

Avoid these ten benchmarking mistakes

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Benchmarking has become embedded in most organisations as part of the way they stay competitive. But there are lots of opportunities for benchmarking to go wrong. Here are some of the most common mistakes organisations make when benchmarking, and how you can avoid them.

Mistake #1. Confusing benchmarking with participating in a survey.

A survey of organisations in a similar industry to yours is not really benchmarking, whatever it may be called. Such a survey will give you some interesting numbers, but benchmarking is the process of finding out what is behind the numbers. In other words, a benchmarking survey may tell you where you rank, but it won't help you improve your position.

Mistake #2. Thinking there are pre-existing "benchmarks" to be found.

Just because some survey or study says that a cost of \$2.35 is the "benchmark" cost of a particular transaction, does not mean that you must perform that transaction for that price. The so-called "benchmark" may simply not be applicable to your markets, customers or resource levels. Insist on identifying your own benchmarking partners and finding out from them what is achievable, and then whether you can achieve a similar level of performance.

Mistake #3. Forgetting about service delivery and customer satisfaction.

Benchmarking stories abound of organisations that have become so fixated on the cost of providing their product or service that they have failed to take the customer into account. Paring down the costs often rebounds in lesser service delivery, so customers go elsewhere and ultimately you don't have a business. Take a "balanced scorecard" approach when developing your benchmarking metrics.

Mistake #4. The process is too large and complex to be manageable.

A process is a group of tasks. A system is a group of processes. Avoid trying to benchmark a total system - it will be extremely costly, take ages, and be difficult to remain focused. Better to select one or several processes that form a part of the total system, work with it initially and then move on to the next part of the system.

Mistake #5. Confusing benchmarking with research.

Benchmarking presupposes that you are working on an existing process that has been in operation long enough to have some data about its effectiveness and its resource costs. Commencing a new process, such as developing a new employee handbook by

collecting other people's handbooks and taking ideas from them, is research, not benchmarking.

Mistake #6. Misalignment.

Choosing a benchmarking topic that is not aligned with the overall strategy and goals of the business – or worse, cuts across some other initiative the organisation is already taking. A Lead Team at the strategic level needs to oversee the benchmarking project and make sure that it is in line with what is happening in the business as a whole.

Mistake #7. Picking a topic that is too intangible and difficult to measure.

"Employee communication" is probably the most slippery concept that exists in an organisation, but it is often cited as one of the worst problems, so many organisations try to benchmark it. Encourage your benchmarking team to select instead a part of the topic that can be observed and measured; for instance, the process of distributing memos around the organisation.

Mistake #8. Not establishing the baseline.

Going out to make benchmarking visits before you have analysed your own process thoroughly. Benchmarking assumes that you already know your own process and its level of performance thoroughly. After all, that information is what you have to offer to your benchmarking partners in exchange for the information you are seeking from them. Make sure your benchmarking team is very clear about what it wants to learn before you approach potential benchmarking partners.

Mistake #9. Not researching benchmarking partners thoroughly.

This is essential in selecting the right benchmarking partners, so you don't waste their time or yours. There is a rule of benchmarking etiquette that says you should never ask a benchmarking partner a question that you should have been able to answer for yourself through researching the literature in the public domain.

Mistake #10. Not having a code of ethics and contract agreed with partners.

Your partners should be clear about what you are seeking to learn from them, how that information will be treated, who will have access to it and for what purposes it will be used. Ideally, this should be formally agreed. The benchmarking code of practice offered by the American Productivity and Quality Centre provides a useful model.