

MODULE 9 – Baselines and Benchmarking

This module discusses what baseline and benchmarks are. In addition, the module suggests a process for creating benchmarks. Examples of both can be found at the end of the module.

Baselines

A baseline is a ‘snapshot’ in time of the program or process that is to be benchmarked. A baseline provides an official standard on which subsequent work is to be based. Creating baselines has a number of advantages:

- A baseline provides a stable point from which to gauge changes within a line of business/program and provides evidence as to the organization’s commitment to its outcomes;
- A baseline provides a stable point from where new lines of business/programs can be created and reproduced; and
- Baselines can be used as a way to reproduce reported failings in a line of business/program to specify where the problem occurred.

Creating a baseline includes measuring the effectiveness of the process, the attitude of the customers, the satisfaction of the customers, and the profitability for the stakeholders. An organization may also want to define the project boundaries and the lifetime of the project. Baselines should have the following elements:

- The level of aggregation (e.g., program, department);
- The history and projection of future trends;
- Whether the baseline is static or dynamic (that is, whether the baseline is meant to reflect trends or will be adjusted over time);
- If necessary, the interval between updates and revisions; and
- The inclusion of sufficient information to identify, and make fully transparent, all assumptions made or external factors that may affect the baseline (*contextual* factors).¹

Example of a baseline:

	2002/03 Baseline	2003/04	2004/05	2005/06
Website visitors per month	3000	3300	3600	4000

Benchmarks

¹ Rational Software Corporation and Ecole Polytechnique de Montreal. Concepts: Baselines.
http://www.yoopeedoo.com/upedu/process/gcncept/co_basel.htm

A performance benchmark is a standard or reference point against which something is measured. Benchmarking plays a critical role in the performance measurement process. It focuses on process improvement and allows an organization to set improvement goals that exceed the best as have been measured quantitatively. This will allow an organization to assess strengths and weaknesses and stimulate thought as to innovative ideas and approaches.²

Like performance measurement, benchmarking is an ongoing and systematic process that compares the performance of one line of business/program with another line of business/program. Unlike performance measurement, however, benchmarking focuses on *past performance*, identifies and evaluates excellence and innovation, and establishes a reference point, or baseline, from which an organization can compare itself internally or to others.

Internal benchmarking is when an organization explores and analyzes internal practices (within different departments) in order to understand current levels of performance and to identify best internal practices that can be replicated. In other words, it is the comparison of the same activity between different parts of the same organization. External benchmarking is when an organization compares and analyzes the practices and processes of similar peer organizations (or competitors) with its own performance.

Integrating benchmarking practices into established management practices is effective for future monitoring. Organizations should consider the following questions when reviewing their benchmarking practices.

- *Is benchmarking integrated into the organization's improvement strategies?*
- *Is benchmarking considered a strategic activity by management?*
- *If an organization cannot benchmark itself against a similar organization, can it at least benchmark itself against similar aspects of other organizations?*
- *Has the organization embedded benchmarking skills within the organizational culture?*

The Benchmarking Process

The following is a suggested approach to creating benchmarks. Organizations will find that the process is not necessarily sequential in reality, but the following steps will facilitate the process.

- 1. Identify the benchmarking need.** Identify the program, process, service, etc. to be benchmarked. This should be done through prioritisation, with the area with the most need (e.g., low satisfaction and high need).
- 2. Measure.** An organization needs to measure the performance level of the program, service etc. to be benchmarked, document the process, and analyze the data.

² Ontario Health Promotion E-Bulletin. Benchmarking as a Tool for Public Health and Health Promotion. <http://.../FullFeature.cfm?ID=223&keywords=program%20logic%20model&searcharea=AL>

Consulting relevant literature and creating logic models (**Module 5**) will aid in this process.

3. **Benchmarking partners.** Identify and select appropriate benchmarking partners. It is best if the organization selected is one that offers similar services, programs, etc. and is willing to share information. Understanding that organizations find it difficult to identify benchmarking partners, it may be satisfactory to identify *aspects* of an organization that can be benchmarked, such as human resource plans.
4. **Access data and conduct the benchmarking study.** The organization should access the required data and use it to compare its baseline to the benchmarking partner's performance. The organization can then identify the gaps between the levels of performance and determine if the practices are suitable and relevant for replication. If suitability has been identified, the organization can then set targets from the identified benchmarking practice.
5. **Action plan.** This is when an organization can create and implement an action plan to make any required changes to the services, programs, etc. and identify best practices. An organization may want to use these best practices to identify a few core principles and adapt these into strategies etc. The organization may also want to continue ongoing collection of benchmarking data.
6. **Monitor, review, and modify.** An organization should do this on a routine basis to verify that benchmarking goals identified were met. This routine review cycle will help to identify how well the organization is doing and will allow the organization to modify under performing areas.³

Tips for Effective Benchmarking

- *Train people in the process of benchmarking, the specific approach the organization is using, and the analytical tools required to analyze and present the data;*
- *Make sure that confidential or sensitive information is not at risk;*
- *Co-ordinate benchmarking with other parts of the organization so as to avoid overlap or duplication of effort;*
- *Share benchmarking results widely within the organization to avoid overlap or duplication of effort; and*
- *Document all benchmarking results in detail so that processes can be improved and lessons learned along the way are not lost.*⁴

³ University of California, Office of the President, Partnership for Performance. (1997). Benchmarking and the Hunt for best Practices. Measurement Handbook.

<http://www.ucop.edu/ucophome/businit/hdbkcontents.html>

⁴ Ibid

Examples of benchmarks:

<ul style="list-style-type: none">• A composite of Canadian Electricity Association utilities organized on a regional/provincial basis	<i>(BC Hydro)</i>
<ul style="list-style-type: none">• Industry standards• Comparison against past performance	<i>(BCBC)</i>