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## Chapter VIII

# Benchmarking IT



One key ingredient of IT measurement is the establishment of a frame of reference, consisting of expectations, standards, or yardsticks for the various aspects of the application and supply of IT. Clearly, there is a lack of generally accepted, quantified norms for the application and supply of IT, and many of the measures defined throughout the previous chapters and Appendix C. One way of establishing norms is to measure current performance and define future expectations based on these outcomes, thus relying on internal data, historical trends, internal or external expertise, and negotiation between IT supplier and IT customer in the case of IT supply. This may, in fact, be the only practical approach available in many instances.

A second way to establish performance targets is to engage in comparative analysis, comparing performance levels to those of business and technology peers. A relatively passive form of such a benchmarking approach is to use public data and information gathered from entities outside the organization, for example, published research outcomes, information from trade groups, IT suppliers, governmental bureaus of statistics, and so on. This might be complemented with a more active benchmarking approach, aimed at the gathering of information from other organizations (benchmark partners) through the exchange of details on the application and supply of IT. Both a passive and a more active benchmarking approach are an acceptable and often more effective alternative for organizations to find out about their performance as long as generally accepted and objective measures do not exist and as long as no appropriate internal history has been built up yet.

Measurement and benchmarking can be used to analyze either real or perceived problems with the application and supply of IT, in order to improve control. On the basis of comparison with others, it can be revealed whether atypical patterns in IT usage and supply are present. The case study at ANWB, described in Chapter 7, is

an example of this benchmarking purpose. With the help of the BTRIPLEE framework and its associated measures at different layers, the application and supply of IT was analyzed, and with the help of comparative benchmark data, conclusions could be drawn as a result.

Measurement and benchmarking can also be used more systematically and continuously. Organizations may use benchmarking data to arrive at acceptable performance targets or to calibrate performance targets included in an IT measurement program. For example, it might be important to continuously determine how the organization performs competitively, and to adjust its performance targets accordingly. This, for example, happens at ANWB's ACS (see previous chapter). It should be noted that target values assigned to performance measures may differ from benchmark data, either positively or negatively, since they must reflect the specifics of the organization at hand.

Finally, benchmarking of IT can help organizations in exposing people to different approaches, ideas, insights, and mechanisms for the application and supply IT. Benchmarking, in this case, is used to learn from best practices of other, leading organizations, and to stimulate the transfer of those into their own.

In any case, the BTRIPLEE framework can be used to order and categorize, and to measure the different aspects of the application and supply of IT. Benchmarking enriches the application and applicability of the BTRIPLEE framework and it helps broaden management's frame of reference. The best "return on investment" in measurement and benchmarking" is realized if they are systematically, consistently, and periodically used to act as a key lever for structural improvement of performance in the application and supply of IT, and ultimately, the overall performance of the organization.

In this chapter, apparent benchmarking characteristics and the main conditions for success will be reviewed, followed by a description of the process of IT benchmarking. Also, the execution of the benchmarking process will be illustrated in three case studies, each demonstrating the practical application of benchmarking for different purposes and answering different management questions about specific aspects of the application and supply of IT.



## BENCHMARKING CHARACTERISTICS AND CONDITIONS FOR SUCCESS

The term "benchmark" comes from the discipline of geodesy. If an area of land is surveyed to make a map, a certain point in the surroundings serves as a benchmark. Within the area the distance is measured between every object and the benchmark. A benchmark actually is a reference with which other values can be compared.

Spendolini collected 49 business definitions of benchmarking in a business context and ran into problems when he tried to develop a single definition that could serve as a generic baseline for the term. After many attempts he gave up and developed the "benchmarking menu" which is illustrated in Figure 8.1.