

Newsflash, Spring 2013

7 Pitfalls to Avoid in Benchmarking



Pitfall 1: Benchmark is done at too high a level

Many companies think that one overall corporate benchmark is sufficient. However, larger organisations should be split into logical units to obtain a useful benchmark. If you group together units with large differences you might find that the results do not reflect reality – and draw the wrong conclusions (e.g. 2 units with high and low numbers may average into a satisfactory result – but each unit may be facing different kinds of problems which need to be addressed).

Larger organisations should be split into logical units so that the results accurately reflect reality

Pitfall 2: “5 Metrics are enough”

We’ve encountered many organisations who want to run the whole people management area with a dashboard of 5 to 10 metrics – like driving a car. But there is one thing people forget: First of all, even if there are only few metrics and symbols on the car dashboard, there are far more measurement points below – so if one control lamp is on it could mean many different things. Running a company is more like flying an airplane - and have you seen the dashboard of an airplane? Of course it’s important to limit the number of metrics to those with a useful business impact, but 5 to 10 are far too few in order to control all people management processes.

Running a company is like flying an airplane—5 to 10 metrics on a dashboard are not enough

Pitfall 3: The numbers are not linked to underlying activities

Benchmarking is very often understood as comparing numbers while neglecting the activities that influence them. However, in many cases only the underlying qualitative activities can explain a gap in the numbers – and you have to change things on that level to improve the metric. Therefore, it is also vital to look at all the activities which are connected to the metrics in focus. This enables a company to quickly identify what to change in order to close the gap.

We have identified approximately 4000 activities to drive our metrics

Pitfall 4: Focus on numbers instead of actions

Benchmarks work with numbers and therefore suggest that the measurements need to be absolutely exact. This is not correct- benchmarking should only give indicators as to where improvements can be made. Some benchmarking organisations produce huge amounts of numbers but very little useful information. Key numbers should be linked to detailed activities to enable a company to setup concrete action plans.

Numbers should be linked to specific actions

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Pitfall 5: “Focusing on single metrics”

Companies often tend to select single metrics (e.g. the number of people in HR per 100 employees) and focus on them rather than looking at whole management processes. Looking at metrics which cover whole processes and their underlying activities allows to identify what needs to be changed and the financial results of making those changes. Furthermore, it's important to combine metrics from different areas to spot correlations and interdependencies. If you do something about one area you have to be sure that there are no negative impacts on others – or in the best case, different areas can be improved just by solving one major problem.

A thorough evaluation involves all people management processes and looks for correlations and interdependencies

Pitfall 6: The benchmarking approach and process

In our first pilot round over 13 years ago, we tried something like an online survey. We sent out CDs with a questionnaire and very good descriptions. But looking at the data we got back we found that – even with excellent descriptions – 10 companies interpret a single term (e.g. number of talents) in 10 different ways. So the very fancy and easy approach using online tools is limited. It is much more important to sit down in a thorough process with the client and walk through all raw data definitions in detail, understand the company specifics and freeze the data in such a way as to be comparable within the Knowledge Base. Only this ensures that you are comparing apples with apples.

It is important to guide the client in a thorough process of defining and freezing data to ensure the correct comparisons are made

Pitfall 7: It's really just a sales tool

Benchmarking is frequently used not only to support the client in finding gaps, but also to support the benchmarking company in generating more business. Benchmarking results can be interpreted in many ways and it is important that the provider be an independent institution in order to obtain honest and usable results. Ensure that your external partner does not have a hidden agenda.

The F-TOP Institute will provide you with independent and objective results

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