

Process Calibration Strategiessm

Insights to empower you to transform enterprise performance

Benchmarkers And Benchmark Data – Why Is The Difference Important?

Publication Category: Research Update
Publication Title: Benchmarkers And Benchmark Data . Why Is The Difference Important?
Publication ID: US-SGA-GEN-2006-001
Domain: All SG&A domains
Topic: Process Calibration
Released: April 17, 2006

Context:

The case for benchmarking your IT, Finance & Accounting, Human Resources, Supply Chain and Customer Care functions is a compelling one. When used appropriately, it has proven to be one of the most effective tools for bringing about quantum-leaps in domain and enterprise performance. Most SG&A processes can be benchmarked. It is an activity that looks outward to establish best practice and high performance and then measures actual business operations against those goals.

As a senior executive you understand the benefits and importance of benchmarking and have identified a suitable activity to be benchmarked. Conventional wisdom suggests that you first select a credible benchmarker and let the benchmarker decide on the benchmark data. But in doing so, are you perhaps (a) putting the cart in front of the horse, while also (b) buying into the notion that, a credible benchmarker is usually the best source of credible benchmarks?

If you are going to end up undertaking a series of major performance transformation initiatives to adjust your cost structure, service quality and reaction-time to business changes based on a benchmark exercise, you must ask tougher questions about the very data that is used to drive these decisions. Here's a little secret you may or may not know . All benchmark data is not created equal!

Analysis:

Below are 10 points you should investigate about your benchmark data and its provider before shipping off your performance data for benchmarking:

1. Does the benchmark data provider specialize in your domain?
2. Are the benchmark metrics utilized compatible with open, public and neutral standards, or are they aligned with closed, one-off, or proprietary standards?
3. Does the benchmark data provider have a vested interest in follow-on business as a result of your use of its benchmark service?
4. How rigorously and consistently is the data in the benchmark repository tested for accuracy?
5. What is the process to assure that the benchmark repository always retains a critical mass of data points?

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6. What is the distribution of the currency of data? What percentage is 18 months old, 12 months old, or 6 months or less old?
7. By how much is the process of normalizing your data weakening subsequent conclusions?
8. How broad is the footprint of the data in the repository? Is it limited to a few companies in one industry in one country or to hundreds of companies in dozens of industries in several countries?
9. Which companies are represented in the data repository? Do they reflect the type and character of companies you want your process to be compared and contrasted with?
10. Does the use of benchmarks from this source restrict your ability to switch among benchmarkers? In other words, can you use these benchmarks without having to always use the same benchmarker?

Take Away:

For benchmarking to be effectively applied in performance transformation of your SG&A domain, the source, nature and pedigree of the benchmark data is increasingly more important than the benchmarker. As you adopt more standardized processes, you must adopt more standardized benchmarks.

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Publications:	None

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