Benchmarking for Profit
…how you and your clients can win with benchmarking

By Mike St. Angelo

Benchmarking is a powerful performance tool. It can be a focal point for change, driving home **painful facts** and compelling companies to implement **improvement efforts**. Benchmarking is a tool that enables the exploration of one's "Current Reality" and eventually the **achievement of excellence**, based on the business environment rather than on internal standards and historical trends.

NeuraMetrics has delivered online, quantitative, self-assessment tools to many companies to evaluate performance, procedures, and policies in a standardized manner.

The **NeuraMetrics methodology** allows each user to evaluate his/her own process by performing a self-assessment of either the entire operation or a very specific portion of it. These self-assessments allow you to determine how well, or poorly, your company is doing with regard to internal or external benchmarks. All of the scores in the assessment help to relate how close the scored entities (entire company, departments, or functions etc.) are to the ideal.

The analysis begins with a presentation of a big picture overview that characterizes the company. Senior management, key employees, and any appropriate consultants should review the various charts to determine areas for in-depth study. One analysis approach is to consider the higher scoring Categories and Factors as **Strengths** and the lower scoring Factors as **Opportunities**. As each Factor is reviewed, a subjective assessment can be made as to whether this is an area of <u>More Interest</u> or <u>Less Interest</u>. More Interest refers to areas where there is an opportunity for **considerable savings**, **competitive advantage**, or a **strength** that can be replicated or leveraged. Less Interest means that even though the area needs improvement, it is not a business priority.

Next, the tool allows the user to explore the concepts that have surfaced by looking at each area of interest and determining whether the opportunity is homogeneous (applies to all strategic entities) or if there are internal resources that can be applied to the opportunities. Since opportunities arise from low scores, we must look to see if there are **pockets of excellence** (high scores) within the company in these areas. In some cases, such discrete strengths can be deployed to help the company **"replicate success"**. If there are no discrete internal strengths in these areas, outside solutions are often the best course. The result is that each of the major entities will have a clear sense of its "current reality" and a notion of change expectations. You can look at the scores of each element and regard these as **internal benchmarks** to measure progress.

Benchmarking against other companies

The NeuraMetrics Benchmarking Tool is an online tool based on our self-assessment methodology described above. It allows each user to **self-assess** <u>performance, procedures and policies</u>, gain the benefits described above, and then help companies measure the adoption rate. It also provides a yardstick for the implementation of practices, policies, and procedures against similar companies, departments, facilities and divisions; monitor progress throughout the year; and share best practices to drive improvement. A

 "…is structured to encourage both numeric and nonnumeric responses… This overcomes the problem of some prior clinical engineering benchmarking studies which required many numeric responses that were difficult for some potential participants to provide."

Ted Cohen, 1.

systematic, quantitative methodology that companies regularly use to document their process results and anonymously compare those results to peers, for the purpose of **prioritizing investments and resources** for strategic improvements. It includes an online survey which consists of numerous benchmarking and best practice questions, both qualitative and quantitative, and a set of analysis tools to help analyze the data collected with a drill down capability allowing comparison against specific demographics. Those demographics can be second and third tier demographics in other companies. As an example: It would be possible to compare how the specific titles or functions (managers, engineers, technicians, etc.) of your company rated a specific area of the company against the same specific demographics of another company within or outside your industry, of the same size as your company or larger/smaller than your company. There are several unique analysis tools offered within the NeuraMetrics Benchmarking Tool and I will briefly outline the most popular here.

One key statistical analysis technique offered is linear correlation. **Linear correlation** quantifies the relationship between variables. In a check for complete data feature, the tool will show every increase or decrease in one variable having an equivalent increase or decrease in other variables only if there is 100% correlation between the variables. If any one of the required fields for a given calculation is not entered, the tool will not do the calculation. The axes of this X-Y Chart are customizable (on the fly) and the result is a valuable application of the data. As an example, this analysis technique can show the service **cost versus the acquisition** cost for equipment in a facility, **staffing metrics** for the number of measuring instruments in a plant, staffing per equipment acquisition (e.g. one engineer can support x million dollars of manufacturing equipment), etc.

The **Gap Analysis** technique offered allows a demographics drill down to four levels (or more) for comparison of specific demographics. As an example, a company may compare their Technology Management to that of other companies. But if they really want to know where they stand, they can compare tasks within their Technology Management function such as how they plan for their **technology continuity**, how they plan **technology purchases/upgrades**, or how they do **budget planning.**

In another unique analysis technique, the tool will show companies the problem area **mitigation priorities** of other (anonymous) companies. This allows comparison of your company's mitigation strategies to other companies; a method of measuring how compatible you are in dealing with identified problem areas over several attributes.

And finally, the tool will allow you to see specific comments made anonymously by people (Participants – title, function etc) in answer to specific questions regarding subjects such as **barriers** these **other companies face in dealing with specific issues**. Analyzing these comments will allow the user to develop a lucid representation of his/her company's place in the industry as well as develop ideas for improving their processes.

With the anonymous nature of this tool, users are allowed to look for **"Best Performers"** and with the "drill down" capabilities available one can determine how those "Best Performers" obtained that status. Comparing areas that deal with barriers, costs and staffing with other facilities/companies may highlight where and how another company is exceptional and that could be **a practice worth copying or a goal worth setting**.

There are many other features and benefits associated with the NeuraMetrics Benchmarking Tool. The overall concept is that this tool can help **your clients** clearly understand their own "Current Reality" while allowing them to benchmark that "Reality" against other companies and help **you** know where to focus your own marketing for the benefit of your clients and the industry.

1. AAMI's Benchmarking Solution: Analysis of Cost of Service Ratio and Other Metrics   Ted Cohen, CCE is a benchmarking expert and clinical engineering manager at UC Davis Medical Center in Sacramento, CA

About the Author

Mike St. Angelo is the President and CEO of NeuraMetrics, Inc. where he has helped to develop web based technologies to assess, analyze and benchmark organizational performance. NeuraMetrics has developed over 40 tools in multiple industries addressing topics as diverse as Supply Chain, Quality (Six Sigma), Process Management, Energy, Utilities, Safety, Security, Financial Compliance, Strategy, and Culture.

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