Benchmarking for results: How to design a program that works

Reduced operating costs and improved customer service sound like corporate goals touted by private sector CEOs; however, it is increasingly expected that governments will manage themselves with these outcomes in mind. A well-planned benchmarking program can help local governments streamline their processes, realign their organizational structure, and create a culture that will help them reduce costs and improve services. This article will discuss the benchmarking lifecycle and key best practices that your organization should implement in each stage.

Define benchmarking program purpose

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Preparation and internal data collection

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Partner selection

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Implementation and accountability

Define the purpose of the benchmarking program

Starting the benchmarking process without defining the purpose of your program is comparable to shooting before you aim; chances are slim that you will hit your mark. Governments must clearly define what they are aiming to achieve with benchmarking before they move into the preparation and data collection phase. For example, the scenarios listed below all require vastly different approaches:

- You want high-level benchmarks to help you identify “problem” areas in your organization
- You think one of your departments is not completing projects because they are understaffed, and you want benchmarks to justify adding personnel
- You receive complaints from departments that the contract administration process within your organization is too slow and confusing, and you want to determine best practices and potential process improvements in this area
- You think the outsourced custodial company you use is charging you too much, but you need data to make your case

The examples differ in the depth of benchmarking required, data collection requirements (internal and external), and benchmarking partner(s) that should be used. It is important that the purpose of the benchmarking program is clear so that the inputs are applicable and the outcomes add value to your organization.

Preparation and internal data collection

Depending on the depth of your benchmarking program, you will need a considerable amount of data for the areas you want to study. Once you have decided on the purpose of your benchmarking program, you will need to start collecting internal data that you will use to compare yourself to others.

The first step is to refer to the purpose of your benchmarking program and consider the questions you need to answer. For example, if you think you may be overpaying for your custodial contract, you will need to ask questions such as, "How many square feet should each custodian be cleaning?" and "What should my custodial expenditures per square foot be?". Questions like these will help drive the metrics you will use in your benchmarking program.

Due to the increased popularity of performance measurement in government, standard benchmarks are available for most functional areas of government. Internal data collection is one of the most time-consuming aspects of benchmarking, so governments should narrow down the measurements they will use for the benchmarking program before they begin the data collection process. The table below includes some widely used benchmarks in various functional areas. This is a sample of commonly used benchmarks; a review of the standard metrics used in the area you are focusing on is a necessary step in the preparation process.

Functional area	Metric	Purpose
Facilities management	Custodial/maintenance expenditures per square foot	Measures if appropriate levels of spend are occurring. Can lead to deeper analysis to determine what is driving costs up (or down).
	Response time (days) for emergency/non-emergency repair requests	Measures the timeliness of the unit.
Information technology	IT staff per employee	Measures staffing level of the IT department.
Parks and recreation	Operating expenditures per acre of land managed or maintained	Measures if appropriate levels of spend are occurring. Can lead to deeper analysis to determine what is driving costs up (or down).
	Acres of parkland maintained per FTE (full-time employee)	Measures staffing level of the parks and recreation department.
	Revenue per visitor.	Measures the appropriateness of fees being charged. May be a catalyst for increasing fees.

Road maintenance	Street sweeping expenditures per linear mile	Measures the cost effectiveness of the street sweeping program.
	Pavement Condition Index	Measures the condition of paved streets.
Human resources	Employee benefits as a percent of salary and wages	Measures appropriateness of benefits packages.
	Time to fill open positions (days)	Measures the effectiveness of the HR department

Data such as staffing levels or expenditures should be readily available internally, but other data may require additional effort to obtain. For example, national benchmarks for custodial staffing often distinguish between total square footage of buildings and square footage actually cleaned by custodians. This would entail measuring areas such as utilities closets and storage areas and subtracting their square footage from total building square footage.

In cases where you are interested in reorganizing a department, implementing policies, or changing processes, metrics may not be appropriate. You may glean more relevant information by using best-practice benchmarking to compare your entity to the operations of similar or best-in-class organizations. For governments that are benchmarking best practices as opposed to metrics, data collection may require detailed mapping of process flows and decision points. For some municipalities, this granular level of data may not be readily available, and you will need to devote significant resources to data collection. The potential return on investment of the benchmarking program should be weighed against the effort and resources needed to collect data.

Approach selection

Deciding who to benchmark your organization against can be one of the most challenging aspects of benchmarking. It may also be the most crucial step, especially since most governments use the results of a benchmarking analysis to drive important institutional decisions. The matrix below provides some insight into this decision by listing certain considerations and the most appropriate benchmarking approach. While this list is not exhaustive of all considerations, it touches on those that are most commonly seen in local governments. The three most common sources of information for benchmarking are:

National/industry benchmarks – These are typically collected and published by large, reputable industry associations. These may often be referred to as industry standards.

Local peer comparable – This is data collected from governments within your region that have similar characteristics such as demographics or organizational structure which influence the benchmark you are trying to measure. Associations or regional groups often conduct local benchmarking surveys and make the data available for use by local governments.

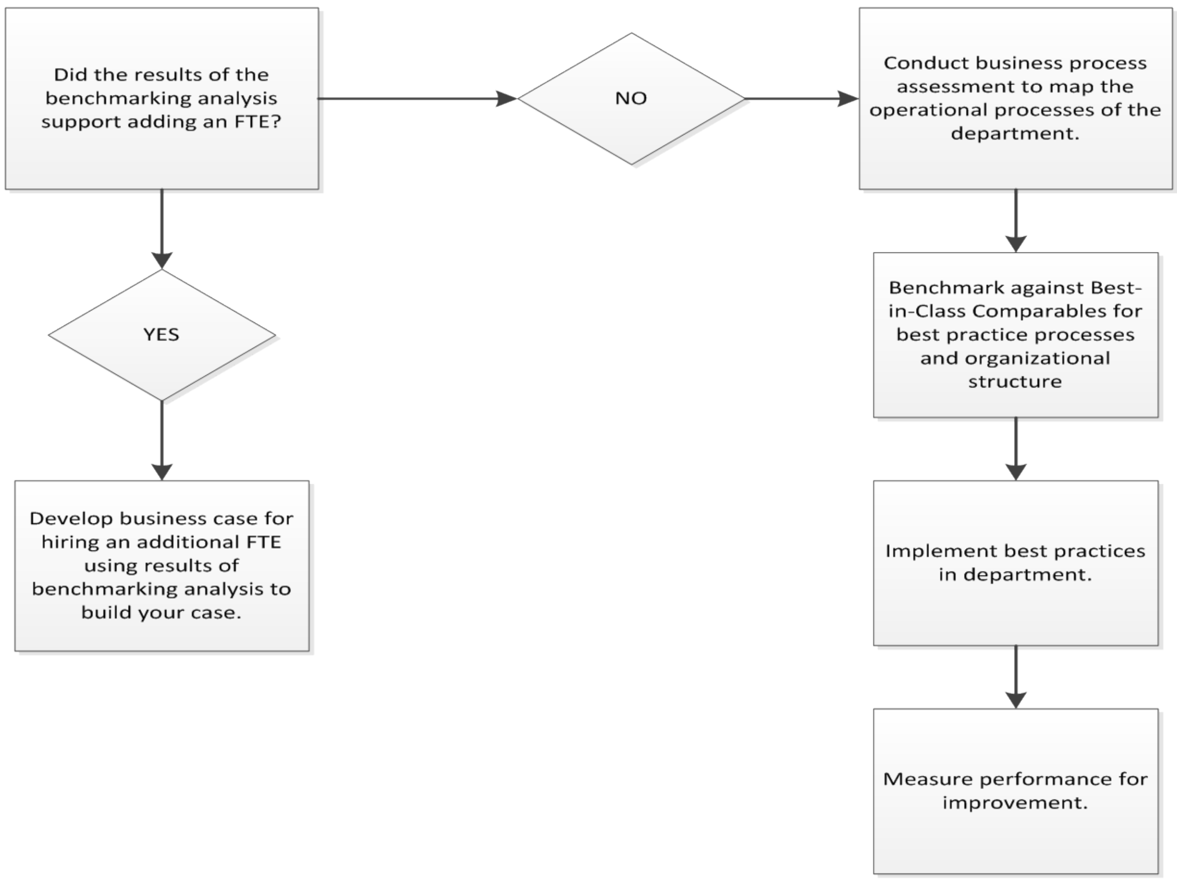
Best-in-class comparable – This is data collected from organizations that have won awards or otherwise been recognized for being a high performer in the areas you are benchmarking.

Key consideration	National/industry benchmark	Local peer comparable	Best-in-class comparable
The function is highly regulated at the state or county level.		X	
Weather and other environmental conditions affect the outcome of the activity (e.g., parks maintenance, snowplowing).		X	X (regional)
You want to assess potential problem areas across your entire organization.	X		
The function is highly standardized or routine (e.g.,. accounts payable processing, procurement).	X		X
Your organization is not performing poorly, but you think there is room for improvement.	X	X	X

Some of these areas may overlap. For example, you may be fortunate enough to have a best-in-class comparable that is also a local peer comparable. In the last consideration, where there may be room for improvement in your organization, national and local benchmarks may provide the initial information that will pinpoint areas where improvement is needed. At that point, a best-in-class comparable should be used to determine goals and/or process improvements. When choosing a local comparable, it is important to remember that a true "apples-to-apples" comparison will never be possible. Every government has factors t make it unique. It is important to keep in mind which factors influence the outcome of a benchmark and only try to control for those factors. A city's population should have no impact on how many staff they need to maintain their sewer system, but the size of their sewer system certainly should be a consideration.

Accountability and implementing the results

Once your organization has expended time and money to develop and execute a benchmarking program, follow-through is imperative to ensure analysis is appropriate and that there is application of the results. After choosing your benchmarking approach and collecting the data, refer back to the original purpose of your benchmarking program to guide your next steps. The decision tree below is based on one of the original scenarios presented in this article; "You think one of your departments is not completing projects because they are understaffed and you want benchmarks to justify adding an FTE."



In this case, the government originally attributed the department's subpar performance to a lack of personnel. If the benchmarks support this assumption, it provides a way to bolster an argument for additional personnel. If the benchmarks do not support this assumption, it becomes clearer that the issue could be the result of inefficient process design, lack of effective technology use, or poor performance by one or more staff. If this is the case, additional benchmarking and best-practice research would be required. Remember, just because the benchmarks may not support your original assumptions does not mean the problem has been solved!

Accountability is a key aspect of a benchmarking program. As part of a complete benchmarking program, collected data should be used for several consecutive years to track the progress of the organization in meeting performance expectations. This can help measure the impact of discrete operational changes. Where applicable, benchmarking between departments can be a successful way to motivate personnel to improve benchmarks and also improve accountability. Organizations with established benchmarking programs will publish an annual report that tracks year-to-year progress towards benchmarking goals on an organization-wide basis.

Benchmarking has the potential to be a high-value tool for your organization. To ensure benchmarking efforts result in the outputs desired to inform key decisions, it is imperative to clearly define the purpose of your benchmarking program, select relevant metrics to collect data for, choose an appropriate benchmarking approach, and be accountable for performance improvement based on results.

For more information on this topic, or to learn how Baker Tilly state and local government specialists can help, contact Shelley Fulla at 312 729 8191or by email shelley.fulla@bakertilly.com