# Top Ten Tips for Better Benchmarking

How to ensure your benchmarking activities really hit the mark

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Bench marking's a key facet of operations in the shared services and outsourcing arena. Knowing where you stand in comparison with those around you - and, critically, how to use that information to improve your business - is an invaluable asset, especially when the landscape is changing as rapidly as it has been. But benchmarking itself might not be as straightforward as it sounds - at least, not if you haven't read SSON's Top Tips for Better Benchmarking… Enjoy!

(Don't forget, you can send your own thoughts and suggestions to the editor - or why not post on our Q&A forums?)

### 1. The more the merrier

There's no point benchmarking unless you're going to go large - in terms of the data you're collecting, that is. You need to match your data with those of a significant number of other firms to make your comparisons worthwhile. Tom Bangemann, Vice President Business Transformation at The Hackett Group, recommends having a "relevant and large enough peer group, otherwise results are statistically irrelevant (at least 10 to 15 that fit - better more".

### 2. Stay legal

Be careful - extremely careful - that your benchmarking activities don't constitute illegal practice. Exchanging data on business processes and the like might seem like a harmless and mutually beneficial pastime, but if companies begin swapping information such as pricing for services and products, there's a danger that this might contravene local or international legislation on fair practice. The International Benchmarking Clearinghouse Code of Conduct[1] advises that you "avoid discussions or actions that could lead to or imply an interest in restraint of trade, market and/or customer allocation schemes, price fixing, dealing arrangements, bid rigging or bribery".

### 3. Stay current, keep ahead

Businesses change in the blink of an eye - especially during periods of economic transition such as we've been experiencing for the last few quarters. There's no point in measuring today's results against those gleaned from another firm a decade ago. Tom Bangemann cautions that "data must not be old. You need large data base to compare relevant companies with up-to-date information. We [at The Hackett Group] use the last three years".

### 4. Choose your benchmarker wisely

Not everyone approaching you with an offer to benchmark your processes will be able to do a good job - for many reasons. Be very careful about who you choose to benchmark with, and why. Remember this is a significant investment - not every Tom, Dick or Harry will be able to make it worth your while. Randy Vetter, Director at Alsbridge, writes on the Outsourcing Leadership[2] blog that "of course, you need to do your due diligence on the benchmarker to ensure they have a proven methodology, access to data from around the globe, seasoned professionals ("been there, done that, got the t-shirt") and are respected by service providers…"

### 5. Choose your fellows wisely

If you're choosing to "go it alone" without the involvement of a professional benchmarking firm, you must be extremely selective in terms of the companies with whom you choose to share your information. It's not just about security (although that's obviously a key issue): you also need to be sure those you're

working with are going to provide data that's relevant to your needs. One SSON member interviewed recently explained why: "We conducted benchmarking exercises with several companies but had to bring them to an early conclusion when we realized that their results were so inferior to ours that we didn't really stand to gain anything by continuing with the benchmarking!"

**6. Don't just compare with your nearest and, er, dearest…**

It might seem logical to benchmark against those companies you see as being similar to you, but if you do that you risk losing the bigger picture. Tom Bangemann suggests you "benchmark against different reference points - eg peer group and world-class - so you have a holistic view on positioning. Only comparing within [your] industry can mean you do not see all the potential generated by other companies (and it might be relevant)."

**7. Do unto others as you would have done unto yourself**

Common courtesy goes a long way in benchmarking, just as it does everywhere else in business. If you're conducting "unofficial" benchmarking without the involvement of a dedicated third-party benchmarking firm, treat your partners - and their data - with all the respect you'd expect yourself. The International Benchmarking Clearinghouse Code of Conduct[3] advises that you "treat your benchmarking partner in the way that your benchmarking partner would want to be treated" and "understand how your benchmarking partner would like to have the information he or she provides handled and used, and handle and use it in that manner."

**8. Understand what you intend to do with the data before you get it**

There's little point in benchmarking for benchmarking's sake: ok, it's nice to know where you stand in relation to your peers generally but engaging in a large-scale benchmarking process might not be especially worthwhile if that's all you're going to use it for (certainly the case if you make it a very regular activity). Benchmarking works most effectively if there's a solid reason behind it - assessing which of your processes require the most investment, perhaps, or laying down the foundations for a transformation and working out which areas of your business need to be brought up to speed, and how. Knowing you're world-class is one thing: understanding what to do to stay there is another thing altogether.

**9. Keep the battle-lines relevant**

"Scope-creep" is a common malaise throughout shared services and outsourcing, and bench marking's no exception. There's little point straying away from the core metrics you're trying to compare, on a process-driven basis. Tom Bangemann recommends keeping a "rigid taxonomy… You need to compare 'apples-to-apples'. Hence it can only be process-driven defined by the activities in scope. It needs to be organization-independent."

**10. Don't be a "one-hit wonder"**

Benchmarking on a one-off basis might produce some useful data - especially in advance of any planned transformation project - but it's almost certainly going to be more beneficial to the business to repeat the activity further down the line (or even to make regular benchmarking part of your strategy, as long as you're not just garnering the information for information's sake - see point 8). For one thing, if you are collecting data ahead of a transformation, surely it'll make sense following that transformation to carry out another study to assess results? And, as noted, businesses change very rapidly - if you're basing big decisions on data obtained from an out-of-date benchmarking study you could be letting yourself in for a short walk off a very tall cliff…

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[1]  http://www.orau.gov/pbm/pbmhandbook/apqc.pdf

[2]  http://blog.outsourcingleadership.com/sourcing-solution/benchmarking/23-look-before-you-leap.html

[3] http://www.orau.gov/pbm/pbmhandbook/apqc.pdf

Here's a list of the 10 best competitor benchmarking tools to help keep an eye on your competitors.Ä  Using Buzzsumo you can analyze what content performs best for any topic or competitor. Buzzsumo's competitor research gives you insights into what content is getting traction for your competitors, what networks are they having success in, who is sharing their content, and much more. This is a comprehensive tool that offers an array of solutions to track your social and SEO footprint. We have all heard the term 'benchmarking,' but when it comes to directly learning from other companies, it's common to get a little fuzzy on the details of how exactly it should work. Understanding the ways in which a benchmarking visit differs from a tour is critical to making changes that have operational and bottom-line impacts. To illustrate, here is a typical tour approach to which many of you can relate. Here are 10 Tips to guide you: 1. The more the merrier. There's no point benchmarking unless you're going to go large - in terms of the data you're collecting, that is. You need to match your data with those of a significant number of other firms to make your comparisons worthwhile. Tom Bangemann, Vice President Business Transformation at The Hackett Group, recommends having a "relevant and large enough peer group, otherwise results are statistically irrelevant (at least 10 to 15 that fit - better more". 2. Stay legal. Be careful - extremely careful - that your benchmarking activities don't constitute illegal practice. The next benchmarking best practice is to identify important metrics and your company's main competitors. Regarding metrics, choose meaningful ones that are easily measurable. For example, if your main benchmarking goal is to boost revenue, you may decide to track the cost of goods sold, website conversion rates, and/or overall sales volume. As for your competition, you likely already have a good idea of who your brand is directly competing with. Remember, "directly" is the keyword here.