

Forget benchmarking

Are you a winner or an also-ran? If you're too busy checking your productivity, quality and performance against those leading the field, Dr Leandro Herrero would like to point out that caution and innovation are mutually exclusive activities

Forget benchmarking. At best, let yourself be benchmarked. If you have benchmarking as a key strategic driver, with the best case scenario you will excel at the art of catching up. You will not invent the new breakthrough product, create a new market or be unique at what you do. OK, you may want to see your company at the top of the league table. If this is what you want, fine.

Benchmarking is a form of comparison with so-called best practices. Typically a company does the research for you, following pre-defined parameters and measures, so you are eventually able to compare yourself with your competitors. It could be a productivity comparison, a quality comparison or any other performance comparison with others. Assuming that the research is done thoroughly and that people are not trying to compare apples with pears, you can obtain any statistic you want and you will find yourself somewhere in the spectrum from

bad to good. League tables in schools and hospitals in the UK and other countries are a form of benchmarking. In the pharmaceutical industry there is plenty of data available in

measures such as R&D productivity, time to market, or, say, speed of the clinical trial programme.

The problem with benchmarking is that sometimes people make extraordinary efforts comparing themselves with others on a reality that is gone: the past. It is impossible to benchmark yourself against things that have not happened yet. The future is not benchmarkable. Benchmarking is catching up. It is rear-mirror management, not future development.

Benchmarking also has the potential to block creativity since the efforts are focused on what is happening as opposed to what may happen in future. Benchmarking is loved by managers of the inevitable, people whose main priority in business is to manage things that otherwise would happen anyway. Managers should be paid to drive things

that would not happen unless they were there. Organisations that put too much emphasis on benchmarking may miss the innovation train. Since benchmarking needs today's data (or, to be more precise, yesterday's) it may produce tunnel vision, in other words, the least visionary of visions.

I wonder whether Bill Gates, founder of Microsoft, was benchmarking when in 1985 he stated that 640K of computer memory ought to be enough for anybody. Obviously, it was not benchmarking that saved him from this 'vision'. Kenneth Olsen, founder of the computer company Digital Equipment Corporation, was also benchmarking when in 1977 he said that there was no reason why anyone would want a computer in their home. Undoubtedly the benchmarking consultants of the day could not find any computers in homes so the hypothetical benchmarking study would have confirmed the reality of Olsen's views. In 1876, Sir William Preece, chief engineer of the British General Post Office, had done his own benchmarking (although he did not know the term) and argued that "the Americans had need for the telephone but we do not; we have plenty of messenger boys". Probably the imaginary benchmarking research of the day would have produced a league table of 'fast to slow messengers'. Decca, the record company, must have also been benchmarking the musical market when they rejected the Beatles on the grounds that 'guitar music is on the way out'. I don't know, but I bet they even had 'hard statistical data'.

Business history is full of examples of where true innovation defies the expectations of today and the realities of the past. I can't imagine a benchmarking consultant doing research for Sony and finding that: (a) people wanted to have little battery powered boxes hanging from their belts with thin wires hooked into their ears to play tapes in the street when going to the office, or (b) they actually found examples of that strange behaviour in the market and reported the facts to Sony. The Walkman was not invented on the back of benchmarking (or market research for that matter).

Incrementalism and innovation

Benchmarking usually leads to an incrementalist mentality. If one is behind on something, surely by putting some measures into practice one can advance one, three, five points. Benchmarking is a race against somebody who has already won. Nicolas Negroponte, of the MIT's Media Lab, is quoted as saying that "incrementalism is innovation's worse enemy". I agree.

Is benchmarking such a waste? No. Like many

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Illustration by Rob Wilcockson

things in life it depends on how seriously you take it. If benchmarking data is used to generate ideas, to give wake-up calls when things are not great, or simply to understand what's going on in your world, then you should welcome it. But to turn benchmarking into some sort of religion or, as in many organisations, the driver of strategy, is a waste of time. If you find a company or potential employer singing the benchmarking song as the main theme, I suggest you downgrade your expectations.

Entire change management programmes are based on some form of benchmarking, even when the term is not used. You can see those drivers; industry standards, averages of competitors' performances, constant reference to 'industry best practices', etc. These approaches are unlikely to produce radical change. By that I mean sustainable change that is not incremental and that leads the organisation to a higher level of possibilities. Some change programmes are based on a simple extrapolation of the past and present, containing a horizon that is a sort of 'better picture' of today.

To be fair to benchmarking addicts, many books, publications and congresses that have benchmarking in the title are using the term in its broadest sense: a panorama of what is available today. In the best cases they are a journalistic account of management practices that organisations have put in place and the benefits they have achieved under such and such programme. Strictly speaking this is not benchmarking, but a non-judgemental review of practices. The word 'best' associated with the title 'best practices' does not guarantee that what you see is the best – I have never read an account of 'worst practices'.

The fact that many entrepreneurial ventures are led by people who know little about that industry tells you that they are unlikely to rely on benchmarking data or industry standards to produce something different. This, of course, is not always the case. But certainly the most successful and lasting entrepreneurial enterprises produce something different or unique rather than simply 'better' –

something that was almost certainly unpredictable.

In 1976, Muhammad Yunus, a professor of economics, had the wild idea of creating a bank that lends relatively small amounts to the poor and to the sector of the population in his part of the world with less access to money: women. The Grammen Bank was born. Today it has more than two million borrowers and has lent over US\$1 billion. It has not only become a very successful enterprise but has minimum levels of defaults, and has expanded to offer other services, for example, mobile communications. The 'Grammen model' has led to successful enterprises outside banking, yet it still has intrinsic merit as a socially responsible initiative. I am pretty sure that Yunus did not rely on benchmarking data, or banking 'best practices', to set up the enterprise. What he did was diametrically opposite to 'best banking practice'. In reality, he put into practice what is arguably the 'worst possible banking practice'.

The history of mankind, the history of business and the history of ideas are all full of predictions that were wrong and that, had they been followed up, would have blocked innovation. They have in common the focus on the present or the past, a rear-mirror strategy or benchmarking-like motivation. Lord Kelvin, former president of The Royal Society (UK), predicted in 1895 that heavier-than-air flying machines were impossible. Some years later, in 1923, Robert Millikan, a Nobel Prize winner in physics, predicted that "there is no likelihood that man can ever tap the power of the atom". Twenty years later the founder of IBM, Thomas Watson, stated that there was a world market for about five computers. Perhaps the most striking statement in the history of complacency (and arrogance) comes from the often quoted Charles H Duell, Commissioner of the USA Office of Patents, who in 1899 recommended the abolition of the office on the grounds that "everything that can be invented has been invented".

Benchmarking, otherwise known as rear-mirror management, can be seen as a race against somebody who has already won.

What has always interested me is that you rarely find idiots among that pool of people making statements that seem ridiculous today. IQ clearly doesn't correlate with business predictions!

Benchmarking should in the best cases be a starting point, not an aim in itself: a platform for conversation and to move forward; data to reflect upon and forget quickly. Innovation comes from exploring the unthinkable, from stretching the world of possibilities, from a healthy "forget benchmarking, what if we did this?" Out-of-the-box thinking is needed more than benchmarking data. The problem with out-of-the-box thinking is that it is often in short supply in semi-bureaucratic and super-structured environments. I am afraid we have hit the 'culture thing' here – a topic for another day.

I sometimes use a vignette of a group of managers who are discussing out-of-the-box thinking

to illustrate the difficulties. One of them is addressing the others and saying: "We are encountering a few difficulties in my department with this thinking out-of-the-box. We have had a series of meetings discussing the size of the box, the need for a box, the market availability of boxes and our own benchmarking data on boxes. We haven't agreed on much so far, but we are progressing towards the next stage where we will address the issues of what materials the box should be constructed from, a budget for the box and our first choice of box vendors." SM

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