How Benchmarking Can Overcome
Six Flaws and Achieve Stardom

Benchmarking is laudable, worthwhile, and everywhere. For example, Amazon.com reports 621 *print* books with the word benchmarking in their *titles*.

Wikipedia defines benchmarking as "*comparing one's business processes and performance metrics to industry bests or best practices from other companies.*" The American Productivity and Quality Center says it is "*comparing and measuring your organization against others, anywhere in the world, to gain insights into measures, performance, and practices in a way that can rapidly improve the journey to world-class performance.*"

But benchmarking has flaws which hold it back, which I'll explain. For benchmarking to break out of its journeyman status and achieve stardom, it needs software automation. And, just like Michael Jordan became a star (again) 20 years ago after returning to basketball upon leaving baseball, benchmarking needs a different playing field where, powered by automation, it can shine.

Flaw #1 – Data isn't readily available. Unless government imposes reporting requirements and makes the resulting data public, you need to go begging with inducements. Otherwise why should anyone share their data?

Flaw #2 – It's expensive, complex, and lengthy. Typically you hire benchmarking consultants to learn about your business, discuss, investigate, analyze, and write up conclusions.

Flaw #3 – The scope is limited. Even an expert will generally ask who you consider your peers to be, or will formulate a peer group for you. The same goes for metrics: you specify the metrics that are of interest to you. More metrics and more peer groups mean more expense. Needless to say, the choice of peer groups and metrics can suffer from bias. Ask a college president who their peer group is and you'll likely get names that wouldn't turn up from an objective similarity calculation based only on data. With a narrow choice of peer group, the question lingers: *Do we really have a problem?*

Flaw #4 – Benchmarking usually involves quantitative metrics, because they lend themselves to simple comparisons that can be plotted in a diagram. With qualitative or yes/no attributes like "*Did (not) improve over last quarter?*" it's harder for traditional benchmarking to deliver crisp, persuasive insights.

Flaw #5 – Benchmarking often relies on debatable assumptions about the range of outstanding or even acceptable performance, which requires deep insight into subjects that can change overnight and require updated assumptions.

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Flaw #6 - Even when benchmarking succeeds, the economic value is limited to a single organization that initiated and paid for the benchmarking study. Instead, wouldn't it be great if a benchmarking study that benefits one organization could benefit 1,000 peer organizations with the same amount of work?

The upshot is that benchmarking suffers from a spotty reputation, bolstered by skeptics who will claim that their organization has unique circumstances and so is peerless and incomparable, or that the data are misleading, or that comparisons are fruitless and the only truly worthy goal is maximum possible performance, whatever that is.

How then can benchmarking overcome all these flaws and win over the skeptics?

To achieve stardom, benchmarking needs software automation that looks at *all combinations* of peer groups and quantitative/qualitative data attributes, discovers insights, ranks them, writes them up, and reports them, and does all these *well*. Properly programmed, artificial intelligence can handle all of this. But humans just *can't cope with* the numerous combinations. To illustrate: there are 161,700 ways to form three-attribute peer groups out of 100 data attributes.

For practicality, the software should be general, thus driven by data and by comparisons - *not* by an underlying model of the subject matter. Simply put, the software should be data- and comparison-driven, not model-driven. Human expertise is best utilized to *act upon* the benchmarking insights, not to discover them.

Finally, benchmarking needs to be performed by a single entity that by itself has all the needed data, without going begging. For example, using latest federal and public rankings data on post-secondary schools that follow the FASB accounting standard, AI benchmarking software could find that my doctoral alma mater gets a good bang for its bucks:

Carnegie Mellon has the highest Times Higher Education world ranking (24th place) of the 1,599 schools with at most a $200,256 average annualized salary of full-time, non-medical, instructional staff.

Business-service providers, who generate data as a side effect of serving their customers, qualify, assuming there are no contractual impediments. Even contractual impediments will fall by the wayside in the face of the great economic value that can be gained across the economy by offering benchmarking services to business customers, after appropriately anonymizing the data.

Benchmarking can overcome its flaws and reach stardom. Just like Michael Jordan needed a basketball and a court, benchmarking needs software automation and the right playing field.

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