



**PAVING
THE WAY
TO SUPERIOR
PERFORMANCE**

A POWERFUL TOOL FOR INCREASING CUSTOMER SATISFACTION AND COMPANY PERFORMANCE, BENCHMARKING ISN'T FOR THE FAINT OF HEART

BY BARBARA GERBER

Norwest Corp., the top retail mortgage company, achieved \$430,000 in savings by consolidating its sales brochures. It increased teller referrals by 33 percent, resulting in increased sales. The pharmaceutical giant, Glaxo Wellcome (now Glaxo SmithKline), had more than 80 toll-free numbers, over half of which failed to ring anywhere. Glaxo reduced the number of call-center numbers to one, and reduced customer complaints and frustration. Dow Chemical implemented a new knowledge-management program and saved more than \$1 million in the first 18 months.

What did these three companies have in common? They all used “benchmarking” to make huge gains in performance.

In its simplest terms, “benchmarking” means improving yourself by comparing *yourself* to, and learning from, *others*. More specifically, the American Productivity & Quality Center (APQC) defines benchmarking as the process of identifying, understanding, and adapting outstanding practices from others in order to improve your own performance. Benchmarking’s intent is not to emulate the organizations you are comparing yourself to, but to stimulate creative thinking and innovative solutions that will lead to superior performance in your own company. In fact, many experts say that the most valuable part of benchmarking is actually the process of learning how best performance is accomplished by others, and then deciding *how* to adapt their ideas and techniques to your organization.

Benchmarking can be confusing because it has numerous definitions and because it can take a variety of approaches. You may hear benchmarking referred to as internal or external, classic, or traditional benchmarking. And there’s process benchmarking, performance benchmarking, functional benchmarking, strategic benchmarking, and more. Each term connotes an approach that organizations use to improve performance. For example, internal benchmarking studies practices and performance within the benchmarking company. External benchmarking compares the benchmarking company’s

performance to outside companies. Process benchmarking uses surveys, interviews, and site visits to outside companies to gather ideas and learn how others perform the same functional tasks.

Benchmarking also is often confused with the noun or verb “benchmark.” In these instances, the word benchmarking is used (erroneously) to refer to the specific metric/score/standard against which a process can be measured and compared, or the actual measuring and comparing process—rather than *the complete benchmarking approach* of identification, measurement, comparison, gap analysis, adaption and implementation of new ideas.

Occasionally benchmarking is also confused with “baselining.” Baselining consists of assessing your organization’s processes at some point in time (baseline), setting future reference points (targets), and then measuring or tracking progress from the baseline to the target over time. Companies use baseline goals to improve themselves, similar to benchmarking. However, in baselining, organizations place a greater emphasis on percentage improvements than actually finding superior ways to do things. Therefore, baselining does not help one organization learn how other high-performing

organizations achieved their best performance, nor does it help an organization adapt the high-performing organization’s practices to theirs.

AT A GLANCE

- Benchmarking can lead to huge gains in performance improvement and significant cost savings.
- Because the focus in benchmarking is on process, almost any set of activities or functions with a defined set of inputs and outputs can be benchmarked. However, functions and activities that are common to most organizations are the most easily exportable and adaptable.
- Benchmarking is a complex undertaking that requires strong support by senior management and a culture that encourages self-assessment, innovation, change, and a willingness to look for ideas that originate outside the organization.

WHAT CAN I BENCHMARK?

Many things can be effectively benchmarked. Because the focus in benchmarking is on process, almost any set of activities or functions with a defined set of inputs and outputs can be benchmarked. However, most easily benchmarked are activities involved in general functions, such as human resources, accounting, facilities management, construction, sales, materials management, risk management, marketing, public relations, quality assurance, research and development, or activities such as call-center management, sales/lead management, training, order processing, claims processing, loss management, maintenance, volunteering, and customer serv-

ice. The processes for these activities are common to many organizations and are, therefore, readily exportable.

WHERE CAN I FIND THE DATA TO BENCHMARK?

A variety of sources offer benchmark data, studies, reports, and consulting. Both public and private sources of benchmarking information and benchmark reports are available on the Internet or through consultants. Assisted living providers who would like to begin benchmarking can contact a company to compare themselves to, or work with a benchmarking consultant. Another start would be to join one of several network, consortium, or common interest groups where you can join an ongoing study, identify what benchmark data have already been collected related to the business processes you want to benchmark, or purchase benchmarking assistance.

For example, Best Practices LLC (www.best-in-class.com) is a commercial benchmarking information company that offers consulting, best practices databases, detailed benchmarking study reports, brief summaries or profiles of benchmarking experiences, books, and a small sample of customer service surveys. Almost all of these services and materials are fee-based.

The Benchmarking Exchange (www.benchnet.com) is a membership-based organization that claims to have a large database for various business practices, which is available to its members. The Benchmarking Exchange offers monthly and annual membership subscriptions, as well as a limited amount of free general information about benchmarking, which is posted on its Web site. It also conducts and disseminates multi-industry studies that explore "demonstrated operating practices and winning strategies."

Assisted living providers can become members of the Benchmarking Exchange, access the network's database, and join together with other companies to benchmark themselves. As a member of the Benchmarking Exchange, companies can participate in ongoing surveys and receive the results. You can even sponsor a survey of your own with your own set of questions and display it on the Web for participation by other members. The Benchmarking Exchange does not provide consulting services but states that it offers its members access to an online directory of consultants.

The Benchmarking Network (www.benchmarkingnetwork.com) is an organization of benchmarking specialists that claims to conduct benchmarking studies with organizations throughout the world. The network also provides training and research to individual companies, professionals, and trade organizations, and leads site visits. The Benchmarking Network has spawned a number of functional and industry subgroups that offer free membership to companies and individuals employed in specific industries (i.e., no consultants). Members only pay if they join a specific study.

The American Productivity Quality Center (APQC), founded in 1977, is a membership-based nonprofit research company that serves approximately 500 organizations around the world in business, education, and government (www.apqc.org). APQC offers an archive library in the public

domain, plus fee-based research and consulting in the areas of productivity, quality improvement, and benchmarking. APQC connects individuals and companies with each other to help them identify best practices and disseminates the findings. It also offers its members access to a performance-measurement database called PowerMARQ, which includes more than 200 common measures in 16 key business practices.

The Benchmarking Exchange, Benchmarking Network, APQC, and Best Practices LLC are just four of many multi-industry benchmarking consultants and consortia that can be found on the Internet.

In the assisted living industry, there are at least two national customer satisfaction databases that could conceivably be used as benchmarks for resident satisfaction. The ProMatura and ServiceTRAC studies contain satisfaction ratings or scores collected from hundreds of assisted living communities. Presumably assisted living communities can compare their scores to high-performing organizations in one or both of these studies and the high-performing communities might become resources for benchmarking projects.

HOW DO I START BENCHMARKING?

Although the benefits of benchmarking can be huge, it is not for the faint-hearted. Benchmarking is a complex undertaking that requires strong leadership and support by senior management, a culture that encourages innovation and change, and a willingness to adapt ideas that originate outside the company. It also requires an emphasis on implementation and accountability.

Because of benchmarking's complexity, when organizations first decide to benchmark, frequently they are not sure what processes or aspects of a process they should be examining, what the key performance indicators are, or what performance measurements to use. They often don't know where the data they need is located, how willing other entities will be to share information or how accessible these other organizations will be.

APQC has developed a *Roadmap from Measurement to Implementation*, which is useful in describing the steps included in benchmarking. Although the APQC's approach to benchmarking requires that the processes and activities be clearly defined and objectively measured, its roadmap also can be adapted to the less quantitative approach to benchmarking. With permission from APQC, following is a brief, edited, and adapted description of the benchmarking roadmap.

1. Define the processes you want to examine. According to APQC, the first step in benchmarking is to define what processes and activities you want to examine. For example, if your goal is to significantly improve resident satisfaction, the first step would be to identify the *specific* functions, processes, or areas that are causing resident dissatisfaction and determine which ones can be benchmarked.

2. Isolate the activities that you want to assess and compare. If, for example, there appear to be problems in the area of food service, you might drill down to the specific activities that are causing dissatisfaction, such as how long it takes to seat resi-

dents or how quickly residents' orders are taken. After you have identified the activities to be assessed, develop a set of measurements that will systematically capture important information about the performance of these activities.

3. Identify those organizations or business units to which you will compare yourself. According to some experts, it is not always necessary to look outside your own organization to benchmark. These experts say that it is not uncommon in large companies for there to be unknown, *untapped* repositories of best practices in one or more business units, which, if transferred, could yield significant companywide gains in process improvements. For example, one assisted living community in a company might outperform all of its sister communities in resident satisfaction. If the "know-how" and best practices of this one community could be transferred to, or adapted by, the other communities, the assisted living company might make huge performance gains overall.

"If your organization chooses to benchmark outside the company, the traditional benchmarking approach is to compare yourself to an organization with similar, relevant demographic characteristics and customers," says APQC Manager Chris Gardner. However, in some cases, it may be useful to search for high-performing companies outside of your industry (The Benchmarking Exchange, www.benchnet.com).

Sometimes, best practices are found in the most unexpected places. For example, according to several sources, when Southwest Airlines was looking for faster maintenance turnaround time for its planes, it compared notes with an Indianapolis 500 pit crew. The racecar pit crew offered a whole new way of looking at the turnaround process. According to Best Practices LLC, Marriott improved its guest check-in process 500 percent by benchmarking the patient admitting process used by hospital emergency departments. KPMG Peat Marwick borrowed the concept of the supermarket's express checkout to start an express line in its word-processing pool. These organizations used benchmarking to break out of their industry paradigms to reach new, world-class performance.

"Whether benchmarking is peer-to-peer or it takes you outside your own industry, it is crucial that you normalize the data before you compare yourself to others," says APQC's Gardner. "In other words, the data that you use to compare yourself to others must be on a 'common unit' basis in order to eliminate issues of scale." For example, if your assisted living community employs 100 people and seeks to compare its operating costs with an organization that employs 10,000, there obviously will be clear impacts from a management scale. "One approach to compare operating costs in this case would be to put each organization's performance on a common unit basis, such as cost *per* employee or FTE," says Gardner.

4. Identify the gaps in performance and the prescription for improving performance. Once you have identified the activities to be measured and developed the metrics, the next steps are: measure, compare, adapt, and implement. More specifically, during this phase you would: 1) identify what is truly driving

the process performance differences between your organization and the benchmarked company; 2) identify the practices in the benchmarked company which, if adapted, could lead to superior performance; 3) disseminate the information throughout your organization; and 4) adopt, adapt, and execute. During this phase, it is also important to determine the operational and financial costs and benefits of adapting the best practices.

Dissemination and implementation activities are where the rubber hits the road. Even if millions of dollars can be saved, the benchmarking project can fizzle if the benchmarking team cannot find an effective way to share its information or generate enthusiasm for its deployment. Benchmarking success largely depends upon a company culture that encourages and supports innovation, change, and execution.

5. Measure and monitor the results of implementation. The final step in the benchmarking process involves measuring and tracking the operational and financial results of implementation.

WHAT IS THE VALUE OF BENCHMARKING?

Companies can gain numerous benefits from benchmarking. Here are some of the most important ones:

- Benchmarking allows companies of various sizes and across industries to compare themselves to each other and break out of the mold to achieve superior performance.
- Benchmarking clearly demonstrates to management the performance possibilities of changes in processes. It provides data about what *can* be achieved and how it can be achieved. In other words, benchmarking offers evidence, not theory, that new processes can work.
- Benchmarking measures provide a common language for communicating best practices and results up, down, and across the company.

Most importantly, benchmarking can lead to huge improvements in operational and financial performance as a result of employee innovation and significant savings in systems, personnel, and cost. In some cases, benchmarking can even help turn around a company. Perhaps the most famous benchmarking success stories occurred at Xerox and Chrysler. Both these companies were faced with ruin from their more efficient Japanese competitors. Benchmarking helped them to become competitive again.

Benchmarking in assisted living offers similar opportunities. Faced with declining or flat occupancy and increasing competition, a company can use benchmarking, with its focus on best practices, superior performance, innovation, and change, to potentially create a sustainable competitive advantage. However, assisted living providers first need to find a way to tap into the wealth of best practices data in their own industry, which is still largely unmined or even uncollected. ❁



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