

BENCHMARKING ACTIVITIES

Benchmarking the industry sector and firms

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Capacity Building Task Force

Level	Between		Reason
National industry sector	Sector with other sectors	- domestic	Visibility National resources (education, ..)
		- foreign	Trade support
Firms	Firm with competitors	- domestic	Identify gaps (strength/weakness)
		- foreign	Identify gaps (strength/weakness)



Task Force outputs

Concept

Surveys of firms by Member Associations to be used for the international benchmarking of national industry sectors, associations and member firms.

Outputs

National industry sector

Associations

Member firms

Guidelines

GUIDELINES

GUIDELINES

**DRAFT
GUIDELINES**

Results

CAPACITY INDEX

BENCHMARKING?

**INTERNATIONAL
BENCHMARKING?**



National industry sector capacity

Country environment

- Stable and equitable business environment
- Clear rules and regulations
- QBS wherever possible
- Integrity environment

Industry structure and organization

- Capacity of Member Association: staff, budget, governance
- Representation of industry
- Programmes: government liaison, group action, capacity building

Individual firm capacity

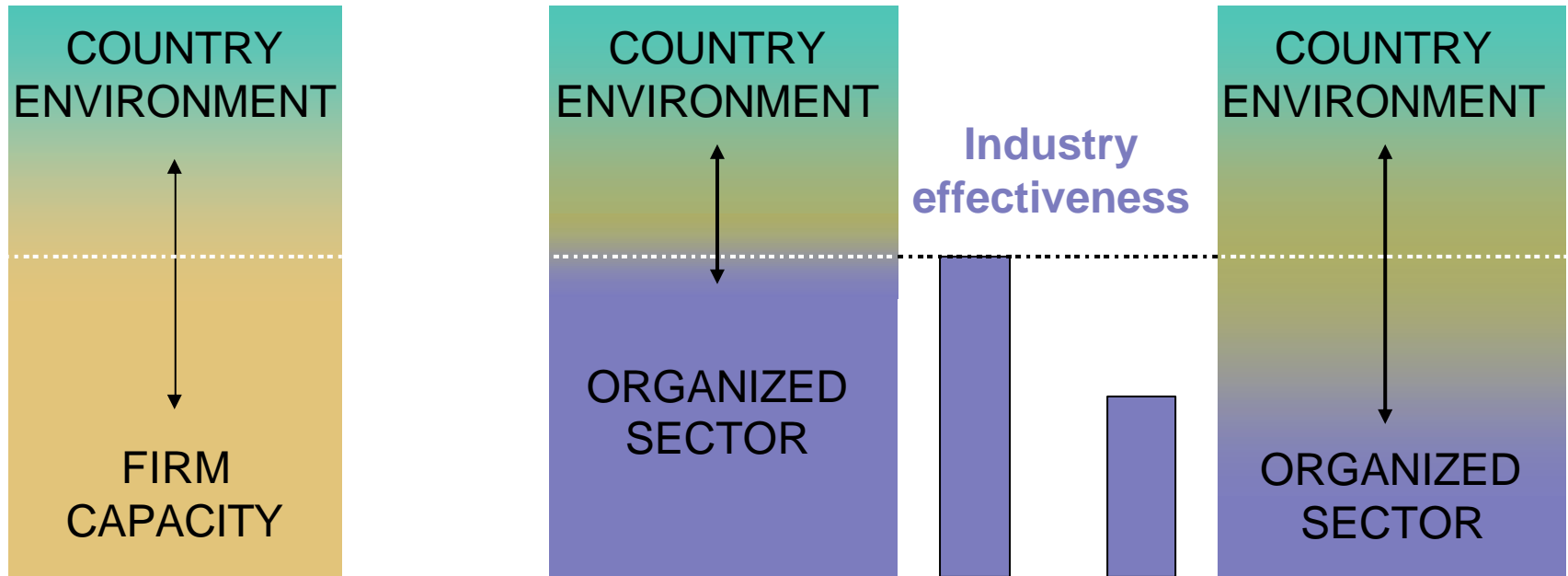
- Firm management effectiveness
- Human resources capacity: best and brightest
- Effective project, integrity and quality management



National industry sector capacity

Country environment
+ Firm capacity

+ Industry structure & organization



National industry sector capacity

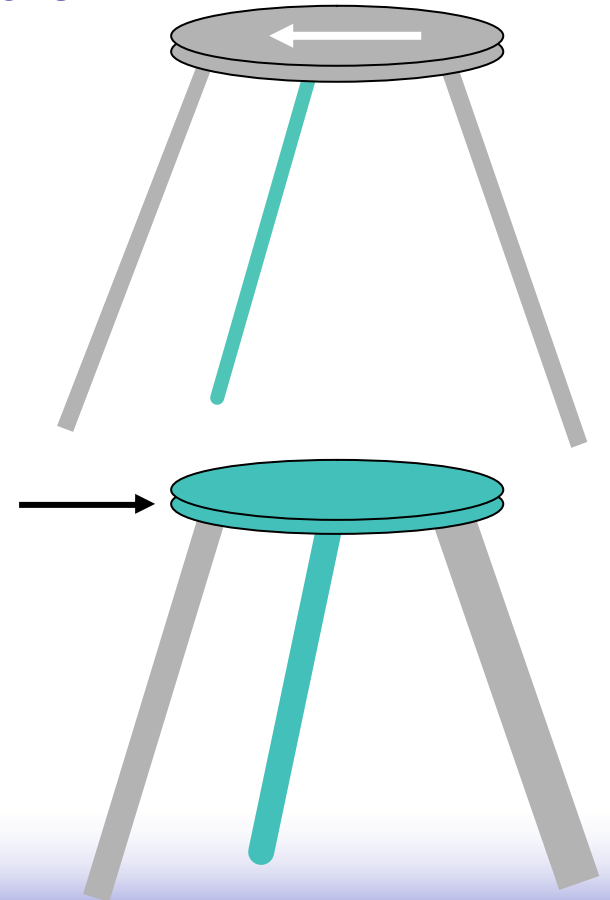
Indicators:

Need indicators of Country environment + Firm capacity + Industry structure & organization that can be generated from:

- surveys of firms carried out by Member Associations
- macro-economic/social/environmental data

Need indicators that:

- measure strength
- are balanced
- incorporate both: “leading” (push)
“lagging” (react)
- incorporate both: internal
external
- measure both: short-term
long-term



National benchmarking

Competitiveness Scoreboards

World Economic Forum, IMD, UN

Aim Report ability of nations to maintain an environment in which firms can compete.

Assume Wealth creation mainly at firm level.
Firms operate in a national environment which affects ability to compete nationally or internationally.

Indicators **Themes** (4) with **Sub-themes** (5, equal weight) with **Criteria** (2 - 10)

Economic Performance	Domestic economy	2 hard; 1 survey
	International trade	5 hard; 2 survey
	International investment	4 hard; 2 survey
	Employment	6 hard; 1 survey
	Prices	2 hard; 1 survey
Government efficiency
Business efficiency
Infrastructure

Hard data criteria: 2/3 weight; Subjective survey criteria: 1/3 weight



National benchmarking

Indicators

Dimension

Environmental

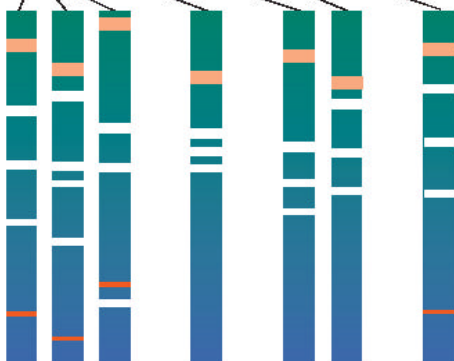
Themes



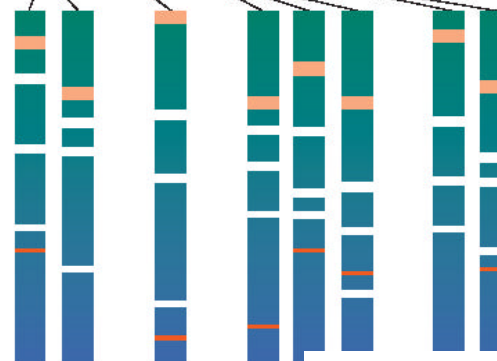
Sub-themes



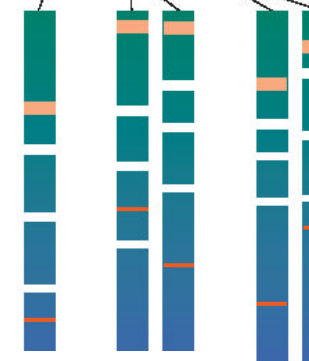
Indicators



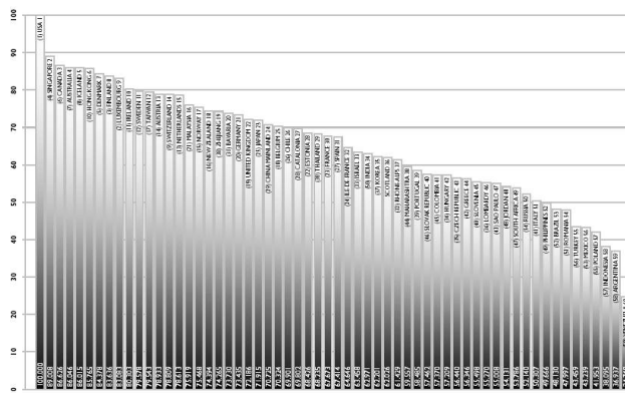
Economic



Social



Output



National industry sector capacity

Data source

Example

Firm registration

WB DACON.

Prequalification guidelines

EU

Member Association firm surveys

Australia, Denmark, UK

Association surveys

FIDIC, EFCA

Industry sector reviews

Canada, Sweden, USA

Macro-economic/social/environmental

OECD, UN, CSD,...

GRI

Global Compact

Survey

Ranked indicator themes for:

- industry-level data with reporting to the national industry sector
- firm-level data with reporting to the national industry sector
- firm-level data with reporting to firms



Balanced Scorecard indicators

Indicators organized according to the Balanced Scorecard

Financial

Seen by financial shareholders

Return on capital employed, economic value added, sales growth, cash flow, profitability

Client relations

Seen by clients

Customer satisfaction, retention, acquisition, market share

Business processes

What the firm should do well

Innovation (how well the firm identifies the client' future needs)
Operations (quality, cycle time, cost)
Post sales service (warranty, treatment of defects)

Learning and growth

What the firm should learn

People (staff retention, training, skills, morale)
Systems (availability of critical real time data for sales staff).



National industry sector indicators

Survey results

Ranking of indicator themes for firm-level data with firm-level reporting		
Theme	Sub-theme	Ranking
Financial management	Capital performance	1
	Operating performance	2
	Other aspects	3
Client relations	Sources of work	1
	Client satisfaction	2
Business processes	Marketing	1
	Contract type	2
	Contract selection method	3
	Organization	4
	Project performance	5
Learning and growth	Technical performance	1
	Qualifications	2
	Training	3
	Staff turnover	4
	Staff satisfaction	5
	Innovation / R&D	6



National industry sector indicators

Survey results

Ranking of indicator themes for firm-level data with firm-level reporting	
Sub-theme	Indicators
Capital performance	<p>Solvency: assets per unit of liabilities</p> <p>Ownership: shareholders' loan + equity per unit of funds employed</p> <p>Ownership: equity per unit of total assets</p> <p>Ownership succession: percent of firms saying that succession planning of ownership is important</p> <p>Investment: equity capital per employee</p> <p>Return on capital: pretax profit per unit of equity capital</p>



National industry sector indicator

Survey results

Ranking of indicator themes for firm-level data with firm-level reporting	
Sub-theme	Indicators
Operating performance	<p>Profitability: pretax profit per unit of generated income</p> <p>Profitability: pretax income per unit added value</p> <p>Profitability: turnover less sub-consultant fees + disbursements covered at cost</p> <p>Profitability: profit before tax, redistribution and interest</p> <p>Profitability: return on sales; profit before tax and interest</p> <p>Profit margin: pretax profit before distribution per unit of revenue</p>



Balanced Scorecard indicators

Code	Perspective		
1	Financial		
A	Short-term	B	Long-term
α	Leading	β	Lagging
a	Internal	b	External

Require: 1A α a, 1A α bhowever mainly:

Financial	Client relations	Business processes	Learning and growth
EXT LAG	EXT LEAD EXT LAG	INT LEAD INT LAG	INT LEAD

EXT: External; INT: Internal
LAG: Lagging; LEAD: Leading



National industry sector: scorecard indicators

Data level	Indicators mainly reported to the country level			
	Financial EXT LAG	Client relations EXT LEAD/LAG	Business processes INT LEAD/LAG	Learning and growth INT LEAD
About country	GDP per capita H	Integrity Index S	Association uniqueness S	New industry graduates per total graduates H
About firms	% foreign revenue H	Distribution of association activities S	Association fee as % of member firm revenue H	Staff per firm H
	Indicators mainly reported to the firm level			
About country	Industry revenue as % of GDP H	Clarity of procurement S	Association budget H	Firm staff per capita H
About firms	Member firm % of industry revenue H	Private client revenue as a % total revenue H	% QBS versus QCBS S	Staff distribution in small versus large firms H

H: Hard data; S: Subjective survey result



National industry sector scorecard

www.fidic.org/annualsurvey

Capacity Index

Norway, Luxembourg, Japan
Denmark , USA
Switzerland, Iceland, Ireland
Austria, UK
Netherlands, Sweden, Finland, Canada
Germany, Belgium, France, Spain, Australia, China-Taipei
New Zealand, Slovenia, Greece, Portugal, Korea
Hungary, Mexico,
Botswana. South Africa, Turkey, Czech Republic Bulgaria
Belarus, China, Indonesia
India, Vietnam, Uganda, Bangladesh

Tools

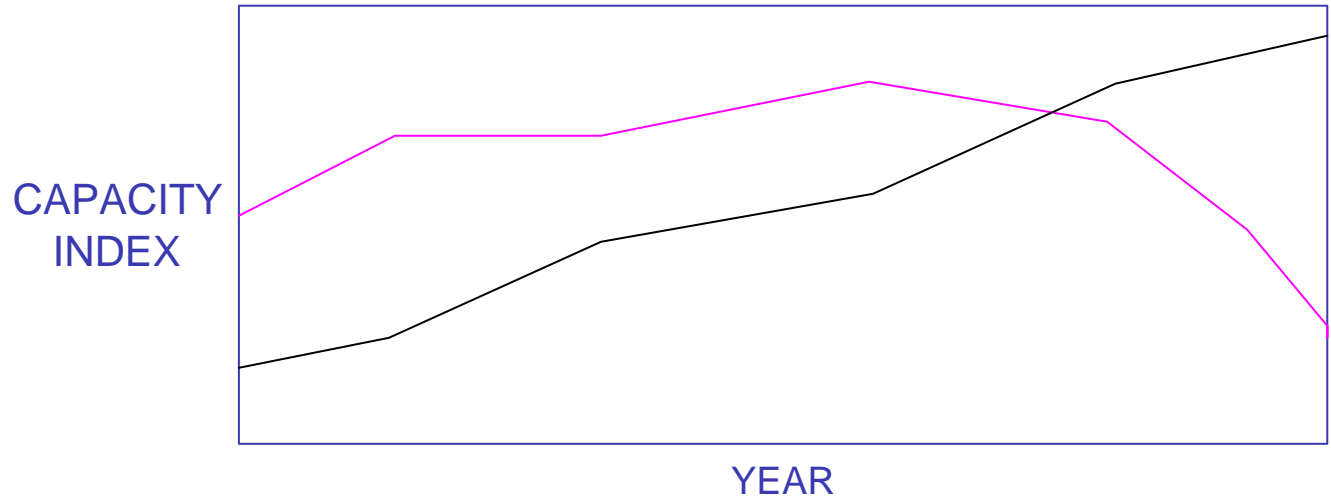
Data collection: *Member Associations guidelines*

Data analysis: *Annual survey manual*

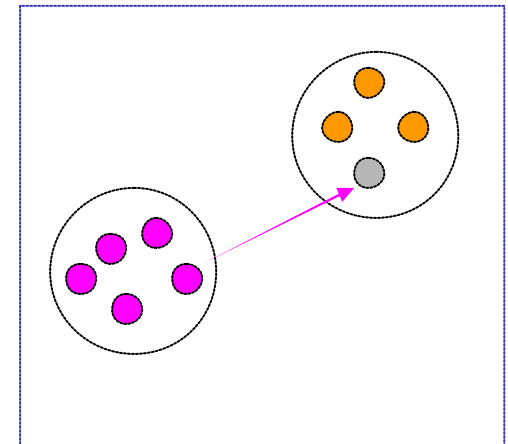
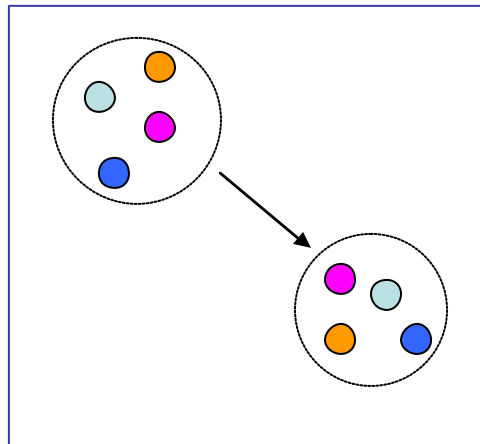


National industry sector capacity index: the future

Time series



Cluster analysis



Firm benchmarking

1. Guidelines for Member Associations

- Draft based on survey of Member Associations

2. Indicators for international firm benchmarking

- Draft set under discussion
- Use international accounting definitions?



Firm benchmarking

Possible indicators

Financial performance: capital perspective

Equity/assets; Income/equity; Equity/liabilities; Assets/liabilities; Coverage: cash flow/(interest + principal payments)

Financial performance: operating perspective

Gross margin/revenue; Post-tax income/revenue; Debtor days outstanding/revenue; Current work in hand/revenue; % turnover domestic; % turnover industrialised; % turnover developing; % turnover by sector; % turnover by income type (fee, lump sum, etc)

Staff performance: capital perspective

% by staff skill (prof.; admin); % by staff type (perm.; temp.); % by staff region (dom.; int.)

Staff performance: operating perspective

Chargeable hours/total effective hours; Invoiced hours/total effective hours; Overhead (admin +sales /total); Salaries/revenue; Staff costs technical /Total staff cost; Chargeable hours for technical staff/total hours paid for technical staff; Outstanding invoices

