IMPROVE BUSINESS PRACTICE

NTQF LEVEL -III

LEARNING GUIDE -72

UNIT OF COMPETENCE: -	IMPROVE BUSINESS PRACTICE
MODULE TITLE: -	IMPROVING BUSINESS PRACTICE
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LO2: Benchmark the business

Instruction Sheet	**Learning Guide 72**

This learning guide is developed to provide you the necessary information
regarding the following content coverage and topics –

- Sources of relevant benchmarking data
- Key indicators for benchmarking
- Identifying areas of improvements

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to –

- Identify and select product or service to be benchmarked.
- Identify source of relevant bench marking data.
- Select key indicators for benchmarking.
- Identify area of improvement

Learning Instructions

1. Read the information written in the "Information Sheets".

2. If you earned a satisfactory evaluation proceed to next module. However,if your rating is unsatisfactory, see your teacher for further instructions.

3. Read the "Operation Sheet" and try to understand the procedures discussed.

4. Practice the steps or procedures as illustrated in the operation sheet. Go to your teacher if you need clarification or you want answers to your questions or you need assistance in understanding a particular step or procedure

5. Do the "LAP test" (if you are ready). Request your teacher to evaluate your performance and outputs.Your teacher will give you feedback and the evaluation will be either satisfactory or unsatisfactory. If unsatisfactory, your teacher shall advice you on additional work.But if satisfactory you can proceed to the next Learning Guide.

2.1. Sources of relevant benchmarking data

Benchmarks are fixed pieces of information that can be used to make comparisons with other similar fixed pieces of information. Labor benchmarks are not only used as a one-off activity for work force restructuring but also as a tool for continuously monitoring and improving performance and competitiveness. In practice it is the process of undertaking benchmarking that generates most benefits because it challenges current norms. Benchmarks provide managers with comparative data on performance and labor productivity. Although like-for-like comparisons are not always easy, benchmark measures can give the implementing agency crude indicators of the scale of any overstaffing.

There are three main types of benchmarks:

- **Internal benchmarks**–By making comparisons within an organization, perhaps between different offices or time periods, it may be possible to identify some areas for improvement quickly and easily. An example is the approach adopted by Kenya's electricity distribution company.

- **Sector benchmarks**–Comparisons in the same sector provide another comparison. International or regional comparisons can be used where the PPI enterprise is a monopoly provider in the country.

- **Functional (process) benchmarks**–There may be other organizations from different sectors but with similar operational functions that can be compared. For example, gas, water, and power utilities might cooperate in

benchmarking their metering or billing collection procedures; airlines and railways are similar in the ways they manage the turnaround and dispatch of aircraft or trains; administrative processes, customer service response times, and staff appraisal performance will have similarities in all organizations.

Internal Benchmarking in Power Distribution

For each geographic district in which it would be distributing electricity, the Kenya Power and Lighting Corporation (KPLC) identified its characteristics (number of consumers, area, length of overhead line, number of substations, energy sales per customer, and so forth) and found weighted averages for different classes of staff (engineers, foremen, linesmen, and the like) that enabled them to compare fairly easily areas of different labor productivity.

All three types of benchmarks have their places, but a combination of measurement and process analysis is important for effective benchmarking. Measurement identifies the performance gap, but the discussion, debate, and working through of process and operating changes provide the mechanism for operational managers to identify change–including identification of the extent, location, and causes of overstaffing.

To understand the origins of labor productivity, implementing agencies will want to review a range of generic benchmarks as well as those specific to the sector such as:

- Number of employees per thousand connections (telephones or water)

- Number of employees per generated megawatt (MW) (for power generation)

- Number of employees per ton of freight or TEU (20-foot equivalent unit) of containers handled (ports)

Self check 1	True/false

Name: _____Date: _____

Directions: Answer all the questions listed below. Use the answer sheet provided in

the next page.

I-True or False: Write TRUE if the statement is correct and write FALSE if the statement is wrong. (5pts. Each)

1. Benchmarks are flexible pieces of information that can be used to make comparisons with other similar fixed pieces of information..
2. Kenya's electricity distribution company is an example of Sector benchmarkking

Answer Sheet

Score = _____

Rating: _____

Name: _____Date: _____

I- True /false:
1. _____
2. _____

2.2. Selecting Key indicators for benchmarking

What is a benchmark?

When you compare your performance or processes with other entities including competitors, other companies or industry best practices, it's called benchmarking. Therefore, a benchmark is a reference point that allows you to compare your own levels of performance with the performance levels of others.

Although you can benchmark any business approach, product or process, it's commonly deployed to compare:

- customer satisfaction,

- costs,

- quality and

- how much time things take to complete.

Rather than comparing your progress toward a strategic goal, as is the case with key performance indicators, when you benchmark you compare yourself with others with the intent to improve processes and technologies. Ultimately, when you uncover opportunities for improvement through benchmarking, you can reduce costs and time and increase profits and customer satisfaction.

What motivates companies to benchmark?

The most common reason to compare your performance with other entities is to identify opportunities for improvement. Another benefit to benchmarks is that it can help you assess your competitors and monitor their performance and approaches to business.

Ultimately, whether an organization wants to benchmark because internally they feel they can improve, they want to close a gap with a competitor or they are interested in becoming best-in-class, the driver to benchmarking is improvement.

What are the different types of benchmarks?

The most common perception is that benchmarking involves comparing your organization against another organization with a similar business; however, that's just one type of benchmarking called competitive benchmarking.

Here are the different types of benchmarks:

Internal: This benchmark compares processes within a company to a similar process within the same company such as between different stores in a retail chain or between two warehouses within the same company to ultimately develop best practices.

Competitive: This benchmark tactic looks directly at your competitors to not only improve your internal operations but also understand your competitors better.

Functional: This is benchmarking where you compare similar practices but it could be in different companies or industries. This could be an educational institution comparing the collections process with that of a corporate business—same function, just different companies and industries.

Generic: The goal with generic benchmarking is to identify excellent work processes that don't need to be in the same industry or job function.

Benchmarking in practice

Benchmarking data is often available for purchase, but many companies also design their own project to acquire the data. For those that do, they must define the subject, process and measurements they want to benchmark.

Then, they must collect data on the benchmark and the corresponding data from their own organization. The data sets must be compared and analyzed to identify differences. Once there is a clear understanding of what the differences are, an improvement plan can be crafted and communicated.

36 indicators are analyzed

By focussing on 36 indicators the interview captures data on different dimensions

of the cluster and the cluster organization, including the structure of the cluster, the cluster management and the governance structures of the cluster, financing of the cluster organization, services provided by the cluster organization, communication within the cluster and achievements and recognition of the cluster and the cluster organization.

Benchmarking report

The analysis is presented in a comprehensive benchmarking report (ca. 70 pages). The report includes graphical comparison of the cluster with clusters from the same technological area and the most excellent ones in Europe. The report also includes recommendations for improvement.

Comparative portfolio of more than 350 clusters

For the purpose of benchmarking the analysis refers to a comparative portfolio of more than 350 clusters from 29 European and overseas countries (for an overview of benchmarked clusters please see Database of Benchmarked Clusters).

Confidentiality

Collected data and any reports produced are treated with absolute confidentiality and will not be made available to any third party

Self-Check 2	MCQ and T/F

Name: _____Date: _____

Directions: Answer all the questions listed below. Use the answer sheet provided in the next page.

Choose the best answer

__1 __by making comparisons within an organization, perhaps between different offices or time periods.

    A. Internal benchmarks

    B. Sector benchmarks

    C. Functional (process) benchmarks

    D. All

Say true if the statement is true and false if wrong

__2. Benchmarking is a comparative analysis of structures, processes, products and services

Answer Sheet

Score = _____

Rating: _____

Name: _____Date: _____

I- MCQ :

    1. _____

II- T/F

    2. _____

2.3. Comparing key indicators of own practice with benchmark indicators.

A common question I hear regularly in my workshops and when working with clients is: Aren't benchmarks and KPIs the same thing? The answer is simple: They are not. Benchmarks are reference points to compare your performance with that of others. KPIs help you chart your progress against your company's strategic goals.

What's a key performance indicator (KPI)?

While a benchmark has a company comparing its processes, products and operations with other entities, a key performance indicator (KPI) measures how well an individual, business unit, project and company performs against their strategic goals.

Company executives and managers use KPIs to understand where they are in relation to their goals and to help them adjust if it looks like they are off course to meeting their objectives.

KPIs serve as monitoring and decision-making tools that help answer your organization's

Relationship between benchmarking and KPIs

Any meaningful KPI needs to indicate levels of performance and therefore requires targets or thresholds to put results into context and show if performance is on track or not. This is where benchmarking comes in because benchmarks can help to establish the appropriate targets and performance thresholds.

For example, a company might have a goal of improving customer service. To measure how well it is performing the company decides to track the Net Promoter Score (NPS), which is a measure based on the question 'How likely are you to recommend our service / product to a friend?'. In order to set the right target and put their own performance results into perspective the company

collects benchmarks of NPS scores of their competitors as well as the industry they are working in. There are a number of websites that offer reference NPS scores like this one.

Benchmarking is a powerful management tool for companies to build winning plans and strategies as well as to continuously improve. Successful organizations are those that don't just look internally for improvement, but get inspired by benchmarking themselves against others, their competitors and who also learn from best business practices no matter where they come from.

Benchmarking is a comparative analysis of structures, processes, products and services. It compares an entity to peers in the same field of activity and/or to best practices from entities in other areas. The objective of benchmarking is to learn from better performing peers or other entities in order to improve own structures, processes, products and services.

Self check 3	Written test

Directions: Answer all the questions listed below. Use the answer sheet provided in the next page.

I-Essay: Explain briefly:

1. Compare and contrast KPI with bench mark indicators?

Note: Satisfactory rating above- 3 points   Unsatisfactory below -3 points

    You can ask your teacher or trainer for the copy of the correct answers

Answer Sheet

Name: _____Date: _____

I-   Essay:

1._____

Information sheet 4	Identifying areas of improvements

2.4. Identifying areas of improvements

Typically, organizations will identify a problem and then work to identify the root cause of the problem to come up with a solution for implementation. But what if there are several, few, or no problems in the organization, but you would like to improve your organization? How do you go about identifying areas for improvement? One of the best ways that I know how an organization can identify areas for improvement is to use a Lean assessment methodology.

The Lean assessment helps an organization identify potential opportunities for improvement at a high level and provides an understanding of the process before change occurs. It is a methodical evaluation that documents the current state of the business and what can be expected in the future state. Typical areas that are evaluated through a Lean assessment include the company's current culture, market expectations, customer satisfaction, employee skills requirements, readiness to change, and other areas that may be identified by management: Ultimately, any area can be evaluated. Here are the steps to performing a Lean assessment in your organization:

1. Meetings. Meet with key and controlling stakeholders to determine expectations and timeline for the Lean assessment.

2. Determine the project scope. Write a project charter to contain the project.

3. Conduct interviews with staff to gather answers to specific questions. What are the perceived levels of empowerment in the business? There is value in speaking to as many staff as possible to identify the strengths, weaknesses, opportunities and threats to the business. Also include other situational topics specific to your business.

4. Develop benchmarking for several areas in your organization. For example, include strategic and operational planning in your review, workplace organization, IT systems, human resources development, current accounting practices, operational performance, sales and marketing, and other areas that you feel could or should be included in the assessment.

5. Prepare summary and detailed reports of your findings and include specific areas for initial improvement, reasons, and possible solutions. Estimate amount of internal and external resources and provide high level recommendations resulting from your findings.

6. Meet with the key and controlling stakeholders to present your findings and recommendations and determine steps forward.

But what should a company do now that you have all this information? At the beginning, start with a minimally intrusive area such as corporate culture or readiness for change. Then get stakeholder buy-in for change in that area. Your initial efforts should include a full-scale investigation in the area that you have chosen as well as extensive benchmarking as you establish yours go-forward plan. Whatever area you choose and however you choose to implement it, a crucial ingredient is and will be people. Include as many people from your organization as possible in the project. And remember to include them early in the planning stage, so that ideas are captured and heard. There is nothing worse than initiating a project and implementing it on your own in an effort to not make waves for staff. You need to make waves. You need to get staff involved. The more involved they are, the more accepting they will be of the change. And during the project, it will be much easier to implement the changes.

Ultimately, identifying areas for improvement in an organization is really dependent on what areas you choose to study and evaluate and what areas stakeholders agree to be priority – those areas that, once improved, will markedly improve the organization's performance and bottom line.

And don't forget – no matter how you proceed, document your lessons learned, so that subsequent projects can be conducted even better.

Self check 4	Written test

Answer the following questions

1. Describe and discuss the six steps to performing lean assessment in your

organization .

Note: Satisfactory rating above- 5 points   Unsatisfactory below -5 points

You can ask your teacher or trainer for the copy of the correct answers.

Answer Sheet

Name: _____Date: _____

I- **Essay:**

1._____
_____

_____
_____

Operation Sheet-1	Bench marking procedures

Techniques for-benchmarking

Step 1- plan for bench marking.

Step 2- collect data which are necessary for bench marking

Step 3- Analyze the data which obtained both internally and externally, Data analysis, data presentation (preferably in graphical format, for easy reference), results projection, classifying the performance gaps in processes, and identifying the root cause that leads to the creation of such gaps (commonly referred to as enablers).

Step 4- Implementation of analyzed data

Step 5- monitor and evaluate the activity performed in regular basis

Operation Sheet-2	Communication skills

Techniques for- Effective communication

Step 1- Establish Trust

Step 2- Speak Clearly and Concisely

Step 3- Recognize Problems in Communication

Step 4- Use Tone and Body Language

Step 5- Never Assume Anything

Step 6- Recognize Communication Issues Caused by Technology

Step 7-talk in business manner or use open ended questions

LAP Test 1	**Practical Demonstration**

Name: _____ Date: _____

Time started: _____ Time finished:

_____

Instructions: Given necessary templates, tools and materials you are required to perform the following tasks within 3-4 hour.

Task 1. Perform benchmarking for specific business you have

References and Manuals

1. https://mncconsultinggroup.com/free-resources/white-papers/how-organizations-can-identify-areas-for-improvement/
2. http://www.fullsailpartners.com/fspblog/key-performance-indicators-vs-benchmarking
3. https://www.tutorialspoint.com/management_concepts/benchmarking_process.htm
4. https://www.nap.edu/read/22668/chapter/5#11

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