

Foundations of Benchmarking

The term *benchmark* has had important, practical applications from its earliest use. The first stone laid at the ground level for a medieval castle was the benchmark upon which all other stones were oriented. Similarly, a significant rock or stone in a large parcel of land was a benchmark, the point from which the land was measured and divided. In those days your cobbler marked a notch in his bench as a point of reference for your shoe size. So *benchmark* can be defined as a point of comparison and used interchangeably with the word *standard*. In short, the use of the word has changed very little from the Middle Ages to the twenty-first century.

A benchmark is a standard or point of comparison.

Benchmarking is the process of comparing one organization's process to another's in an attempt to discover best practices that, once imported, will improve operations. The traditional approach to this process is rooted in the private sector. One of the most frequently cited private sector cases is the benchmarking project conducted by Xerox with L.L. Bean in the early 1980s. Although they are very different companies, Xerox learned important lessons from L.L. Bean about warehouse management and distribution. We modified the definition provided in the first edition to a more concise version.

Benchmarking is a methodology used to improve performance by finding high-performing organizations and importing their practices to the home organization.

This private sector tool was quickly adopted by the public and nonprofit sectors in the late 1980s and early 1990s. The search for best practices traditionally requires an organization to follow a series of well-defined steps. Benchmarking is largely a technical method and can be a powerful tool for improving organizational performance. Like any other approach or methodology, a benchmarking project needs to fit within and support the goals, objectives, vision, and strategic plan of the agency in which it is used.

HISTORICAL CONTEXT

The First Wave: Total Quality Management

During the 1980s, U.S. managers quietly began borrowing a performance improvement movement called *total quality management* (TQM) from Japanese companies and inserting it into industries in the United States (Ghobadian & Speller, 1994). Originally developed in the 1950s by an American, W. Edwards Deming, TQM was all about improving profits and reducing errors by analyzing and changing processes. Deming and Joseph M. Juran, another expert in quality improvement, worked to help Japanese industries rebuild after World War II. Most U.S. companies ignored Deming, Juran, and TQM until their profit margins fell and until it became widely known that the quality of Japanese products was becoming better than that of U.S. products. American companies had to become more competitive. They began to adopt TQM principles and practices in hopes of regaining their competitive edge.

In the late 1970s and early 1980s, Xerox adopted a TQM approach and began comparing its operations in the northwest United States with similar Xerox operations around the world (Camp, 1998). Xerox used teams that evaluated their organization's work processes, visited other locations, identified practices with potential for improving process performance, and then adapted the practices to their home location. This series of steps, which included complex analyses and significant organizational changes, needed a short name. It was a small, albeit, important component of total quality management—a systematic way of measuring a process, finding similar processes to use as comparisons, and then

importing process steps as necessary to become more efficient and reduce costs. Comparisons were made with organizations that were performing better on selected metrics than the home organization was. These better performing organizations came to be known as *partners*, regardless of the degree of effort expended by them in this process. In most instances the partner was helpful and cooperative. The process changes imported to improve performance came to be known as *best practices*. And the overall method of improving process performance by finding partners with best practices became known as *benchmarking*.

The Xerox benchmarking methodology has been replicated and altered somewhat but remains essentially the same. In most instances a benchmarking study begins with a team charter. Individuals drawn from various organizational subunits come together with a mandate to clearly define the problem, the process, and the performance measures. The team members frequently receive training on how to conduct a benchmarking study and how to define and analyze processes. Once the process is defined, the team collects data on process performance and begins to search for benchmarking partners. Benchmarking partners are usually similar organizations that are performing the process better than the benchmarking organization is. The team inquires whether the partner is willing to assist the benchmarking organization. If so, the partner hosts a visit and shares information, and the benchmarking team returns home armed with best practices. *Best practices* are policies, procedures, activities, or operations that lead to high performance. The benchmarking team usually creates an implementation plan to adapt each best practice to the team's organization and monitors performance to ensure that each practice has a positive impact. Here is a generic outline of these common steps. (The chapters in Part Two discuss our more detailed set of eleven steps at length.)

Common Benchmarking Steps

1. Charter and train a team to conduct a benchmarking study.
2. Define the process for benchmarking.
3. Research potential partners.
4. Collect and analyze data.
5. Identify the causes of performance differences.
6. Adapt the high-performing practice(s) to the benchmarking organization.
7. Implement the practice(s) and monitor changes.

Total quality management successes and benchmarking became widely publicized, and private sector organizations quickly adopted TQM and benchmarking as methods to improve performance. Initially, improved performance was defined by the private sector as reduced errors or costs, increased profit margins, or increased market share. These performance indicators changed when benchmarking was applied in the public sector. It was during this period that organizations were introduced to the phrase *best practice*. All benchmarking teams were searching for best practices—things your partner organization did to enhance performance that you had not yet done. A *benchmarking study* was completed to find and import these best practices. Total quality management, benchmarking, and best practices spread like wildfire.

Next the Baldrige Award entered the picture. Established by the U.S. Department of Commerce, the Malcolm Baldrige National Quality Award became a coveted prize (Baldrige National Quality Program, National Institute of Standards and Technology, 2007). Initially, it was given only to private sector companies that clearly demonstrated they had, among other things, streamlined their processes through team efforts and benchmarking. An elaborate evaluation system was developed, and companies spent thousands if not millions of dollars to win the Baldrige. After all, it meant serious recognition among peers and the public for good, efficient management practices. Florida Power won the award in 1989, but only after it spent millions to do so, and its success was later questioned when news of layoffs and customer dissatisfaction hit the press. A few other warts associated with TQM were also starting to show. Nonetheless, TQM and the Baldrige Award received much attention from academics, practitioners, and corporations around the world—and the award continues today. (More information can be found at www.quality.nist.gov.)

Once recognized, Baldrige winners were required to host benchmarking teams from other companies. The idea of benchmarking an organization outside your specific business or industry became fashionable. Proprietary information was guarded, but companies such as L.L. Bean, Xerox, and Motorola opened their doors to benchmarking teams from other companies. Books were written that documented the millions of dollars saved by streamlining processes through quality management and benchmarking. Once the private sector became completely enthralled with quality management and benchmarking, the public sector was quick to jump on board. By 1988, the Baldrige Award was open to public organizations as well.

The Federal Quality Institute (FQI) was created in 1988 to promote TQM and process improvement throughout the federal government. It was staffed primarily by federal employees who were temporarily assigned, or detailed, to FQI from their home agencies. FQI staff provided training and consulting services to federal agencies in TQM, team processes, benchmarking, the Baldrige Award, and other TQM-related activities. The FQI also decided which federal agencies would receive the coveted President's Award for performance improvement. Unfortunately, TQM began to fade, the staff dispersed, and FQI merged into the U.S. Office of Personnel Management. Despite its many successes, TQM came to be seen as another management fad inflicted on career public servants by elected officials. TQM didn't fail; it was simply replaced.

Another Trend: Reinventing Government

President Clinton entered office with a goal of reducing the size of the federal government. Shortly after the inauguration in 1993, Clinton's vice president, Al Gore, was tasked with *reinventing government*. As part of this effort he created the National Partnership for Reinventing Government (2001). Hence, as TQM was fading out, reinvention was rolling in. Reinventing government became the new call to action (Osborne & Gaebler, 1992). Leaders were expected to focus on customers and to question and reframe significant policies and procedures. Reinvention teams replaced process improvement teams. Teams were granted more latitude in their projects. Reinvention activities were not restricted to examining work processes, which was the focus of TQM and benchmarking. Cities such as Sunnyvale, California, were used as examples of how the public sector could *reinvent* itself and improve.

The interest in benchmarking and comparing performance continued through the reinvention era. Government agencies were now actively seeking comparisons in hopes of finding ways to improve. Improvement efforts tended to focus on reduced costs and improved customer satisfaction—that is, on doing more with less. The term *best practice* was used more frequently than ever to describe something that should be tried in the effort to improve.

The benchmarking methodology survived intact through the transition from TQM to reinvention because it was a rock-solid tool that could be used to find ways to improve. No politics required, no organizational culture change—just the application of a reliable method to find a better way to do work. Benchmarking

Figure 1.1
Evolution of Benchmarking

Performance measures become a way of life in governments and nonprofits				
1800s	1980s	1990s	2000	2007
Benchmarking nonexistent	Xerox develops steps in benchmarking	Benchmarking becomes an advanced tool in TQM	Benchmarking required for Baldrige Award	Reinventing government expands benchmarking to policy and programs
		Oregon benchmarks passed by the legislature	GPRA passed and encourages benchmarking	Solution-driven benchmarking emerges
				Traditional and solution-driven benchmarking thrive

was also to survive another stage in the evolution of public sector performance improvement (see Figure 1.1).

Like TQM, reinventing government resulted in many improvements in government operations. But government is also about politics. The Clinton administration departed, and efforts to improve performance and reduce costs manifested themselves elsewhere.

Legislating Performance Improvement

The passage of the Government Performance and Results Act (GPRA) in 1993 clearly demonstrated that elected officials wanted the government's delivery of products and services to improve. It was the first time that public officials had legislated a strategic approach to administering government. One of the first GPRA requirements federal departments and agencies had to meet was the development of a strategic plan. They were allowed several years to develop and refine this strategic plan. Then they were required to align their performance measures with their plan. Finally, departments and agencies were expected to report on their strategic plans, performance measures, and improvements by the 2003 budget cycle. The U.S. Office of Management and Budget (OMB) suggested that benchmarking was a good way for federal agencies to find better ways of operating.

Today benchmarking is alive and well throughout federal, state, and local governments and nonprofit organizations (NGOs). But what form of benchmarking has emerged?

BENCHMARKING IN THE TWENTY-FIRST CENTURY

Benchmarking has survived the past couple of decades and several performance improvement trends, but will it continue to serve public and nonprofit organizations by leading them to enhanced performance? The answer is absolutely yes, and here are four reasons why benchmarking is here to stay.

First, the original 1980s benchmarking methodology has evolved into two distinct methods; either one reliably leads the user to a best practice. Having two methods gives users more tools and options for searching for best practices. Second, benchmarking is no longer the domain of a few individuals in each organization who have a passion for finding ways to improve. Numerous and varied public, private, and nonprofit organizations have integrated benchmarking methods into their regular training programs. With so many people trained to use these methods and given the results they yield, the methods are certain to be used repeatedly in the future. Third, the language of performance improvement has permeated public and nonprofit culture. The terms *benchmarking*, *best practice*, and *performance measure* are commonly used and widely understood. Finally, advances in technology have decreased many previous barriers to collecting and sharing information. The use of Internet, e-mail, and Web 2.0 technology has created bridges between many organizations and created more opportunities for benchmarking.

Indeed, now that organizations are armed with two methodologies, with workforces that have a substantial benchmark-trained component, and with workers who are familiar with benchmarking verbiage from their day-to-day work lives while also benefiting from the fast advances in technology, it is clear that organizations will continue to use benchmarking as a tool well into the twenty-first century.

Two Benchmarking Methodologies

The first benchmarking method—the multistep methodology that originated in the 1980s—has changed very little over the past two decades. Teams are still chartered to examine work processes through flowcharts, data collection and analysis, and comparisons to other organizations. Partners are coveted for their best practices. It is roughly a six-month, resource-intensive process that, when followed closely, virtually guarantees performance improvements. Benchmarking in this form is likely to continue into future decades. We call it *traditional benchmarking*.

The second benchmarking method emerged in the late 1990s and is still evolving. Many government entities have not had the staff or financial resources

to pursue a traditional benchmarking study, yet leaders and managers have been motivated to improve, especially with the passage and implementation of the GPRA. Nonprofits and nongovernmental organizations have been in a particularly difficult position in regard to benchmarking because they often have less reliable and potentially more restrictive funding than other organizations do (Poister, 2003). Nonprofits are frequently smaller than federal or state government agencies and depend significantly on grants or contributions for their operating budgets. Often these grants or contributions are specifically intended for service delivery programs, not administrative costs. As a result many nonprofit organizations cannot afford to use the traditional benchmarking method, so an alternative has emerged. Alongside nonprofits, small public agencies such as local governments have also been stressed for funds yet have needed to improve performance.

Fortunately, the traditional benchmarking method had convinced most managers that comparing processes and results and finding the reasons for performance differences could yield important information about ways to improve. The notion that one should “steal shamelessly” any great ideas on how to improve dates back to Deming and Juran and had survived several decades. So the idea of reaching out to others had become wholly acceptable. The idea of importing practices found to be helpful to performance had also become common. It was well embedded in governments, nonprofits, professional associations, and award programs. With that continuing foundation and with so much information available on the Internet, managers began to ask, “Why bother with a six-month examination of a process that may or may not be the primary source of the problem?”

In response to that question, NGOs and small governments refined the traditional benchmarking approach. They began with the greatest problem or pressure point and immediately looked for help. No teams, no charters—just problems, an energetic focus on solutions, a network of professionals, and information available on speed dial or at a keystroke. A food bank facing a fiscal crisis due to increased gas prices cannot spend time chartering a team to examine how to streamline the transportation process. It must act quickly or some food may not be distributed to needy recipients. The *problem at hand* became the driving force behind comparisons—not the *process performance*. Many nonprofits share problems; it was only natural that they share solutions. Thus the *solution-driven benchmarking* method hatched.

Advances in technology have facilitated this new, solution-driven approach. For example, with so much information available on the Internet, why bother

with a six-month examination of a process that may or may not be the primary source of the problem? It is now common practice for many managers or staff administrators to begin a search for a solution via Google. They must always ask themselves, however, whether this advanced sharing of ideas and information is really producing best practices.

As this new benchmarking methodology emerged, it became a focus of our research and study for this book. We first identified four major steps commonly used in the solution-driven benchmarking method and then added a fifth step: monitor progress. Continuous improvement is absolutely essential to benchmarking, so managers must monitor progress to verify that a promising practice has actually improved performance.

Solution-Driven Benchmarking Steps

1. Discover the problem.
2. Establish criteria for solutions.
3. Search for promising practices.
4. Implement promising practices.
5. Monitor progress.

Using the solution-driven approach, you are not dependent on a team nor necessarily focused on a process. Hence it is quite different from the traditional method, and we explain it in detail in Chapter Five.

A Workforce Trained on Benchmarking

After several months of research we realized that many of the cases we were presenting in this book were directly related to training activities. The U.S. Environmental Protection Agency, for example, launched its Superfund benchmarking project by training team members.

Moreover, our examples of both the traditional and solution-driven methods are derived from products developed during the Graduate School, USDA executive development programs. These graduate school programs are designed to prepare federal line staff, supervisors, and managers with tools for more effective management. Throughout the programs they devote hours to benchmarking and performance improvement. Hence an enormous variety of federal employees have a working knowledge of benchmarking.

An example is the case of the U.S. Department of the Interior (DOI) auditor general who became a strong advocate of including best practices in audit reports. To prepare his staff he mandated that all DOI Office of Inspector General (OIG) auditors receive training on how to benchmark. This gave those of us who provided the training and the training participants an opportunity to discuss and explore their role in the benchmarking process, and what we learned is directly linked to how we developed the auditor's role in benchmarking.

Benchmarking is very effective in other kinds of training sessions as well. For example, in 2007, Guam Memorial Hospital Authority (GMHA) staff participated in a two-week training session on workload analysis. During those two weeks they spent some time learning how to use the solution-driven method to find best practices. We discuss their success in Chapter Five, "The Solution-Driven Benchmarking Method."

Also, the U.S. government provides considerable financial support for training representatives from developing countries on how to benchmark. For example, the U.S. Agency for International Development funded a benchmarking partnership between cities in Bulgaria and Golden, Colorado (Henderson, 2007). This partnership was part of larger development and improvement projects, and training on how to conduct a benchmarking study can also be effective as part of broader efforts to improve operations and performance, as it was when the DOI Office of Insular Affairs funded training on performance improvement and benchmarking for GMHA and other Pacific island government agencies.

As part of our senior-level education and training programs, the Graduate School, USDA provides hands-on benchmarking experiences for public employees with other agencies as well as private industry. This experience has proven to be a valuable tool for program participants to apply to their organizations.

**—Sharon Barcellos, senior program manager,
Center for Leadership and Management, Graduate School,
USDA (personal communication, March 2007)**

Our research has led us to an important conclusion—training can greatly enhance the benchmarking experience. We encourage anyone or any group that is ready to launch a benchmarking project to invest in training. The cost can range from minimal (the price of this book, for example) to extensive (the cost of hiring outside consultants to train your workforce and guide the entire process). Select the level of support most appropriate for your organization, but do get some support. Without a doubt, benchmark training is a tool you can use in tandem with benchmarking to find and import best practices.

Changing Attitudes Toward Best Practices

The title of our first edition was *Benchmarking for Best Practices in the Public Sector*. At the time that book was written, the term *best practice* was fairly new. A best practice was an exciting discovery, one that helped an organization to perform better. In our first edition we stressed that an organization should establish criteria when it begins searching for a best practice. We raised several questions about how best practices should be defined. We warned against overzealously calling everything a best practice. We suggested being wary and somewhat suspicious when someone reported a best practice, and seeking proof before accepting it as such. In this edition we completely reverse this opinion.

Since the early 1980s, the purpose of benchmarking has been to find the best practice embedded in a partner's organization and to import it to one's home organization. A best practice has represented a positive activity—something good the benchmarking team has found elsewhere that it wants to try. In the past when public organizations claimed they had found a best practice, practitioners listened and assumed it would be good. The National Conference of Mayors, for example, asked its members to submit their best practices and published the resulting list with no questions asked. No method was applied to evaluate the practices. Similarly, when Phoenix, Arizona, discovered privatization of garbage collection, it was declared a best practice for all cities. It turned out that this practice could be a disaster under some circumstances. In the 1990s, no one seemed to recognize the need to be cautious when promoting a best practice. What has changed?

Although we still find simple assertions that some things are best practices a bit disconcerting, this is much less worrisome than it was in the 1990s. Why? Everyone got smarter about it. It took only a few instances like the Phoenix case and numerous lists of untested best practices before organizations became cautious

and much less likely to rush to import a best practice. And some organizations and groups continue to raise questions about the usefulness of the term itself. For example, Anne Richards, the DOI's assistant auditor general, spearheaded the benchmarking training for the auditors on her staff. As we designed the training, she indicated a reluctance to use the phrase *best practice*. By using *promising practice* instead, the audit staff introduced a bit of caution, suggesting that a practice had potential but was not yet considered a best practice. We like this phrase, and we use it where appropriate in this book. We cannot, however, avoid using *best practice*, because that term has permeated our performance improvement language. A simple search through Google on *best practice* yields thousands of links, ranging from peacekeeping best practices of the United Nations to the best way to stop e-mail spam. The universal use of the term is obvious.

A best practice or promising practice is an idea, practice, process step, or policy that will improve performance in the organization that adopts it.

Sources of Best Practices

No matter which benchmarking methodology you choose, you are looking for a best or promising practice. Consider three sources of best and promising practices and whether each source is appropriate for your organization.

A Best Practice Is Self-Declared When practitioners learn about new ideas or practices, they frequently refer to these discoveries as *best practices*. The popularity of this term and people's comfort with it make it easy to use and suggest that there really is a *best* way of doing things. But the term is relative and its meaning can depend on the individual or the organization that has discovered or claims it. So judging an idea by its label alone has some dangers. If you are looking for a best practice for your organization, be sure that you determine who declared it a best practice and examine the evidence that demonstrates that it is. The fact that a practice is different from your own practice and appears to work for others does not make it a best practice, nor does it guarantee that the practice will work for you.

Wayne Welsh, CPA with the Utah Office of Legislative Auditor General, prepared a report titled *Best Practices for Good Management* (Office of Legislative Auditor General & Welsh, 2000–2001). In it he declares several best practices, such as develop a strategic plan, prioritize goals, identify stakeholders, and develop a

mission statement. These practices are no doubt important to follow and may be among the top five or ten of the most important management practices. This list could probably be found in many management books, and we agree they are good management practices. But you do not need benchmarking to find them.

Emerging Industry Trends Can Be a Source of Best Practices In 1993, the report of the National Performance Review, by Al Gore, recommended that a variety of best practices be adopted by the federal government, including the use of high-speed networks, electronic benefits transfer, and public access to online data. Although managers today take them for granted, at the time these were cutting-edge trends and ideas that were emerging from the private sector. In retrospect, these were great ideas and virtually all levels of government have implemented them.

Most recently, the public sector has been adopting some of the practices created in the private sector to take advantage of Web 2.0 advances. Web 2.0 is a second generation of online communication. This latest Internet wave features a number of new ways for individuals to share information and create online communities (blogs, podcasts, MySpace, Facebook, wikis, and so on). One example of the public sector embracing this movement is the creation of wikis. The popularity of Wikipedia, where anyone can create an account and contribute or revise encyclopedia-type entries, has inspired new modes of communication for some local governments. Davis, California, for instance, has created the DavisWiki, an online community where individuals can “explore, discuss, and compile anything and everything about Davis, California” (DavisWiki, 2007). The objective of making everyone eligible to contribute to, add to, or revise the Web site was to go beyond personal blogs and create, in essence, a blog for the entire community.

Conversely, in the 1990s, performance-based budgeting (PBB) was (some would argue it still is) a public sector trend assumed to be a best practice that would help communities hold public organizations accountable for performance. The road to implementing PBB has been long and difficult, although some governments have been successful in traversing it. PBB was an industry trend that was apparently not right for everyone.

A Best Practice Is an Award-Winning Success Perhaps the most reliable sources of promising practices are the numerous award and recognition programs. Many professional associations and universities have established best

practice award programs or databases. Organization members, or in some cases the public, can search these materials on line to find promising practices for almost every aspect of public sector management.

The best practices identified by award programs appear more reliable than the lists of best practices gathered from organization members do because the awards program practices have been evaluated. The International City/County Management Association (ICMA), for example, annually evaluates submissions, consistently applying criteria that help to ensure the practices are safe for others to follow.

Another example is the Carl Bertelsmann Prize for the best-managed city. In 1993, the competition was based on performance in customer service, employee involvement, planning, innovation, and bureaucratic downsizing (Kwok, 1993, p. A1). The prize recognizes municipalities that have innovatively adjusted their structure and operations to meet challenges and that have overcome their traditional authority model. The award is also designed to encourage other cities to begin their own transformation (Bertelsmann-Stiftung, 2004).

Similarly, the Performance Institute has established a best practices database. The institute states it is backed by a national research base on best management practices in government. The ICMA has established a Center for Performance Measurement that compiles information about best practices among program participants.

Make no mistake, we strongly believe that thousands of public organizations have benefited by importing practices discovered at other organizations. But we reiterate that all organizations should closely examine whether using a relativistic definition of best practice can put an organization in the risky position of importing *ideas*, not practices, which ultimately may cause more harm than good. The risk is that too many unproven ideas will be tried and that precious dollars will be wasted in areas that produce minimal fiscal returns.

SUMMARY

- A benchmark is a standard or point of comparison.
- Benchmarking is a methodology used to find best or promising practices.
- The benchmarking methodology has remained consistent through numerous performance improvement trends. We refer to this as *traditional benchmarking*.

- Traditional benchmarking is completed by a team that defines and analyzes a process, searches for best practices through partner organizations, adapts and imports the practice, and monitors long-term implementation to ensure success.
- Solution-driven benchmarking can be completed by individuals or small teams who define the problem, search for solutions through professional networks and the Internet, import the practice, and monitor short-term changes.
- Many public and nonprofit staff, managers, and leaders have been trained in how to benchmark. A widely trained workforce is likely to sustain benchmarking into the future.
- The term *best practices* has become part of organizations' day-to-day language. We use it, along with *promising practices*, in reference to an idea, practice, process step, or policy that will improve performance in the organization that adopts it.

You may also use Worksheet 1.1, in the Resources, for reviewing this chapter.

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