources, some more appropriate than others in specific situations. For example:

- Desk research – gathering data from publications, reports, specialist databases etc.
- Existing contacts – customers, suppliers and other professional contacts who may be willing to participate in benchmarking exercises
- Trade Associations
- A benchmarking partner who is selected on the basis of perceived benefits to both parties
- Benchmarking clubs and organisations that provide a forum for the exchange of advice and information.

Here are some criteria to consider when choosing a benchmarking provider:

- 1 Ability to deliver results in short timescales
- 2 Scenario modelling capability
- 3 Market acceptance and reputation
- 4 Accuracy and quality of data
- 5 Currency of data
- 6 Consistency of results
- 7 Deal level benchmark.

(You need a solution provider that benchmarks the entire deal. Tools that only benchmark individual elements have two potential flaws: Comparison of your organisation to different sets of peers across the deal could be viewed as unrealistic or ‘cherry picking’; and not taking the size of whole deal into account and not analysing this correlation will reduce the accuracy of the results)

- 8 Transparency of the results.

9. What are the characteristics of Best Practice Companies?

Benchmarking aims to identify and follow best practice and both the CBI and the DTI have identified a number of key features which can be used to identify ‘best practice’ companies. Such organisations appreciate and develop their employees’ potential by:

- creating a culture in which staff are fully empowered and customer-focused
- investing in people through good communications and effective training
- flattening and inverting the organisational pyramid

They also know their customers, appreciating that customer demands can be the springboard for innovation and greater competitiveness. They constantly introduce new products and services through:

- being knowledgeable about their competitors’ activities
- encouraging and promoting innovation
- focusing on core business
- constructing strategic alliances or partnerships wherever appropriate

10. Benchmarking Groups

Those organisations engaged in benchmarking activities should adopt a sharing principle whereby knowledge, tools, good practice and ideas which one provides are reciprocated with other data of a similar nature from one's benchmarking partners, thereby ensuring that the process is beneficial to all. It is important when sharing information with partners to identify which information is in the public domain and what is being shared confidentially.

There are of course benchmarking groups or 'clubs'. Here terms of reference are agreed and members are committed to regular benchmarking, knowledge sharing and continual improvement. CIPS encourages P&SM professionals to support such clubs and maximise the benefits which they can provide. Best practice groups can be an effective tool in the benchmarking process. Typically a group will consist of ten or so companies all sharing common interests and business philosophies and willing to share views and experiences and also to discuss topics relevant to the benchmarking process.

Key benefits of best practice groups may be seen as including the following:

- Accurate and timely identification and implementation of better alternatives to existing procedures and practices
- Acting on feedback from the peer group
- Using a 'multiple perspective' approach to examine and review topics of interest to the group as a whole, as well as to individual organisations within that group

The use of independent third parties to facilitate benchmarking activity is also an option that should be considered. Benchmarking may also be covert, as well as participative, in that an independent analysis of other organisation's activities can be commissioned from a third party.

Additionally, CIPS recommends that when conducting a benchmarking exercise it is worth considering making an approach to external consultants or advisers as a way of minimising the effort involved in collecting the relevant data. Clearly this approach carries cost implications.

11. Practical Issues

Organisations undertaking benchmarking must bear in mind that when comparing very specific issues such as the cost or price of a given commodity or service, it is imperative to ensure that all variables are controlled, as obvious issues such as volume, quality, source, etc. will affect prices and costs. If such issues cannot be controlled they need to be borne in mind at the interpretation stage, as factors such as the date of the delivery, payment terms and retrospective discounts can distort the true picture. A common barrier to benchmarking is that some people can feel exposed, especially if they know their P&SM operation is not as effective and efficient as it might be.

CIPS would encourage P&SM professionals to see benchmarking as an opportunity to improve rather than as a threat - at least one can, through benchmarking, demonstrate a willingness to learn and improve accordingly. It can also be a resource consuming and time-consuming activity. Therefore some, especially smaller, organisations often perceive that they do not have any spare resources for any type of benchmarking activity although grants are sometimes available via the local regional development agency.

Another issue is that some firms in the same sector will be competitors and may not want to share information on their P&SM activity. This could mean that the benchmarking organisation would be better off simply selecting an alternative benchmarking partner.

However, if for some reason the benchmarking organisation particularly wants to understand the purchasing operation of this particular firm, e.g. the organisation of the purchasing function – they could argue that such information is in the public domain; they merely want to explore the detail and that they respect the right for their competitor to draw the line at certain information. It should be borne in mind that the findings may show that for the organisation that initiated the benchmarking to be improved to the level of another organisation - is aspirational and/or ambitious; consequently, findings have to be interpreted realistically. Even if what has been learned cannot be immediately implemented - the P&SM professional is at least aware

of leading-edge P&SM trends and emerging best practice. It may also inspire the P&SM professional to develop an idea for an alternative approach to some particular aspect(s) of P&SM.

Other considerations of a thorough benchmarking process include:

- Understanding the definitions and constraints used for the applicable benchmarks
- Ensuring the population of reference data is relevant to your sector, large enough to be of value and covers a time period that is relevant to the operational period in question
- Deploying a methodology that combines both objective and subjective data, ideally in such a way that they reinforce each other
- The inclusion of a broad range of reference points - internal, competitor, non-competitor, regional, best in class and world class
- Ensure you are comparing like with like
- Making comparisons is very difficult across organisations. Benchmarking is much better able to measure "change" from one period to another in one given organisation and so is very powerful for measuring improvements.

12. Benchmarking in the Public Sector

Traditionally associated with the private sector, benchmarking has now penetrated the public sector in the drive to improve efficiency, effectiveness and accountability in the £150 billion annual spend.

An article in Municipal Journal, published some time before Best Value was introduced, draws attention to the key role which benchmarking has to play within Best Value. To quote from the article: 'Benchmarking is an integral part of Best Value and more generally performance review and improvement. It can provide ideas to stimulate improvements and know-how about how the benchmark was achieved'.

The consultancy firm PwC (formerly PricewaterhouseCoopers), has developed a benchmarking approach specifically for a Best Value environment; this employs a four-part categorisation for Councils:

- 1 leading
- 2 developing
- 3 reacting
- 4 failing

The research shows that approximately 80% of authorities fall within bands 2 and 3. The research has also shown that there are a number of benchmarking based approaches for remedying below par services; it is emphasised however that a Rolls Royce strategy is not cost-effective when a Mini would be more appropriate. It is envisaged that there will be a number of broad national indicators for evaluating performance, but authorities will also have the opportunity to select local indicators appropriate to their needs.

One authority which is in the forefront of developing an effective approach to Best Value, when the policy was first introduced, is Portsmouth City Council, which put into effect the four steps within Best Value:

- 1 Measure your activity
- 2 Find out what is needed (i.e. what deficiencies there are)
- 3 Compare yourself with the best
- 4 Close the gap

The Council implemented a number of Best Value projects covering such areas of activity as social services, leisure and asset management. To achieve Best Value each department was analysed in terms of key criteria such as customer views, service quality, prioritisation and volume of expenditure. Contracts with external suppliers are closely monitored (with, for instance, monthly reports) to ensure requirements are being met.

13. Suggested Further Reading

Books

Bendell, T., Boulter, L., Gatford, K. (1997) *The Benchmarking Workout: Toolkit to help you construct a world class organisation*, Financial Times Prentice Hall.

Bicheno, J. (2002) *Quality 75 – Towards Six Sigma Performance in Service and Manufacturing*, revised ed. Picsie Press.

Codling, S. (2003) *Benchmarking*, Gower Publishing Limited, ISBN: 0566079267

Articles

Clark, L. (2010) 'News Focus: Are you in a class of your own?' Supply Management.

De Silva, S. (2011) 'Setting standards,' Supply Management.

Haghihi, H., Davies, H. (2014) 'Meeting the benchmark,' Supply Management.

Howes, C. (2008) 'Surveying the buyers' landscape,' Supply Management.

Websites

www.aberdeen.com

www.cips.org

www.constructingexcellence.org.uk

www.gov.uk/government/publications/best-management-practice-portfolio/about-the-office-of-government-commerce

www.rcoe.gov.uk

14. APPENDIX: The European Benchmarking Code of Conduct (fully endorsed by CIPS) Introduction

Benchmarking – the process of identifying and learning from best practices in other organisations – is a powerful tool in the quest for continuous improvement and performance breakthroughs. The authors and sponsors have produced this European Code of Conduct to guide benchmarking encounters and to advance the professionalism and effectiveness of benchmarking in Europe. It is closely based on the widely used APQC/SPI Code of Conduct promoted by the International Benchmarking Clearinghouse, and the authors gratefully acknowledge this source. The working has been modified to take into account the rules of European Union competition law. The layout and presentation have been modified to provide a more positive

chronological approach. Adherence to this Code will contribute to efficient, effective and ethical benchmarking.

1. Principle of Preparation

- 1.1 Demonstrate commitment to the efficiency and effectiveness of benchmarking by being prepared prior to making an initial benchmarking contact.
- 1.2 Make the most of your benchmarking partner's time by being fully prepared for each exchange.
- 1.3 Help your benchmarking partners prepare by providing them with a questionnaire and agenda prior to benchmarking visits.
- 1.4 Before any benchmarking contact, especially the sending of questionnaires, take legal advice.

2. Principle of Contact

- 2.1 Respect the corporate culture of partner organisations and work within mutually agreed procedures.
- 2.2 Use benchmarking contacts designated by the partner organisation if that is its preferred procedure.
- 2.3 Agree with the designated benchmarking contact how communication or responsibility is to be delegated in the course of the benchmarking exercise. Check mutual understanding.
- 2.4 Obtain an individual's permission before providing their name in response to a contact request.
- 2.5 Avoid communicating a contact's name in open forum without the contact's prior permission.

3. Principle of Exchange

- 3.1 Be willing to provide the same type and level of information that you request from your benchmarking partner, provided that the principle of legality is observed.
- 3.2 Communicate fully and early in the relationship to clarify expectations, avoid misunderstanding, and establish mutual interests in the benchmarking exchange.
- 3.3 Be honest and complete.

4. Principle of Confidentiality

- 4.1 Treat benchmarking findings as confidential to the individuals and organisations involved. Such information must not be communicated to third parties without the prior consent of the benchmarking partner who shared the information. When seeking prior consent, make sure that you specify clearly what information is to be shared, and with whom.
- 4.2 An organisation's participation in a study is confidential and should not be communicated externally without their prior permission.

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5. Principle of Use

- 5.1 Use information obtained through benchmarking only for purposes stated to and agreed with the benchmarking partner.
- 5.2 The use or communication of a benchmarking partner's name with the data obtained or the practices observed requires the prior permission of that partner.
- 5.3 Contact lists or other contact information provided by benchmarking networks in any form may not be used for purposes other than benchmarking.

6. Principle of Legality

- 6.1 If there is any potential question on the legality of an activity, you should take legal advice.
- 6.2 Avoid discussions or actions that could lead to or imply an interest in restraint of trade, market and / or customer allocation schemes, price fixing, bid rigging, bribery, or any other anticompetitive practices. Don't discuss your pricing policy with competitors.
- 6.3 Refrain from the acquisition of information by any means that could be interpreted as improper including the breach, or inducement of a breach, of any duty to maintain confidentiality.

- 6.4 Do not disclose or use any confidential information that may have been obtained through improper means, or that was disclosed by another in violation of a duty of confidentiality.
- 6.5 Do not, as a consultant, client or otherwise, pass on benchmarking findings to another organisation without first getting the permission of your benchmarking partner and without first ensuring that the data is appropriately 'blinded' and anonymous so that the participants' identities are protected.

7. Principle of Completion

- 7.1 Follow through each commitment made to your benchmarking partner in a timely manner.
- 7.2 Endeavour to complete each benchmarking study to the satisfaction of all benchmarking partners as mutually agreed.

8. Principle of Understanding and Agreement

- 8.1 Understand how your benchmarking partner would like to be treated, and treat them in that way.
- 8.2 Agree how your partner expects you to use the information provided, and do not use it in any way that would break that agreement.

Origins

This Code of Conduct is the result of a consultation and development process co-ordinated by The Performance Improvement Group with the help of The Eurocode Working Group. The Eurocode Working Group comprises senior Benchmarking managers and legal representatives from the following organisations: BT: Department of Trade and Industry (UK): European Foundation for Quality Management: IFS International: KPMG Peat Marwick (USA): Shell International: Siemens: The Benchmark Network: The Post Office.

Contributions were also gratefully received from the following: American Productivity and Quality Center: British Quality Foundation: Prudential Assurance: Swedish Institute of Quality: Strategic Planning Institute: The Benchmarking Centre UK: The Benchmarking Club Italy: The Law Society: The Quality Network.

Important Notice

This Code of Conduct is not a legally binding document. Though all due care has been taken in its preparation, the authors and sponsors will not be held responsible for any legal or other action resulting directly or indirectly from adherence to this Code of Conduct. It is for guidance only and does not imply protection or immunity from the law.

Benchmarking Protocol

Benchmarkers:

- Know and abide by the European Benchmarking

Code of Conduct:

- Have basic knowledge of benchmarking and follow a benchmarking process.
- Should have:
 - Determined what to benchmark
 - Identified key performance variables to study
 - Recognise superior performing organisations
 - Completed a rigorous internal analysis of the process to be benchmarked before initiating contact with potential benchmarking partners.
- Prepare a questionnaire and interview guide, and share these in advance if requested.

- Possess the authority to share and are willing to share information with benchmarking partners. Work through a specified contact and mutually agreed arrangements.

When the benchmarking process proceeds to a face-to-face site visit, the following behaviours are encouraged:

- Provide meeting agenda in advance.
- Be professional, honest, courteous and prompt.
- Introduce all attendees and explain why they are present.
- Adhere to the agenda.
- Use language that is universal, not one's own jargon.
- Be sure that neither party is sharing proprietary or confidential information unless prior approval has been obtained by both parties, from the proper authority marking
- 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 you would treat any internal, confidential communication. If 'confidential' or 'proprietary' material is to be exchanged, then a specific agreement should be executed to indicate 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.
- Share information about your own process, and, if asked, consider sharing study results.
- Offer to facilitate a future reciprocal visit.
- Conclude meetings and visits on schedule.
- Thank your benchmarking partner for sharing their process.

Benchmarking with Competitors

The following guidelines apply to both partners in a benchmarking encounter with competitors or potential competitors:

- In benchmarking with competitors, ensure compliance with competition law.
- Always take legal advice before benchmarking with competitors. (Note: When cost is closely linked to price, sharing cost data can be considered to be the same as price sharing.)
- Do not ask competitors for sensitive data or cause the benchmarking partner to feel they must provide such data to keep the process going.

Ownership

This document has open ownership, and may be freely reproduced and distributed to further the cause of good benchmarking practice. Anyone requiring further information or wishing to participate in the Eurocode Working Group should contact: Robin Walker, Tel: +44 (0)797491 9175 Email:RobinWalker@ntlworld.com.

