

Measuring up to the best

A manager's guide to
benchmarking

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The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities and the health service in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources.

The Commission has five main responsibilities:

- securing the external audit
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- reviewing the management arrangements which audited bodies have in place to achieve value for money
- carrying out national value for money studies to improve economy, efficiency and effectiveness in local government and the NHS
- issuing an annual direction to local authorities which sets out the range of performance information which they are required to publish.

The Commission secures the audit of 32 councils, 36 joint boards (including police and fire services), 15 health boards, 47 NHS trusts and five other NHS bodies. In total, these organisations spend public funds worth around £12 billion a year.

This is the third in a series of management papers being produced by the Management Studies Unit at the Accounts Commission for Scotland. These papers are intended to support best practice in public sector management.

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Introduction

Most local authorities already undertake some form of benchmarking even if it is not referred to as such. However few use these techniques in a structured or comprehensive manner.

District Audit

Benchmarking – like many things tried in local government – is frequently misunderstood and has consequently been done badly.

Keady

Councils should ensure that a benchmarking approach is being developed throughout the organisation which not only includes examination of comparative data but also critically reviews service delivery and management processes.

*Accounts Commission
Planning for Success*

Continuous improvement is a key element in both the Commission's Management Arrangements audit and the Government's Best Value framework. Councils must demonstrate a commitment to identifying and introducing performance improvements in a significant and meaningful way. A critical part of such a commitment is ensuring that managers are constantly searching for better practice in other organisations – both public and private sector – that can be integrated into their own service delivery.

This means that managers throughout every council need to be *benchmarking*. Councils thus need to ensure that they understand what benchmarking is about, that they are developing appropriate benchmarking strategies and that they are using benchmarking to drive continuous improvement in performance and service delivery. Although many councils have benchmarking activities underway these vary considerably in approach, purpose and extent.

A number of publications on benchmarking are already available to councils. The purpose of the Commission's guide is to provide an overview of benchmarking that can be widely distributed within councils to help ensure that benchmarking is used to its full potential as part of continuous improvement.

Additional copies of this guide can be obtained free of charge to audited bodies from:

Management Studies Unit
Accounts Commission for Scotland
18 George Street
Edinburgh EH2 2QU

What is benchmarking?

A continuous search for, and application of, significantly better practices that lead to superior competitive performance.

Westinghouse

Benchmarking does not mean copying what other people do; it should be a learning process, challenging existing ways of working and identifying step-by-step changes that can close the gap between current performance and best practice.

LGMB

The costs of benchmarking need not be great; it need not involve external costs and it can be relatively quick and simple. Many organisations report at least a tenfold payback.

CIPFA

There are probably as many definitions of benchmarking as there are organisations engaged in it. Benchmarking is best thought of as a structured and focused approach to comparing with others how you provide services and the performance levels you have achieved. The purpose of such comparison is to enable you to identify where and how you can do better.

Benchmarking is concerned with finding and implementing better practice and performance wherever it is found.

This is not to say that you should be looking simply to copy approaches and methods used by others. Research has shown that such an approach rarely works because every organisation is different to every other in some critical way – in terms of leadership, culture, attitudes, resources, customer needs. Rather, you should be looking to understand what makes another organisation “better” than your own in terms of service delivery or in carrying out specific activities. This will then enable you to assess how to improve your own performance so that you also can provide best practice service.

Equally, benchmarking should not be seen as a one-off, or quick-fix, solution to current problems or concerns. Benchmarking is a continuing search for, and implementing of, performance improvement. It requires considerable effort, motivation and good management to be effective but it does offer considerable payback.

Benchmarks or benchmarking?

League tables do not necessarily show whether a local authority is successfully meeting their customers' needs, responding to local priorities or performing efficiently or effectively.

LGMB

Benchmarking is much more than just focusing on performance measures since, at best, these will only serve to identify gaps that exist between one organisation and another.

Keady

There is a degree of confusion for many managers as to what benchmarking actually involves. One of the most common misconceptions is that benchmarking is simply about comparing numerical performance *levels* across different organisations, with the notion of performance indicators and league tables then coming to mind. Comparison of such performance levels is important but these numerical measures are best referred to as *benchmarks*.

However, *benchmarking* is about more than simply comparing numerical levels of performance across councils. It is about understanding *why* there are differences in performance between organisations and this involves looking in detail at the way services are delivered and managed and at the processes and activities involved in service delivery that lie behind the benchmark measures of performance.

The distinction between the use of benchmarks and the use of benchmarking is a critically important one. As a manager you will **not** be able to identify necessary performance improvements simply by looking at benchmarks. To deliver continuous improvement it is necessary to ensure you are actually undertaking benchmarking – comparing and challenging existing performance levels, practices and methods of carrying out activities and service delivery.

Why is benchmarking important?

Benchmarking is an integral part of best value.

Keady

What often stops people improving is not lack of ability but simply lack of knowledge: not knowing how others do things and how much better they could be.

District Audit

Our patent rights ran out. We were attacked very heavily . . . by American competition and then of course by the Japanese. We saw our market share decline from virtually 100% to as low as 17%

Xerox

Benchmarking is a structured approach to finding ways to improve your organisation's performance so that it conforms to – or moves towards – best practice. Any effective manager in any organisation is interested in continuous performance improvement: improving service delivery, reducing costs, improving efficiency, increasing effectiveness, increasing customer satisfaction. What frequently prevents a manager from improving performance is lack of knowledge: not realising that things could be “better”, not knowing how much “better” things could be or not understanding exactly how to make performance “better”.

Councils must adopt benchmarking so that their managers are looking constantly for better practice that they can adapt into their own service delivery. As such it can - and should - be used throughout the entire organisation at all levels of service delivery.

Benchmarking as a structured approach in the western economies was first developed by Xerox in part of their photocopy manufacturing business. The immediate catalyst for the company was that their technology patent rights had expired and they were rapidly moving from an effective monopoly position to one of fierce competition. Xerox developed an approach to benchmarking to identify best practice methods and processes and to integrate these wherever possible into its own operations. The benchmarking investigation revealed a number of major performance gaps:

- competitors were able to sell copiers more cheaply than Xerox could manufacture them
- assembly line rejects in the manufacturing process were 10 times higher than some of the competition
- defects in finished products were 7 times higher than the competition
- it took the company twice as long as the competition to bring in new designs and technical developments.

The critical issue for the company was that prior to benchmarking they were not aware of many of these performance gaps and how much better they needed to be to be truly competitive.

Benchmarking can help you identify:

- what others are doing and how they are doing it
- where you're doing well in comparison with others
- where you can do better
- how you can do better by seeing how others do things.

A CBI survey of the top 1000 UK firms revealed that:

- 2/3 indicate they are benchmarking
- 82% consider benchmarking to be successful
- 68% expect to increase their investment in benchmarking over the next 5 years

Benchmarking benefits

Xerox

- customer satisfaction increased by 40% over 4 years
- incoming parts acceptance from suppliers increased to 99.5% of goods received
- stock levels were reduced by 66%
- engineering drawings per person doubled
- service labour costs reduced by 30%.

Post Office

- stock levels reduced by between 10%-12%
- productivity in some areas increased by 15% in the first 6 months.

What are the different approaches to benchmarking?

There is no single way to approach benchmarking but it is important to realise that there are different **types** of benchmarking that can be undertaken and there are different **ways** to benchmark. It is important to ensure that you are adopting the most appropriate type of benchmarking to meet your own needs and that you carry out this benchmarking in the most appropriate way.

To illustrate these we shall consider two managers who wish to develop benchmarking as part of their performance management and review. One is in charge of a local leisure centre. The second is a manager in the Personnel Department with particular responsibility for recruitment.

Types of benchmarking

1 Data benchmarking

Exhibit 1

This is a *benchmark*
but it's not *benchmarking*.

	Our service	All councils
Average number of people per hour using		
- leisure pools	64.4	52.0
- traditional pools	32.3	28.9
Income as percentage of operating expenditure	24.7	35.3

Data, or metrics, benchmarking is not strictly benchmarking as such but an analysis of benchmark data. Data benchmarking involves numerical comparison of your performance in key areas (such as cost, quality, outcomes, customer satisfaction) against some benchmark. The benchmark might be a standard or target that has been established (internally, a nationally defined target or a target set by a professional advisory group) or it may be reported performance of other service providers. In the public sector such data benchmarking is often based on published performance indicators. It may also involve ranking organisations in league tables.

The Personnel manager may express interest in benchmarks such as:

- recruitment costs
- staff turnover levels
- levels of application for vacancies
- time taken to fill a vacancy
- retention rates for new employees.

The leisure centre manager might be interested in benchmarks such as:

- operating costs
- attendance levels
- participation rates
- customer satisfaction levels.

Data benchmarks can be useful in comparing performance with other organisations or between different parts of the same organisation. They provide a yardstick as to how you're doing compared with others in key performance areas and can be particularly helpful as a diagnostic tool – helping you to highlight areas where you appear to be doing better or worse than others.

However, such data benchmarks are really just the start of benchmarking for performance improvement. Whilst such data will help you identify performance gaps – *my centre's operating costs are 20% higher than anyone else's* or *our staff turnover levels are 6% lower than the average* – they do not in themselves help identify the

This kind of benchmarking has been used . . . to help assess current performance and point up areas for investigation.

LGMB

Benchmarking involves an understanding of the processes and practices in your own organisation.

Keady

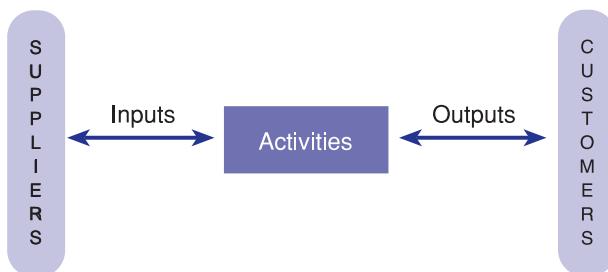
causes of differences in performance or indicate how to improve performance. Indeed they are likely to raise more questions than answers – questions that the other types of benchmarking try to answer.

It is also essential that the performance measures that are used for data benchmarking are not simply the ones that will make you look good but are realistically the ones that are of critical importance to your particular service. The Balanced Scorecard approach will be useful for managers trying to identify what these key measures are for their service area. (*The measures of success: developing a balanced scorecard to measure performance*, Accounts Commission, June 1998, ISBN 0906206529.)

2 Process benchmarking

In any organisation service is provided through completion of a set of inter-related processes. Process benchmarking involves the comparison and measurement of a specific process against a similar process in your own or another organisation. The purpose behind this is to help you decide how your own processes might be improved. To deliver a best value service all the individual processes that make up the service delivery chain need to conform to best practice. You may have a state-of-the-art leisure centre with the lowest operating costs in the country but if some key processes are not conforming to best practice – the time taken to process customers through reception/admission for example – the service as a whole cannot be either. Process benchmarking involves developing a detailed understanding of how you complete a particular, specified process and comparing what you do, how you do it and what performance levels you achieve in that process with another organisation. Again, the purpose of process benchmarking is to see, by learning from others, how you can improve your own processes.

Exhibit 2: A process



Tower Hamlets has identified over 20 key processes suitable for benchmarking including: council tax collection, purchasing, caseload management, electoral registration, housing allocations.

Foot

The concept of a process is a critical one for benchmarking. The technical description is that a process is a set of activities which convert inputs into outputs which meet agreed customer requirements. Every organisation delivers its services to its customers through a set of inter-related processes which together make up a complete service delivery chain. The leisure centre, for example, will have processes to ensure that:

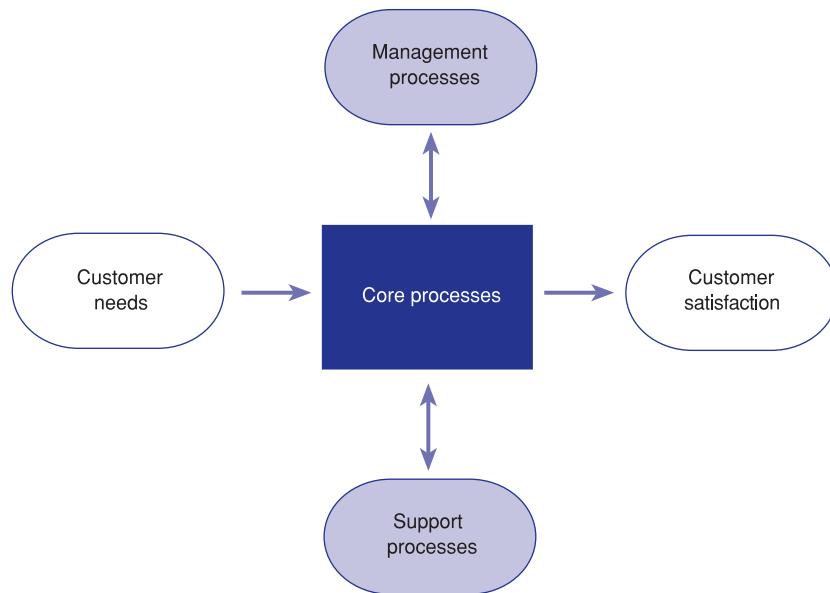
- publicity and advertising occurs
- buildings and facilities are available
- trained and qualified staff are available
- customer services are provided
- repairs and maintenance take place.

Similarly, key processes for the recruitment team will include:

- producing job descriptions
- advertising vacancies
- dealing with applications
- organising interviews
- organising induction of new staff.

There are three groups of processes common to any organisation:

Exhibit 3: Types of processes



Core, or customer facing, processes

Those processes that directly affect the customer (who might be external to the organisation or internal). Such processes are likely to involve the provision of customer service and service delivery in some form.

For the leisure centre such processes will include:

- dealing with customer bookings and enquiries
- customer reception
- provision of customer services.

For the recruitment function core processes might include:

- sending details to applicants
- arranging interviews
- informing applicants of the outcome
- agreeing terms and conditions.

Management processes

Those processes required for effective management including strategy and planning, performance management and review. The Leisure manager, for example, will be involved in the process of service planning and of monitoring the service's performance.

Support or enabling processes

Those processes which support or help either core or management processes. These will include procurement, supplies management, systems management, financial management, asset management.

The key to successful process benchmarking is to understand and prioritise your processes. Realistically, you cannot benchmark all your processes at one time. It is necessary to decide which processes you will benchmark first and these will normally be those that are most critical to your success as a service provider. For the leisure service manager these might be:

- advertising and publicity
- providing customer reception service
- facilities management.

For the recruitment function the key processes might be:

- advertising vacancies
- effective selective procedures.

The “what-how” approach detailed in the Commission’s publication *The measures of success* can be helpful in identifying key processes.

British Airports Authority benchmarked against Wembley Stadium and Ascot racecourse as well as against other airports. These organisations were chosen because they also had to deal with large numbers of customers arriving over short periods of time.

CIPFA

3 Functional benchmarking

Functional benchmarking involves comparing the structure and performance of an entire function in the organisation with a comparable function elsewhere. You could, for example, benchmark the entire recruitment function rather than simply some of its key processes. Functional benchmarking can be useful for reviewing alternative approaches to providing a service as part of option appraisal. For example, you might benchmark the in-house recruitment function with another organisation that has contracted out to a recruitment agency. This would enable benchmarking of comparable functions being delivered in different ways.

4 Strategic benchmarking

Strategic benchmarking is used to compare strategic approaches or initiatives across organisations. Organisations may have some strategic goals which are comparable and comparing approaches to achieving these can be productive. Most organisations, for example, will have a communications strategy of some sort regardless of whether they are public or private sector organisations. They will also have IS/IT strategies that could be benchmarked in terms of different approaches taken by different organisations. The leisure centre, for example, might benchmark its strategies for community participation in leisure. The recruitment function might benchmark its strategies relating to equal opportunities or to positive discrimination.

Where to start?

Managers and staff starting out on benchmarking can be confused about which level of benchmarking they should start with. Many organisations start with data benchmarking because such comparisons are relatively straightforward and then move on to process benchmarking. With more experience functional and strategic benchmarking can then be undertaken.

For example, the recruitment manager might undertake data benchmarking of recruitment costs with a number of other councils. This might reveal that current costs are higher than most others'. As a next step the manager might then identify the key processes involved in recruitment and undertake formal process benchmarking with those councils with the lowest costs. This, in turn might lead the manager to conclude that a major review of the entire function is needed using either functional or strategic benchmarking.

Ways of benchmarking

Just as there are different levels of benchmarking there are different ways to benchmark. The way in which you decide to benchmark (effectively who you will benchmark against) will be influenced by the type of benchmarking you decide to undertake.

1 Internal benchmarking

As the name suggests, this involves benchmarking against other parts of your own organisation and is usually undertaken as part of data or process benchmarking. Comparable processes are usually to be found in other parts of most organisations (notwithstanding the typical comment that "*we're the only ones who do this*") and seeing how someone else in the same organisation undertakes some activity can be productive. Internal benchmarking is particularly useful for multi-site organisations where similar functions may be carried out at the different sites and can help bring all parts of the organisation up to the same level of performance.

For the leisure centre, internal benchmarking might involve comparison with other centres run by the council. For the recruitment function there may be other recruitment teams in the larger departments or divisions within the council. Similarly, discrete processes may be being undertaken in other parts of the organisation. Dealing with customer enquiries, for example, is a process that can be found not just in the leisure centre but in most of the service areas in the council. Similarly, the recruitment team may decide to examine how it deals with written correspondence, a process it will have in common with many other departments and teams.

It is all too easy for organisations to become introverted and to take comfort from purely internal measurements. Where internal statistics show continuous improvement, and customer surveys give no cause for concern, an organisation can become out of touch with their users and out of line with their peers' costs and performance.

LGMB

Internal benchmarking is an easy way of starting as it can be done fairly informally and quickly. It can also have the benefit of sharing good practices and innovation from one part of the council to another as there is likely to be less resistance to change than from "importing" new practices from outside (*"that'll never work here"*). However, one of the drawbacks to internal benchmarking is that it is likely that most parts of the same organisation will be carrying out similar processes in much the same way (*"that's just the way we do things round here"*). This may limit the opportunity to learn about radically different approaches.

2 Sector benchmarking

Sector benchmarking involves comparing yourself with other organisations in the same service sector. Typically, this will involve comparison with other local authorities - data, processes, functions, strategies. For example, comparing advertising processes in the recruitment sections in other councils or looking at repairs and maintenance costs in other councils' leisure centres. Such an approach allows for comparison with at least part of the outside world. However, there is a danger that this approach by itself can generate a congratulatory, "cosy club" attitude about relative performance and identifying shared reasons why performance cannot be improved.

3 Competitive benchmarking

Competitive benchmarking is a form of external benchmarking which is focused on those organisations that are seen as "competitors". Competition may exist in the strict sense of the word where another organisation may be seeking to provide a service that you are currently providing. The in-house recruitment function may benchmark against private sector recruitment agencies. The leisure centre may benchmark against private sector health and fitness centres.

Such competitive benchmarking can be particularly productive at revealing new and innovative approaches to service delivery and achieving performance. However, it can also be difficult to gain access to competitor information – either data benchmarks or details of their processes.

"Competition" may also arise through comparison of your performance levels with those of other organisations even where these are not direct competitors. Customers will be comparing your performance in dealing with their telephone booking at the leisure centre with their bank or electricity company. Job applicants will be comparing the way you deal with their application with other organisations they have experience of.

Anyone who in the morning shops at Marks and Spencer, and in the afternoon queues outside their local housing office is going to be very much aware of the difference in quality of service

Burns

Benchmarking in this sense can be easier although it implies that you have a detailed knowledge of your customers and an understanding as to which role models they are comparing you with. It requires you to identify who these organisations are and then investigate how they carry out activities and processes and the performance levels they achieve. However, such benchmarking can lead to changes you can implement that directly improve customer satisfaction.

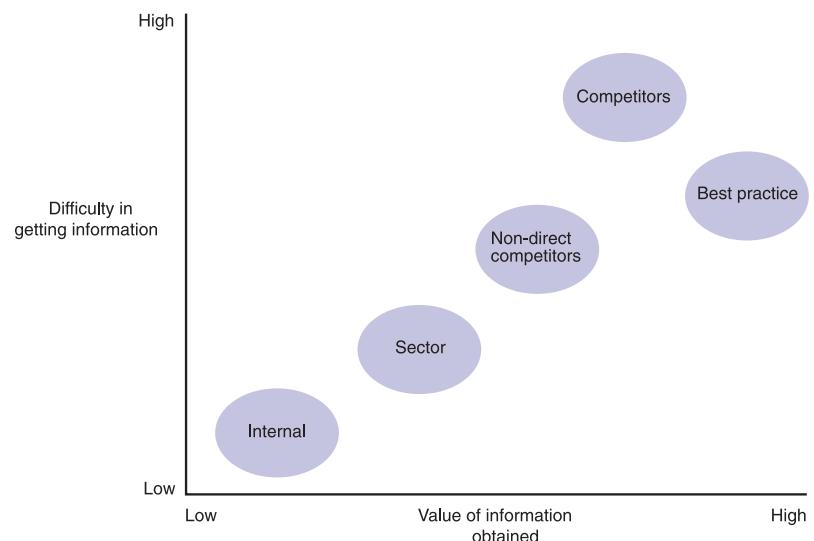
4 Best-in-class benchmarking

Some of the best-in-class that Xerox benchmarked against included:

- Walt Disney – staff motivation and training
- American Express – accuracy of invoicing and billing
- Marriott Hotels – dealing with customer complaints

Again, this is a form of external benchmarking but focusing specifically on those organisations that are judged to be best-in-class in terms of a particular process, function or strategy. Such best-in-class organisations could be in any public or private sector and will not necessarily be in the same business as yours. It is also important to know who your customers regard as-best-in-class.

Exhibit 4: The trade-off between the difficulty of obtaining information from different levels of benchmarking and the value of information obtained.



Levels of benchmarking

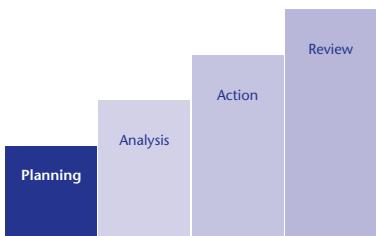
Internal	Sector
<ul style="list-style-type: none"> • easiest to do • establishes internal best practice • least threatening 	<ul style="list-style-type: none"> • limits focus to the way we do things here • often limited in practice to larger organisations • can be internal rivalry preventing sharing of information and good practice
Competitor	Best-in-class
<ul style="list-style-type: none"> • helps focus on core processes • helps reinforce the urgency of performance improvement • identifies current competitive disadvantages 	<ul style="list-style-type: none"> • may be unwilling to share detailed information • available information may be indirect, third party • may be unwilling to compare processes

How do you get started?

There are four key stages to successful benchmarking:

- planning
- analysis
- action
- review.

Planning



1 Decide what you want to benchmark and why

Benchmarking works best when it is undertaken as a tightly focused project. Individual processes or activities need to be identified and agreed for benchmarking. Benchmarking the whole of Social Work or Roads and Transportation is unlikely to be productive particularly if you have little current experience of benchmarking.

Deciding on the key areas for benchmarking requires an understanding of what your critically important processes and activities are. Benchmarking is intended to tackle important issues with a high value (such as high spend, cost or priority) and a high opportunity for improvement (such as high return, low risk, quick benefit).

The definition of "important" might relate to processes or activities which are critical to:

- survival or development
- achieving customer satisfaction
- improving efficiency
- improving effectiveness.

Equally, it may be that one process or area has become important because of a recognised need for improvement. It may be that customer complaints about some aspect of your service – leisure centre customers not able to book facilities at the time they want for example – have increased. Similarly, perhaps through data benchmarking you have realised that some aspect of your performance is considerably worse than another organisation's – perhaps retention rates of new employees in the case of recruitment or high energy costs for the leisure centre.

It is also important to be clear about *why* you are undertaking a benchmarking project. The value of benchmarking lies in identifying the potential for performance improvement and then implementing change to make that improvement happen. Benchmarking should not be used simply to show that your current level of performance is adequate or to justify why you intend to do nothing or because it's seen as flavour-of-the-month.

2 Decide what type of benchmarking you're going to start with.

Your decision as to whether to benchmark internally, against the rest of the sector, against competitors or against best-in-class will be influenced by a number of factors. Amongst these will be your previous experience in benchmarking and the resources that can be devoted to the project. It is advisable to see these levels of benchmarking as sequential and incremental to your own learning process. That is, to start with internal benchmarking and move on to the other levels as you build up expertise, experience and information.

Time spent in planning and developing a systematic approach will be time well spent. Avoid immediately diving out the door.

Keady

Virtually anything can be subject to benchmarking. It is therefore important to concentrate on those things that are critical to organisational success and the delivery of best value.

Keady

Be very clear about the aims and expectations of benchmarking

Keady

Chichester District Council
benchmarked their system for
responsive housing repairs with
BT's system for repairing
telephone faults.

CIPFA

It is important to ensure that staff at all levels are involved. At its worst benchmarking can provoke a defensive attitude with staff seeking to justify the current position or query the validity of comparisons.

District Audit

At least one Scottish council has organised benchmarking training for elected members.

A logical approach would be to:

- try internal benchmarking first. It's usually an easy way to get started and there are likely to be other parts of the organisation carrying out similar processes to yours.
- try other councils. You will probably have contacts there already, you'll know some of the things they're doing and you'll have some idea of their relative performance compared with your own.
- try other public sector organisations. The NHS, police and fire services, central government agencies will all have comparable processes and activities. They may also have comparable functions and strategies.
- try other organisations which have established a reputation for excellence in some part of their activities even if these activities are not identical to your own. Such activities and processes may still have much in common with yours, enabling you to learn from others.

3 Decide who's going to be involved

A variety of people should be involved in benchmarking. You can't benchmark by yourself. It has to involve those staff who are directly involved in the process or activity to help generate ownership of what you are trying to do.

You will also need to organise the training and support that those involved in benchmarking will require and the communication that will be needed at all stages of the benchmarking project for those involved and those affected. Without adequate communication the most likely response from staff will be that it's just another cost cutting exercise that's being imposed from the centre of the council.

You will also need to consider:

- the use of external consultants

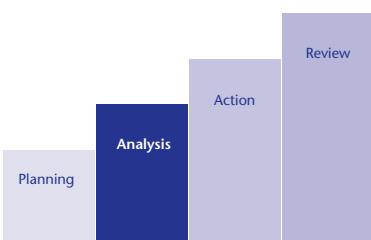
For a variety of reasons you may wish to consider the use of external consultants in the benchmarking strategy. Whilst this will increase the visible costs of benchmarking they can bring useful benefits in terms of:

- instant expertise and experience
 - access to other benchmarking data
 - contact with potential benchmarking partners
 - additional credibility as independents.
- involving customers/users of the process or service

Without a detailed understanding of customers' expectations, their perceptions of your current performance levels and their views on where you need to do better, there is a danger you might focus on the "wrong" processes to benchmark or you may select the "wrong" organisations to benchmark against. Depending on the process or activity you are looking at such customers might be external or internal.

- involving elected members

Given the importance of benchmarking in Best Value the role of elected members needs to be carefully considered by managers. Their role will include deciding on appropriate performance standards for a service, reviewing actual performance against standards and targets set and ensuring that the service compares favourably both with other councils and with other service providers. Members may also have to approve innovative – and different – ways of service provision that have emerged through benchmarking.



Analysis

4 Understand your own performance

Before you can sensibly compare your own performance with someone else's you need to ensure that your own performance is adequately understood. This implies that you have identified what your key performance measures should be and that you have good performance information relating to these. Measures might include:

inputs – the resources used in a process: people, equipment, facilities, money

throughput – efficiency measures which are usually ratios of outputs to inputs. These could also be “quality” measures relating to a process – accuracy, timeliness etc.

outputs – the results or end products of the process

outcomes – the impact of your outputs on customers, end users, citizens, the wider community. These may include satisfaction measures.

5 Undertake data benchmarking

Data benchmarking will be useful at giving you an understanding of where your own performance lies in comparison with others. The data you need will depend upon the level at which you intend to benchmark (internal – best-in-class).

A number of councils have organised informal benchmarking clubs or grouped into “families”. Whilst this approach is often a useful starting point for benchmarking it will not be sufficient by itself. Care needs to be taken that such clubs do not develop into data benchmarking sessions with the prime focus on agreeing common sets of performance measures, often after considerable time and effort has been put into agreeing definitions. Equally, although such groupings are typically on a council basis (based on profiles, demographics, etc.) on an individual service basis the group may not provide the best sector comparators. Even where such a group does provide good comparators there is also a danger of benchmarking becoming too introspective and forgetting that other organisations not in the club – public and private sector alike – may have radically different approaches to processes and service provision.

The sources of data will depend largely on the area being benchmarked. Data may be available through internal management information systems, through the statutory performance indicators, through VFM studies that have been conducted, through informal benchmarking clubs, through published sources, through personal contacts, through consultants. You are unlikely to be able to obtain all the data benchmarks that you would like. However, incomplete benchmark data is not an excuse for not progressing further. Even incomplete or inadequate data will help you assess your own and others' performance.

6 Assess key performance gaps

Through data benchmarking you should be able to determine the key gaps in your performance compared with your benchmark partners – remembering that such gaps may indicate where you are doing “worse” than others but might also show where you are doing “better”. You are not looking for a rigorous assessment at this stage – you are simply trying to establish in broad terms where the key performance gaps occur. Is it in terms of inputs, efficiency, effectiveness, quality, customer satisfaction or throughput?

This will help you determine where to focus attention for the benchmarking project proper.

Process mapping is an essential but time-consuming part of benchmarking.

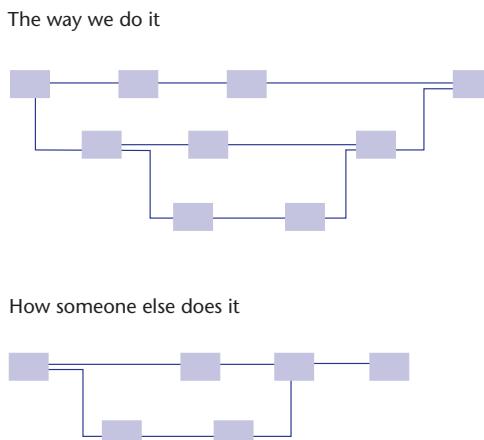
Foot

7 Understand your own processes

The next stage is to complete what are known as *process maps* for the areas you are benchmarking. These are detailed diagrams comprising a flowchart of tasks and activities that make up some defined process together with information for each step in the process about:

- key input requirements
 - resource requirements
 - critical controls and constraints on the process
 - required outputs
 - performance levels or standards
 - customer requirements.

Only by comparing process maps between and within organisations can meaningful performance improvements be identified. The Commission will be publishing a management paper on process mapping in 1999.



In trying to choose a partner,
have in mind:

- ease of access
 - whether you will be able to build a long term relationship
 - whether you can offer something as well as gaining something yourself

CIPFA

8 Choose your benchmarking partners

Once process maps have been developed it's then time to look for specific benchmark partners. These are other organisations – or other parts of your own – where processes, functions or strategies can sensibly be benchmarked. It is important to see this level of benchmarking as being of mutual benefit to all organisations involved - benchmarking must be seen as being of mutual benefit if it is to succeed at this level. The choice of benchmarking partners will be influenced by a number of factors:

- the level at which you have decided to benchmark
 - the extent to which potential partners have developed their own process maps and a detailed knowledge of their own performance
 - the extent to which potential partners are willing to share detailed information on performance and processes
 - resource costs involved in working with particular partners in other geographical areas

You should resist the temptation to choose partners simply on the basis that they are willing to be involved. You need to consider which organisations will provide the best partners for your benchmarking project particularly in the context of the degree of change that you can realistically implement and the likely level of resources to support that change. The leisure centre manager may decide to benchmark customer phone calls for bookings and enquiries. There would be little point choosing as a benchmark partner an organisation which had invested heavily in the latest call centre technology if leisure services realistically cannot afford comparable technology.

You should try to select partners against clearly set out criteria which you judge will assist in genuine comparability between you and others. The recruitment manager, for example, might set key criteria for benchmarking partners as those organisations with:

- similar levels of recruitment
- a similar mix of grades of employee recruited
- comparable equal opportunity policies.

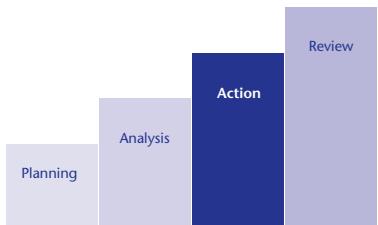
9 Complete benchmarking

Once benchmark partners have been organised the benchmarking of agreed processes, functions or strategies can take place. This will normally involve:

- organising a benchmarking questionnaire so that there is clear, systematic agreement and understanding about what data and information will be collected and shared. One of the key success factors in successful benchmarking is ensuring that the right information is collected and then used.
- agreeing a code of conduct between partners. The “ground rules” about access to potentially confidential information and the use of such information needs to be properly agreed by all the partners. A European Benchmarking Code is available.
- gathering information. This may involve the use of questionnaires, internal reports, site visits, interviews with key staff.
- analysing the information. Adequate consideration needs to be given in advance as to how the information collected will be analysed and used. Without this there is a danger that benchmarking becomes a form of “industrial tourism” with considerable time and resources expended but with little visible result.

Action

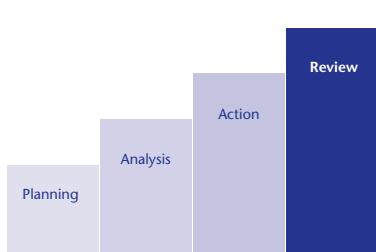
10 Decide what you want to improve and how you're going to do it.



The key purpose of your analysis of your benchmark partners is to help you identify where and how you can do better. Proper analysis will have helped you decide – in the context of your key processes – how your performance compares with others’. Proper benchmarking should also have helped you determine what actions you need to take to bring your performance up to best practice. It is important to develop a detailed improvement plan using a project management approach to plan for the improvement changes. Roles and responsibilities need to be clearly set out as to goals and targets for improvement.

11 Implement the improvement plan

Implementing the planned performance improvements will usually require careful change management. Such change often requires staff to adopt new approaches, processes and ways of working to deliver best practice. Frequently, the people who have to make the changes work will not have been directly involved in the benchmarking project. They may need to be convinced as to what you want to do, why you want to do it and what it is intended to achieve. Communication, training and support will all be required.



Review

12 Monitor progress and achievements

Part of the implementation should build in timely monitoring of progress against your improvement plan. There is no point waiting until the end of the project to find out that it didn't work. You will need to build in progress reports through the life of the improvement plan.

13 Decide what's next!

Benchmarking is not a one-off activity. It is part of a continuous review of service delivery. You don't just do benchmarking once. So decide which area of your activity you're going to look at next.

Making benchmarking a success

While there are no guarantees of success in benchmarking, experience of a variety of organisations suggests that the following need to be in place:

Planning

- make sure you're focusing on the key performance areas. There's no point putting a lot of effort into benchmarking something that will have little payback.
- ensure a focus on what the customer thinks is important, and that includes internal customers – the whole point of benchmarking is to help you improve customer service
- ensure senior management commitment at the start of the project. There's little point coming up with radical plans for change as the result of a benchmarking project if senior management are not committed to making that change happen.
- communicate at all the key stages of the project to all the key stakeholders. None of us likes too many surprises so keep people informed of what you're planning to do, why you're planning to do it and how it will affect them.
- encourage staff to recognise and admit to problem areas or service failures. Benchmarking only works in a genuine no-blame culture.
- make sure you've got the right people involved at each stage of the project and give them the support they need
- don't see benchmarking simply as a way of cutting costs or as something that's flavour-of-the-month
- start with areas where you're likely to be able to deliver some "quick wins" otherwise staff will lose interest in something that's not going to help them for a long time yet.

Analysis

- allow adequate time and resources for those involved – proper benchmarking is a time intensive activity
- provide people with the skills and training they'll need. Tools and techniques such as process mapping, Pareto analysis, failure mode effect analysis and statistical process charts will all prove beneficial if people are aware of them and know how to apply them.
- involve the whole team in analysing your performance and that of others and in looking for ways of improving your performance
- ensure you have accurate and reliable performance measures yourself before you look at anyone else
- be honest with yourself about your own performance
- try to create a learning culture encouraging staff to see alternative approaches positively rather than as a threat
- keep the benchmarking project tightly focused on agreed processes and areas.

Action

- use a project management approach to change
- set challenging but achievable improvement targets
- build up from small wins – see benchmarking as incremental not as big bang
- involve staff – and where you can customers – at all stages
- ensure that benchmarking is fully integrated into your other activities – service reviews, service planning, performance improvement – and is not seen as stand-alone initiative being done for its own sake.

Review

- check improvement progress regularly and take corrective action as soon as it's needed
- learn from your own experience for the next time you benchmark part of your service
- communicate what's been achieved to those who've done the hard work
- accept that further improvements are always possible.

How ready are you to benchmark?

If you answer **No** to any statement consider how this might affect your ability to benchmark properly and consider what you might be able to do about it.

✓ Yes ✗ No

We see benchmarking as a way of improving service delivery and not of simply cutting costs

Our senior managers are genuinely committed to achieving major change

Our elected members are genuinely committed to achieving major change

We have no fixed or rigid views about how things should be done

We have put a good benchmarking team together involving staff from different levels

There is a genuine commitment to provide the resources we need to benchmark properly (time, people, training etc.)

Staff are willing to admit to poor practice and performance

We have told our staff what we are trying to achieve through benchmarking

We are willing to share information with others about our own good and bad practices

We have identified our key processes and activities

We know what our customers see as the important aspects of our service and our performance

We understand our own performance in these processes and activities

We're good at project management

We've identified – and planned for – the barriers that might prevent us from making change happen

We know how the results of our benchmarking will be built into our service plan

Conclusion

This guide provides an overview of what benchmarking involves when it is used as a meaningful part of the continuous improvement process.

In spite of the words of caution expressed here don't be put off. There's no single way to benchmark and the best way to learn what works for you and your service is to start now.

Remember: it's all about improving the service you want to give to your customers by learning from others.

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Local Government Association	http://www.lga.gov.uk
Public Sector Management Research	http://psm.abs.aston.ac.uk
The Quality Network	http://www.quality.co.uk

Management Studies Unit mission

We aim to be a centre of excellence for encouraging continuous improvement in the management of Scottish councils.

We will achieve this through the audit of management arrangements and by promoting good practice.

We will be customer driven, innovative and work in partnership with councils, auditors and other bodies.

We aim to ensure that we have the skills and knowledge necessary to achieve this.

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