

getting better all the time

making benchmarking work



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For more information on the work of the Commission, please contact:

Andrew Foster, Controller, **The Audit Commission,**

1 Vincent Square, London SW1P 2PN, Tel: 020 7828 1212

Website: www.audit-commission.gov.uk

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Summary

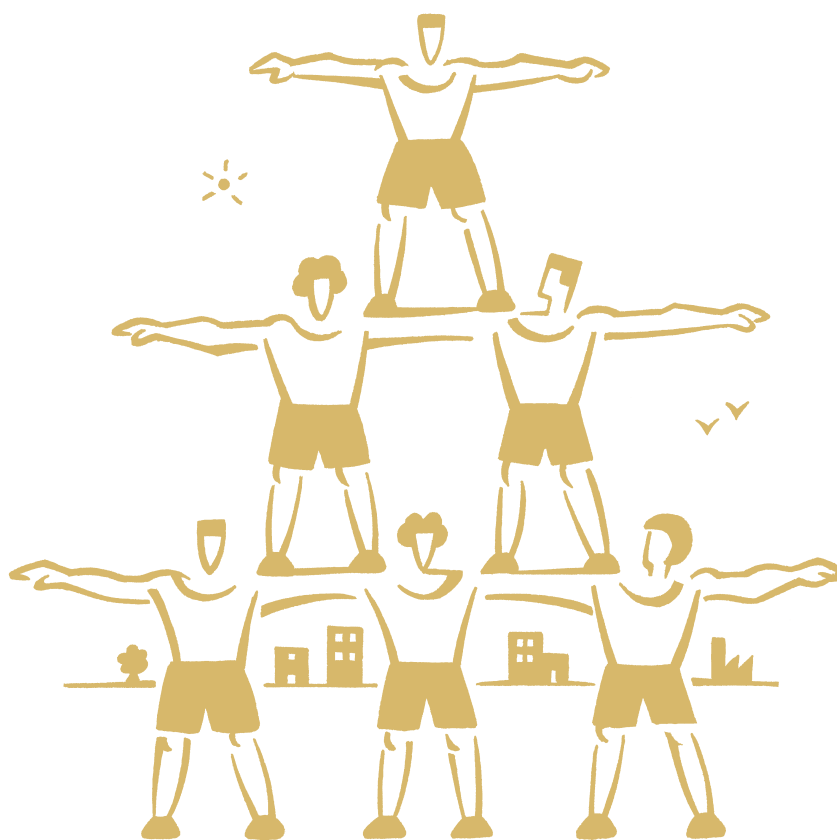
Benchmarking can be an effective way of helping organisations to deliver better services by comparing performance and learning from other organisations. Its use is increasing in the public sector, and central government is keen to promote its benefits. Comparing performance is central to the success of best value in local government, and the NHS Executive is also promoting benchmarking as a way of improving services.

This paper looks at the experience of organisations in local government and the health service and discusses the factors that lead to successful benchmarking:

- planning and resourcing benchmarking adequately, and engaging the support of members or directors;
- having clear objectives;
- focusing on important issues;
- identifying partners;
- organising the process of benchmarking;
- defining the measures for comparison;
- understanding why performance varies; and
- implementing change.

The paper is primarily written for people who have been given the task of setting up or leading improvement projects using benchmarking, but the messages that it contains are relevant for all of those involved in considering or planning such projects, including members of local authorities and directors of health authorities and trusts.

Benchmarking can be an effective way of helping organisations to deliver better services...



1. Introduction

Why this paper has been written

1. The Government has challenged all those who provide public services (local authorities, police and fire authorities, NHS trusts, primary care groups and trusts, health authorities, government departments and agencies) to improve their performance.
2. In local government, the duty of best value means that authorities have to critically review all of their services on a five-year cycle, using a framework described by the '4 Cs' – challenge, compare, consult and compete. A key part of these reviews is to compare performance with other organisations.

Authorities will also have to demonstrate that they are achieving continuous improvement in all of their services.

3. The NHS Plan sets out new arrangements for performance improvement in the NHS (Ref.1). There will be a single system for measuring, assessing and rewarding performance. This system will be based around the Performance Assessment Framework (PAF), and will ensure that all parts of the NHS are held to account for improving services for patients.
4. Many organisations that are looking for ways to improve performance have found benchmarking to be a useful process. Local authorities will need to consider carefully how

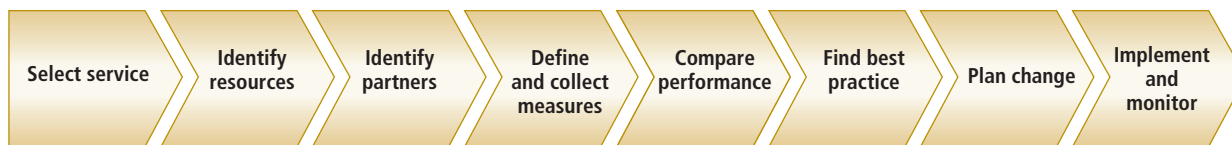
benchmarking can contribute to best value reviews, and the NHS Executive is encouraging benchmarking as good practice in improving services and achieving the goals of the Plan.

5. However, the term 'benchmarking' covers a variety of practices. To some people, it means simply the process of comparison, while to others it also includes identifying ways of improving services. A definition used by the NHS Benchmarking Club is 'using structured comparisons to define and implement good practice'. This paper emphasises the importance of focusing benchmarking on improvement, but considers all of the elements that might be included in the benchmarking process [EXHIBIT 1].

EXHIBIT 1

The elements of a benchmarking process

Benchmarking covers the process of comparing performance and identifying ways of improving services.



Source: Audit Commission

6. This paper has been written for all organisations considering taking part in a benchmarking activity. It is primarily aimed at managers and staff who are directly involved in benchmarking work, but senior managers, members and non-executive directors will also find the report of interest.

The structure of the paper

7. First we look at the way in which benchmarking has been undertaken in the public sector.

In practice, although some benchmarking has produced good results, a substantial proportion has failed thus far to produce tangible benefits. The following chapters look at some of the problems that have been encountered, and provide guidance on how they might be overcome, based on the experiences of a number of authorities and trusts, as well as organisations that facilitate benchmarking groups.

Although some benchmarking has produced good results, a substantial proportion has failed thus far to produce tangible benefits.



2. What is happening now

8. Although the use of the term 'benchmarking' is relatively recent in the public sector, the activity that it describes has been going on informally for a considerable time. Local networking groups, research groups and professional associations have been comparing performance and sharing ideas and experience on new ways of delivering services for many years.

9. There is now an increasing number of benchmarking clubs in both the NHS and in local government. These consist of groups of staff from similar authorities or trusts who meet to compare performance on specific services or activities, and review how services are delivered.

10. There are two main approaches to benchmarking: metric (or performance) benchmarking, and process benchmarking [BOX A]. These are frequently combined in the search for service improvement. Data are analysed to identify those organisations that are performing well. Their processes are then analysed to establish how this performance is achieved.

11. In local government, the best value performance indicators and Audit Commission performance indicators provide a way of carrying out high-level metric benchmarking. The Chartered Institute of Public Finance and Accountancy (CIPFA) statistics are also well established. The general experience within the NHS is that most NHS benchmarking activity is based on quantitative data, such as

Benchmarking...has been going on informally for a considerable time.

the performance indicator sets in the Performance Assessment Framework and the Healthcare Resource Group reference costs.

BOX A

The two main approaches used in benchmarking

Metric or performance benchmarking involves the comparison of quantitative performance data. This can help organisations to identify how their performance differs from that of other organisations or how it has changed over time, and can act as a spur to improving performance. It can also identify organisations that may provide an example of how to achieve good performance, or provide an objective basis for identifying areas and activities that would benefit from the more detailed and resource-intensive application of process benchmarking.

Process benchmarking involves the systematic analysis and comparison of the processes used to deliver services. This analysis may be applied at varying levels, from an overview of the main functions involved, to a detailed analysis of processes. It is best used after metric benchmarking has identified performance differences.

Source: Audit Commission

12. The Audit Commission's value-for-money studies and audits also represent a form of benchmarking. Research is carried out, and good performance and practice are identified. The performance of each authority or trust is then compared with the performance standards identified in the research, and recommendations for improvement are made.

13. More recently, the internet has provided opportunities for organisations to compare performance. For example, the Commission has developed a website to help schools to compare their expenditure, and to assess the quality of their financial management (Ref. 2).

14. An approach to comparison that builds on benchmarking can be found in both the health service and local government. Members of a benchmarking group compare

the processes of the best performers in a particular field. They use research evidence and users' views to identify the aspects of service delivery that are considered to be 'good practice', rather than identify a single 'best practice' organisation. Descriptions of the ways in which key activities involved in delivering a service are managed or delivered are produced in a 'good practice matrix'. Three or four levels are shown, giving 'minimum standards', 'good practice' and 'better practice' [BOX B].

BOX B

Practice statements can be used for qualitative benchmarking

A group devised the following set of practice statements for the activity 'maintaining training records' in a review covering the provision of training for staff in legal departments.

KEY ACTIVITY 	MINIMUM STANDARD	GOOD PRACTICE	BETTER PRACTICE
Maintain training records	Ensure that all solicitors maintain continuing professional development (CPD) records in accordance with Law Society regulations and record training activities for all staff against personnel records.	Maintain a central record of all training activity undertaken. Ensure that the aims and anticipated benefits to the individual and the unit are recorded for each training activity.	Integrate training records with training plans and training needs analyses. Use appropriate IT solutions to link records with personnel data and unit requirements.

Source: Local Government Benchmarking Reference Centre, 1999

Central government is promoting benchmarking as a way of developing services.

15. This approach is used in two ways. First, some clubs have developed these 'good practice matrices' following a benchmarking exercise to provide guidance on how members might improve services. Secondly, club members can score their performance in relation to the matrix, and identify for each aspect of the service which organisations provide best practice, so that it can be seen in action. In this way, the benchmarking participants can develop performance standards that incorporate the best methods of delivering each aspect of a service. However, this approach often depends on self-assessment, and it is important that the descriptions of good practice are supported with clear definitions and an agreed approach to assessing standards.
16. Central government is promoting benchmarking as a way of developing services. The Cabinet Office promotes the use of both the European Foundation for Quality Management (EFQM) Excellence Model and the European Union Common Assessment Framework (CAF). These models score performance not just on results, but on service 'enablers', such as 'leadership' and 'people management'. Scores from these two models are stored in databases that are managed by the Civil Service College (for the Excellence Model) and the European Institute of Public Administration (for CAF). Both organisations encourage agencies that have applied either model to add their results to the relevant database. This information can then be used, anonymously, for all to compare themselves with. However, while the EFQM model can provide a holistic approach to assessing the strengths and weaknesses of an organisation, its limitation for benchmarking is that the scores are often based on self-assessment.
17. Additionally, the Cabinet Office, in partnership with HM Customs and Excise (prominent in public sector benchmarking), is developing a new service, the Public Sector Benchmarking Service (PSBS). This will be operational from autumn 2000, initially providing a service to central government departments. Over the coming two years, the Service hopes to broaden its scope to the wider public sector, possibly through the development of partnerships with other service providers. The Cabinet Office also publishes benchmarking case studies on its website (Ref. 3).
18. Although benchmarking is often focused on achieving improvement through a one-off review, it can also be seen as part of a process of continuous service improvement. Performance can be compared periodically to gauge the progress made by the organisations involved, and to review the targets for improvement. This use of benchmarking is consistent with the best value regime.

3. Making benchmarking work

Is benchmarking effective?

19. Comparing performance can be a powerful way to identify the scope for improving services. But comparison alone is not enough. Organisations need to go beyond performance comparisons, apply the lessons that they learn and change their management and delivery of services to realise the benefits. Five years ago preliminary research by the Audit Commission found few organisations that were carrying out benchmarking activities that could point directly to service improvements. And while it is now easier to identify practical examples

where service delivery has improved as a result of benchmarking, research for this paper found that some of the organisations visited were unable to demonstrate the impact of their benchmarking activity. A survey of local authorities carried out by the Audit Commission in early 1999, before the introduction of best value, found that at that time only 12 per cent of authorities considered that their benchmarking activity was successful. Over three-quarters of respondents (76 per cent) thought that 'it was too early to say' [EXHIBIT 2]. Although not a direct comparison, a survey by HM Customs and Excise

of directors and managers of 50 blue-chip companies found that the recommendations of about one-quarter of benchmarking projects were not implemented at all, and many more were only partially implemented.

20. The following sections of this paper review the experiences of local authorities, health authorities and health trusts that have used benchmarking in the search for improvement. We also identify some of the difficulties that have been encountered, and draw out the factors that lead to effective benchmarking. The key factors include:

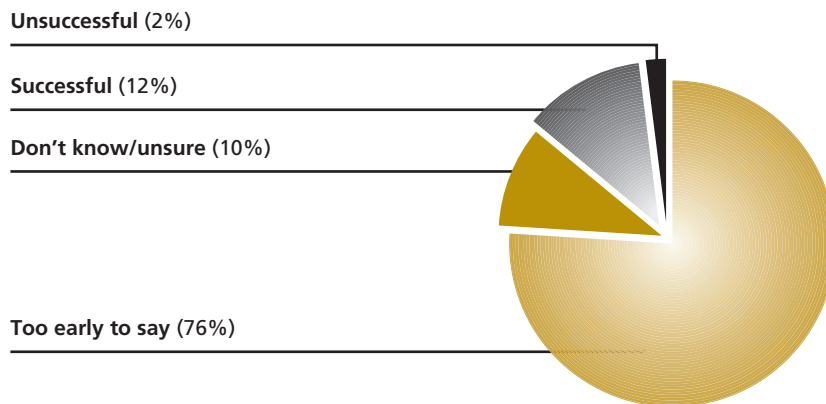
- planning and resourcing benchmarking, and engaging the support of members or directors;
- having clear objectives;
- focusing on important issues;
- identifying partners;
- organising the process of benchmarking;
- defining the measures for comparison;
- understanding why performance varies; and
- implementing change.

Each section concludes with a brief checklist of 'dos' and 'don'ts'.

EXHIBIT 2

Have benchmarking projects been successful?

In 1999, most authorities had not yet achieved a successful outcome from their benchmarking.



Source: Audit Commission survey, 1999

Planning and resourcing benchmarking, and engaging the support of members or directors

21. Although the principles of benchmarking are straightforward, achieving results can be more complicated. In order to achieve improvements, projects must be chosen and planned carefully. Organisations need to be aware that once a project is underway, it can take between 6 and 18 months before service improvements are achieved. They will need to sustain their commitment over this time. Organisations should also ensure that members or directors support the programme.

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22. Benchmarking can demand a substantial time and energy commitment from staff. They will need to define, gather and analyse data, identify the improvements to be made and implement changes. These staff should have sufficient seniority to be able to influence the organisation and to lead change. They must also be able to give time to the work.

23. It is noticeable that some projects using benchmarking have failed to make progress because the key personnel were unable to allocate sufficient time to the work. Successful benchmarking depends on finding out why performance differs, and organisations should allow time for this learning to take place and for the necessary changes to be implemented.

PLANNING AND RESOURCING BENCHMARKING

DO	DON'T
Make sure that the staff involved have time to contribute to the project.	Delegate the project to junior staff, unless they have sufficient senior management backing.
Engage the support of senior management, members or directors early in the process.	Take staff off the project once it is underway.
	Expect instant results.

Having clear objectives

24. Organisations need to be clear about what outcomes they expect to gain from the use of benchmarking. This will provide a focus for their work, and will reduce the danger of making performance comparison an end in itself. Outcomes might include:

- cost reduction;
- better value for money;
- improved 'customer' satisfaction;
- achievement of targets; or
- implementation of good practice.

Organisations need to be clear about what outcomes they expect... from benchmarking.

25. All of these outcomes imply a willingness to change when the potential for improving performance is identified. If this willingness is not present it is possible that the exercise is being carried out as a means of justifying current performance rather than seeking to improve it. Such comparisons should not be regarded as 'benchmarking'.

Focusing on important issues

26. Because benchmarking can be costly, the service area to benchmark should be chosen carefully. It should be important to service users and to the overall quality of service of the organisation or its goals. But potential benchmarking partners will also need to allocate resources to the project, in terms of providing data, so the service area should be significant for them as well. Some benchmarking projects have failed because the activity chosen did not have sufficient priority in all of the organisations involved, and managers were reluctant to commit resources. There can be a benefit from formalising the commitment, both within the organisation and between the benchmarking partners.

HAVING CLEAR OBJECTIVES

DO	DON'T
Be clear about the improvements wanted – for example, cost, value for money, customer satisfaction, or the implementation of good practice.	Engage in benchmarking with the sole aim of seeking reassurance.
Be open to changing service delivery.	

27. It is good practice to compare the performance of all services, and indeed the best value framework in local government makes this a requirement.

28. However, there is little benefit in using the more elaborate benchmarking methods on a service that has a very low cost to the organisation, or where there is little potential for improvement. Managers need to look for evidence of performance variation using nationally available information to indicate the potential for service improvement. It may be necessary to carry out some preliminary comparative analyses before using benchmarking.

29. Activities to be benchmarked should be tightly defined, as it is difficult to cover a wide area in a single benchmarking review without losing focus, or the review becoming superficial. Most local authorities, health authorities and trusts are so complex that organisation-wide quantitative comparisons are problematic, and may reflect variations in policy or environment rather than

performance. To be meaningful, benchmarking needs to focus on specific service areas, or even particular aspects of service areas (for example, intensive care or maternity services in the NHS, or housing maintenance, trading standards or payroll in local government). Benchmarking can also be used with 'cross-cutting' activities, where two or more agencies are involved in delivering a service.

30. The nature of benchmarking makes it a possibility that not every project will produce benefits for all participants. This is particularly the case if the emphasis is only on learning from the best-performing organisation. But in practice, even the better-performing organisations can often learn something from their benchmarking partners [BOX C]. The aim of benchmarking should be to develop ideas and to improve the performance of all organisations, including the better-performing ones, rather than simply to 'level up' poor performers to the standard of the best.

BOX C

Better-performing organisations can learn from their benchmarking partners

The consultant supporting a benchmarking club found that, although there was considerable variation in the overall performance among members of the club, every member had developed some particular areas of good practice. The consultant organised a feedback meeting where each member of the group was asked to describe how they had developed the particular element of good practice that had been identified. The better-performing organisations were given some new ideas for service improvement, and gained from the benchmarking exercise, while the low-performing organisations felt that they had contributed to the exercise, as well as having gained from it.

Source: Audit Commission

31. Managers should also be realistic about the ability of their organisation to implement changes. Success is more likely if the senior decision makers of the organisation support the search for improvement. If this support is not available from the outset, managers should consider how they would make the case for change.

Identifying partners

32. Benchmarking involves working with partners to identify better ways of delivering services. Partners can be found in three ways:

1. By identifying relevant organisations.
2. By forming a new group.
3. By joining an existing group.

Identifying relevant organisations

33. If the information exists, an effective way of achieving improvements in service delivery can be to identify and research good practice using nationally available performance data, articles in technical or professional journals, or networking through professional associations [BOX D, overleaf]. In the NHS, beacon organisations provide examples of authorities and trusts that have developed innovative ways of delivering services. Similarly, in local government, 'beacon councils' could provide examples of high-performing authorities. This direct approach can achieve results more quickly by eliminating the time spent in agreeing the approach with all the members of a club, and in collecting and comparing data to identify good performance.

FOCUSING ON IMPORTANT ISSUES

DO	DON'T
Choose a service that is significant in terms of its importance to the overall service or goals of the organisation.	Waste time on services where there is little evidence of room for improvement.
Use national data or research into good practice to check whether there is scope to improve performance.	
Consider the potential benefits and costs.	
Consider whether the organisation will be able to make changes.	

Forming a new group

34. A benchmarking group can be formed in a number of ways, each of which has advantages and disadvantages. Groups can be formed:

- from similar units within the organisation;
- from similar organisations;
- from competitor organisations;
- from organisations that carry out the function that is being benchmarked, even if the overall purposes of the organisations are different;

- from known and trusted colleagues in other organisations.

Organisations forming a group should also consider how many members the group should have.

35. A group formed of similar units within an organisation is the simplest to set up. It is less likely to lead to difficulties when determining the performance indicators to be used in the comparison, and in getting consistent data. In some cases corporate information systems

will mean that consistent data are already available. On the other hand, the opportunities for learning and finding innovative practice will be limited. Nevertheless, internal benchmarking can provide a useful starting point, and can be a preliminary to seeking wider comparisons. It can also provide a valuable management tool [BOX E].

BOX D

Benchmarking without a group

A local authority wanted to reduce the cost of its refuse collection service, and decided to explore the savings that wheeled bins might offer. It contacted a number of authorities that were using wheeled bins for collection, and compared the costs of the wheeled bin system with those of the system that it was using. It included councillors in visits to see the system in action and to talk to other councillors. Using the information it had gathered, the authority demonstrated to its councillors that the new system would produce considerable savings and that residents were likely to regard the new service as an improvement. As a result, the system was implemented, and the savings achieved.

Source: Audit Commission

BOX E

Internal benchmarking

A hospital trust found significant differences in staff sickness and absence rates between two similar units. Investigations into these differences led to changes in management practices for analysing and following up absences, and the rates were subsequently reduced.

Source: Audit Commission

Most benchmarking in the public sector is done between groups of similar organisations.

36. Most benchmarking in the public sector is done between **groups of similar organisations**. This similarity may be expressed in a variety of ways, such as:

- the function of the organisation – for example, unitary authorities, or health trusts of a particular type and size;
- geographical proximity – all of the districts in a county, or all of the health authorities in a region; or
- demographic similarity. This may be based on an analysis of data, such as the ‘nearest neighbour’ model used by the Commission and the Institute of Public Finance [BOX F]; or OFSTED’s and the Social Services Inspectorate’s ‘families’. It could also be based on the perception of the participants, such as the ‘core cities’ group.

37. In the NHS, benchmarking groups usually consist of local groups of NHS trusts. Such groups find it easier to work together, as they are geographically close and have the organisational structure of the regional office to co-ordinate their activity. Some trusts and hospitals have organised themselves into groups of trusts with a similar

purpose. For example, a number of paediatric hospitals have a strong group, with directors of nursing participating. In some cases individual hospitals with similar functions, for example, provincial teaching hospitals, have formed benchmarking groups.

BOX F

The ‘nearest neighbour’ model

The ‘nearest neighbour’ model identifies authorities that are comparable with one another. The factors used to determine similarity cover the nature of the area, in terms of the population and its distribution (for example, is the area urban or rural, and, if the latter, is the population concentrated in towns, or more generally spread over the area?), the type of area (is it a major shopping centre, a dormitory suburb, or a commuting centre?), the wealth of the area (unemployment level, numbers receiving housing benefit), and population age breakdown (is it a seaside retirement area?).

These factors are combined to produce a score for each authority. The scores are sorted so that the authorities with the greatest similarity – the nearest neighbours – can be identified.

This provides a sound initial list for authorities to use. However, authorities may have reasons for selecting other comparator authorities. In such cases, authorities should consider whether their selection is likely to distort comparisons.

Source: Audit Commission

Benchmarking clubs should... check how far the best-performing members of the club fall short of the best in the country.

38. The advantage of benchmarking with similar organisations is that differences in outcomes are less likely to be due to extraneous factors. However, while there is likely to be a greater range of performance between organisations selected in this way than would be found with internal comparisons, the approach may still fall short of the ideal of looking for the best performers or for innovative practice. Benchmarking clubs should, therefore, check how far the best-performing members of the club fall short of the best in the country.

39. Benchmarking with **competitor organisations** – for example, comparing the performance of a private contractor engaged in the business of providing public services, such as refuse collection, with that of an in-house team – has not been generally adopted by the public sector in England and Wales. Part of the reluctance to share information with competitors may have been a consequence of compulsory competitive tendering, when organisations were concerned that the information gained by competitors would be used to the detriment of the in-house bid. In addition, it can be difficult to identify existing ‘competitors’ for some public services. Nevertheless, benchmarking with competitor organisations will need to increase in the future, particularly for local government under best value, to enable authorities to demonstrate that their services are competitive.

40. With the exception of work involving local housing authorities and registered social landlords, there have been relatively few cases of benchmarking between **organisations that have similar**

functions, despite their main business being different – for example, between local government and the health service, or between authorities and trusts and private companies or voluntary bodies. Although the survey carried out by HM Customs and Excise of 50 directors and managers from a variety of blue-chip companies in the UK indicated that the private sector was willing to benchmark with the public sector, in practice this help does not appear to have been readily forthcoming. Birmingham City Council approached a number of private sector organisations through its external auditors for a benchmarking exercise on its procurement function, but found that only one-third of the organisations approached agreed to participate. Other clubs have also reported difficulties in engaging the interest of the private sector, although there have been cases where local companies or branches of national organisations, such as building societies, have helped their local public services with benchmarking projects.

41. There may be a lack of motivation for private sector organisations to invest time and resources in helping the public sector in a benchmarking exercise. They may perceive the benefit to them to be limited. The private sector may also fear that benchmarking visits could simply waste their time, and be made without clear objectives and with a poor understanding of the visitor's own processes.

42. A group based on **known and trusted colleagues** may encounter problems if the organisations concerned are too different. However, working with people who are known and trusted will often outweigh such disadvantages, and the high level of trust will enable the discussions and analyses to be more penetrating.

43. The size of the benchmarking group is also important. A small group can have a more open debate about how it will compare performance, and will find it easier to agree the indicators that it will use. However, it may lack the variety of performance needed to provide opportunities for learning. A large group may find it difficult to agree what constitutes good performance and what data should be collected. Obtaining information from participants and discussing potential lessons from different methods of service delivery can also be difficult for a large group. In practice, many benchmarking groups have found that the optimum core group involves between 5 and 15 members. Groups that are larger than this often have difficulty in involving all of the participants in the formative stages of the project. However, once the core group has determined the approach and the data to be used, the benefits of having a small group reduce, and it is possible to expand the group to include additional members who will contribute data and receive the analysis.



Joining an existing group

44. One problem that organisations face is identifying clubs that are carrying out relevant work. This is exacerbated by the way that clubs may get together to compare performance on a specific service, and then dissolve. A list that is correct now could be out of date in a matter of months. The local government Improvement and Development Agency (IDeA) is planning to develop a database

of clubs in local government, and has an internet discussion site that could help local authorities that are interested in benchmarking a particular activity to get in touch with one another. The NHS Executive has information on benchmarking clubs in the NHS. Other sources of information for the NHS and local government include auditors, inspectors and relevant consultancies.

45. Some established groups are supported by professional organisations, by specialist teams based in an authority, or by consultancies. For example, in local government, the CIPFA/IPF benchmarking clubs [BOX G] are open to all, while the Local Government Benchmarking Reference Centre, based in Pembrokeshire, focuses mainly on Welsh authorities, but also involves English and Scottish authorities.

BOX G

CIPFA/IPF benchmarking clubs

IPF, the commercial arm of the Chartered Institute of Public Finance and Accountancy, has set up a number of clubs to benchmark a range of local authority functions. In total these clubs now have over 1,300 members. Membership of each club is open to any authority, and a club could include well over 100 authorities. However, meetings to compare and discuss findings typically involve around 15 authorities.

Source: Audit Commission

IDENTIFYING PARTNERS

DO	DON'T
Use existing information to identify an organisation that you can learn from without necessarily forming a club.	Ignore the possibility of joining an existing club.
See what can be learnt from within your organisation.	Form a group where the performance of all members is poor.
Seek partners from outside the local authority/health service world.	Have a group that is too small to provide opportunities for learning – for example, one with fewer than five participants.
	Let the initial group that is setting up the process expand to the point where it becomes hard to agree the approach – for example, to more than 15 participants.

Organising the process of benchmarking

46. A benchmarking group needs to consider its organisation and processes. Observation of benchmarking groups suggests that in addition to the sponsor of the benchmarking activity, who will often chair meetings and promote the group, there are two key roles that can help a group to work effectively:

1. The ‘facilitator’, who provides benchmarking expertise to the group.
2. The ‘analyst’, who collates and assembles the information provided by the members of the club, and prepares reports and analyses.

These two roles may be filled by one person.

47. Rather than using one of their own members to fill these roles, some benchmarking groups employ external consultants or members of an in-house team dedicated to supporting benchmarking. An external facilitator can often provide the group with greater expertise and can draw on wider experience. By not being directly involved in the discussions, he or she can keep the club focused on

the overall goal of improving services, and avoid over-emphasis on detailed differences that can get in the way of constructive analysis.

48. One problem that clubs can face is the amount of time that it takes to process data provided by the club members. The problem can be exacerbated if the person responsible for the analysis has other responsibilities within his or her own organisation. Pressures of other work can mean that the results of the analysis may be delayed, with an adverse effect on the interest and commitment of the other club members. Having an external analyst can overcome this problem.

49. It can be preferable for the facilitator and the analyst to be funded by contributions from club members, so that they have a clear accountability to the group, and can give priority to the work of the club. However, each club will need to evaluate its own approach, and decide whether the roles of facilitator and analyst should be filled by team members, or by consultants. Guidance on how to select consultants is provided in the Audit Commission report, *Reaching the Peak*.¹

There are two key roles... the ‘facilitator’ and the ‘analyst’.

¹ This publication is out of print, but can be accessed on the Audit Commission website under National Reports – local authority briefings, on the page for *Improving Value for Money in Local Government: A Compendium of Good Practice from Audit Commission Reports*.

Clubs also need to determine protocols...

50. Clubs also need to determine protocols for the way that they will work, in particular whether organisations' data are to be regarded as confidential. There are two levels of confidentiality to be considered: whether members of the group can identify or infer the performance of other members, and whether the information can be released outside the group. The European Code of Conduct on Benchmarking sets out guiding principles covering confidentiality and use of data [BOX H].

51. While confidentiality is clearly important in the private sector, where organisations may be

competing with each other, the argument for confidentiality is weaker where public money is concerned.

52. The approach to confidentiality varies from group to group:

- **Open:** all information is publicly available.
- **Open within the group:** while each member has access to other members' data, they agree not to release it outside of the group.
- **Reciprocal:** where an authority agrees to be identified, the information it gets identifies all of the authorities that have agreed to be identified. Those authorities that do not agree to be identified receive anonymised data.
- **Confidential.**

Even where the identity of the benchmarking partners is not divulged, it will be necessary for high-performing organisations to be identified in order that the members of the club can find out how they achieve results. However, few organisations object to being identified as 'the best'.

BOX H

Confidentiality protocol in the European Code of Conduct on Benchmarking

Treat benchmarking findings as confidential to the individuals and organisations involved. Such information must not be communicated to third parties without the prior consent of the benchmarking partner who shared the information.

When seeking prior consent, make sure that you specify clearly what information is to be shared and with whom.

An organisation's participation in a study is confidential, and should not be communicated externally without their prior permission.

Source: Eurocode working group

ORGANISING THE PROCESS OF BENCHMARKING

DO	DON'T
Make sure that there is someone who will keep the club focused on the work in hand.	Overload the members of the group.
Ensure that the club has the necessary resources and expertise to ensure consistent definitions and robust, objective analysis.	Let the group lose momentum because of the time taken to process data.
Consider the benefits of employing an 'external' facilitator or analyst.	
Agree protocols for the working of the club, particularly regarding confidentiality and attendance.	

Such differences should be resolved at an early stage. A group that is focusing on qualitative comparisons will need to establish the factors that constitute good practice and how they are to be scored. A few groups have included the results of user surveys in their comparisons, although care has to be taken with such information, to ensure that it is sufficiently comparable. It is important that the full effects of the service on other agencies and on the users are considered when choosing the 'critical success factors'. If this is not done, one aspect of the service might be optimised to the detriment of another that is, in fact, more important.

Defining the measures for comparison

53. A key task for a benchmarking group is to agree the factors that will be used for comparison. First, the group will need to agree on the key indicators or 'critical success factors' that it will use to measure overall performance. Any disagreement on the critical success factors may indicate that the members of the group have differing agendas and expectations.

54. It is often best to begin benchmarking by using high-level data that have been specified nationally. These data sets include the best value and Audit Commission performance indicators, data collected by government departments (for example, the high-level performance indicators collected by the Department of Health), CIPFA data, or data defined and collected by professional bodies and consultancies.

One of the pitfalls in defining indicators is making this an end in itself.

55. Groups will also need to agree what additional measures (if any) they will use to analyse the service. One option is to analyse the key activities involved in delivering a service, and to develop indicators for each activity.

56. Defining these indicators is often difficult, and some groups struggle when faced with the apparent difficulty of obtaining consistent data from individual members. The recent Audit Commission papers, *Aiming to Improve: the Principles of Performance Measurement* (Ref. 4), and *On Target: the Practice of Performance Indicators* (Ref. 5), provide advice on devising indicators that may be helpful at this stage. The 'library of local performance indicators' for use in local authorities' best value performance plans, which is being developed by the Commission and the IDeA, will also provide a useful source of ideas.

57. One of the pitfalls in defining indicators is making this an end in itself: defining indicators to compare performance at an excessively detailed level, or continually refining the definition to achieve perfect comparability. Clubs and individual organisations should remember that the purpose of benchmarking is not to achieve perfect comparisons, but to improve services. The main use of the comparisons is to identify those organisations that are performing well, and which would be worth investigating in more detail to establish how their results are achieved. In these circumstances reduced accuracy can be acceptable.

58. However, benchmarking groups should also be alert to factors that may invalidate comparisons. For example, the treatment of corporate overheads can present particular problems, and one group devoted a considerable time to defining how these were to be handled before embarking on cost comparisons. Others have decided to compare direct costs alone, or to use several complementary indicators, such as

cost and staff numbers. But whatever approach is used, the aim for the club must be that, when comparisons are made, good performance can be identified, and is not due to extraneous factors. On the other hand, variations due to different ways of delivering services, or to different service standards, provide an opportunity for challenging current practice and for learning.

59. Once measures have been defined, data should be collected and validated quickly, to maintain the momentum and interest of the group. This is a key role for the analyst, who should be assembling the data and querying any that appear unusual. However, groups should be aware that it could take several meetings before all of the participants are satisfied that the data are sufficiently robust to move on to the next stage.

60. A benchmarking club should agree how the analyses are to be carried out, what (if any) contextual information might be used to adjust performance data to take account of differences between organisations, and the way the information is to be presented. Information presented in chart format, particularly if it contains 'personalised' reports showing the

'Personalised' reports... can have more impact than tables.

performance of each organisation, can have more impact than tables. This can be particularly important if senior managers, members or directors need to be motivated about the need for change.

DEFINING THE MEASURES FOR COMPARISON

DO	DON'T
Use existing data (if available) first.	Seek perfect comparability.
Develop sound definitions.	Invent indicators to analyse performance in ever more detail, unless there is a clear benefit that will outweigh the cost.
Consider the cost of collecting and analysing additional data. Will the effort be worthwhile?	Lose sight of the objective of benchmarking: service improvement.
Make sure that extraneous factors do not invalidate comparisons.	
Remember that the use of data is to identify opportunities for learning.	

Understanding why performance varies

61. The goal of benchmarking is to improve services. Comparing the performance of one organisation with another and identifying differences in performance is only a first step. Organisations have to decide what changes are needed, and produce and implement an action plan.

62. At this stage, process benchmarking can be helpful. Members of the club need to understand their own processes, and those of other members, in order to identify where improvements can be made. One simple way of achieving this understanding is to involve operational staff, who have a clear view of what they do, and are well placed to identify differences. An alternative approach is to map processes, analysing and documenting them in flow-chart format, and, if necessary, assembling performance measures for each component of the process so that they can be compared.

63. The level of detail of the process analysis is important. There can be a risk that processes are documented in such detail that the cost of documentation is high. This can particularly be the case if all participants in the club have to provide detailed documentation of their processes. Some organisations that have analysed processes in very great detail have found that it becomes harder to make comparisons. One organisation that based its process benchmarking work on a very detailed analysis of processes has now abandoned its benchmarking initiatives. What is needed is a stratified analysis that looks first at the top-level differences, and then goes into progressively more detail until the crucial differences in service delivery are identified [BOX I].

64. While most benchmarking groups use process benchmarking as a way of following up metric benchmarking, some groups find defining and agreeing performance measures too complicated. They may bypass the metric benchmarking stage, and carry out a process benchmarking exercise. This can produce results. A local authority

identified savings in its billing section that paid back the investment in process analysis in less than six months. However, there is a risk that without a good understanding of quantitative differences in performance, the improvement project will lack focus and the cost of the analysis will be greater than any benefits that arise.

BOX I

A relatively simple level of process analysis can be sufficient to identify key changes that could be implemented

The stray animal control section of a local authority found that its costs were considerably higher than those of its benchmarking partners. A simple analysis of its processes showed that it was taking several days longer than the other authorities to return stray animals to their owners, incurring considerable storage costs as a result. Attention was then focused on this aspect of the authority's procedures and improvements were made.

Source: Audit Commission

Visits to the better-performing organisations need to be planned with care...

65. Benchmarking clubs share information in a variety of ways:

- by visiting the better-performing organisations on a one-to-one basis;
- by attending presentations given by the better-performing organisations;
- by general discussion within the club;
- by employing consultants to analyse the different processes, and produce reports.

66. These approaches are not exclusive; organisations may use a number of approaches to identify the changes that they need to make.

67. Visits to the better-performing organisations need to be planned with care, and have clear objectives, to avoid the risk of wasting time on 'industrial tourism'. Participants in the visit need to have a sound understanding of their own organisation's processes, so that

they can evaluate the differences between the organisations. There is a good case for involving frontline staff in these visits, as they can then work closely with their opposite numbers and learn how the differences in performance are achieved [BOX J].

BOX J

Identifying change

A district council carried out a benchmarking review of its housing rent collection service. The comparisons showed that, although the authority was in the upper quartile for performance, there was scope to improve further. A project group involving all the staff working in the area was set up to review the authority's procedures, and to brainstorm new ideas. Members of the group also visited the top-performing authority to look at the way it managed the service. Because the members of the group were frontline staff, they had a detailed knowledge of their own processes, and could quickly identify significant differences between the two authorities. A series of half-day meetings was organised to develop ideas for change, and to work out an action plan.

Individual members of staff were given the task of evaluating each proposal for change and reporting their findings to the group. Progress on implementing the change was overseen by the group, which also monitored the change in performance.

Source: Audit Commission

UNDERSTANDING WHY PERFORMANCE VARIES

DO	DON'T
Understand your own processes, and take a critical view of them.	Visit other organisations without a clear idea of what you are looking for.
Have a clear idea of the differences you are looking for.	Analyse processes in too much detail: you are only looking for the major differences.
Realise the benefit of discussions with other club members.	Plan changes for short-term gain that will prevent a greater gain in the long term.
Invite the better-performing organisations to give presentations to the club.	
Involve frontline staff in visits.	

Benchmarking...on its own will not lead to change.

Implementing change

68. Benchmarking – comparison of performance or process – on its own will not lead to change. The benchmarking activity needs to be firmly located in an overall search for service improvement. However, it will often generate a range of ideas for improving services, and organisations will need to decide which change to implement first.

69. Some organisations have addressed this problem by assessing each change in terms of the benefit, and the ease of implementation. Selecting the options that produce a high benefit without major problems of implementation helps the benchmarking activity to gain credibility and acceptance.

70. The gap in performance between organisations may be such that it would be difficult for a low performer to achieve the standard of the best immediately. Such organisations should set interim targets for improvement, but keep the long-term goal in mind.

71. Managers should also consider the wider organisational implications of any change that they plan to introduce, to ensure that they do not block changes that they might want to make in the future.

72. Benchmarking activity that has led to the successful implementation of changes has a number of characteristics:

- First, the improvement project has management backing. Often the manager leading the project has the authority to implement the change as well, but in other cases it is clear that the staff carrying out the project have the full support of the senior management [BOX K]. In some cases, particularly where the change involves policy issues, the manager of the project has to obtain higher-level authority for the change – for example, from the directors or from members. Involving users, through surveys or focus groups, can add weight to the proposals for change.
- Secondly, staff are involved in the process and own the changes. This may be achieved by involving frontline staff in the project from the start. If this is not practicable, staff should be involved at least from the point where the changes are being planned, so that they can make their views known, and influence the changes.

BOX K

Management support is essential to the implementation of change

As part of a major redevelopment, a trust wanted to plan a new medical assessment unit. The head of the department set up a team involving nurses, ward sisters and junior doctors, which was given the task of evaluating the ways in which units in other hospitals operated. As a result, the team proposed changing the design of the unit and incorporating a number of new ideas. Although the team did not have the authority to change the design, it had been given a clear brief from the head of the department, who supported its proposals, and implemented the changes it had suggested.

Source: Audit Commission

- Thirdly, the culture of the organisation allows practices to be challenged in a non-threatening way. Change can be disruptive, and there is a risk that staff may become defensive, and oppose changes to the traditional ways of doing things. This can be particularly the case if the person being asked to change procedures was involved in setting them up originally. Managers must, therefore, create a climate where practices can be challenged, and new ideas encouraged.
- Fourthly, the organisation focuses its benchmarking effort on a limited number of key objectives.
- Fifthly, there is effective project management, to ensure that everyone is aware of who is responsible for the changes, how they are to happen, and when.
- Finally, improvement targets are set and performance is monitored, so that the benefits of the changes can be seen. Monitoring can also have a positive effect on the motivation of those involved in the change, as the value of their work becomes apparent.

Performance is monitored, so that the benefits of the changes can be seen.

IMPLEMENTING CHANGE

DO	DON'T
Ensure that you have sufficient management backing to make changes.	Propose changes without discussion with key staff about why change is necessary.
Involve service users in identifying change.	Plan changes without the involvement of key staff.
Engage all staff in the change programme.	Rush the timescale.
Create a climate where existing practices can be challenged.	Try to benchmark too many activities at once.
Produce an action plan for the change project.	
Manage the change project: identifying the person responsible, the timescale, and key milestones.	
Publicise and share the change – it will provide help and inspire others.	
Monitor progress, and provide feedback on progress to staff.	

4. Conclusion

73. Benchmarking can be a powerful tool for managers to achieve improvement in public services, but used inappropriately it can be expensive and can fail to deliver benefits. Effective benchmarking needs to be supported and driven from the top – by members or directors as well as by senior managers and practitioners – and must engage the commitment and enthusiasm of

staff at all levels in order to achieve change. Organisations now generally need to improve the way in which they use benchmarking to identify good performance, learn from each other, and implement improvements in the way that they deliver services.

Benchmarking can be a powerful tool... to achieve improvement in public services.



Appendix 1: bibliography

Accounts Commission for Scotland, <i>Measuring Up to the Best</i> , 1999	CIPFA, <i>Benchmarking to Improve Performance</i> , 1996	Kingston upon Hull City Council, <i>Practical Benchmarking to Make a Difference</i> , 2000
Audit Commission, <i>Aiming to Improve: The Principles of Performance Measurement</i> , 2000	Commonwealth of Australia, <i>Benchmarking for Local Government</i> , 1995	The Housing Corporation/Aldbourn Associates, <i>Benchmarking Housing Performance</i> , 1998
Audit Commission, <i>On Target: The Practice of Performance Indicators</i> , 2000	DTI, <i>Best Practice Benchmarking</i> , 1995	LGMB, <i>Benchmarking: Measuring Up to the Best</i> , 1997

Appendix 2: useful website addresses

Accounts Commission for Scotland

www.audit-scotland.gov.uk

Audit Commission

www.audit-commission.gov.uk

The Benchmarking Centre

www.benchmarking.co.uk

The Cabinet Office

www.cabinet-office.gov.uk

HM Customs and Excise

www.hmce.gov.uk

Department of the Environment, Transport and the Regions

www.detr.gov.uk

Department of Health (including NHS Executive)

www.doh.gov.uk

Government Information Service

www.open.gov.uk

IDeA

www.idea.gov.uk

IPF

www.ipf.co.uk

National Audit Office

www.nao.gov.uk

Public Sector Benchmarking Service

www.benchmarking.gov.uk

References

1. *The NHS Plan*, Cm 4818-I, The Stationery Office, July 2000.
2. www.schools.audit-commission.gov.uk
3. www.cabinet-office.gov.uk
4. *Aiming to Improve: The Principles of Performance Measurement*, Audit Commission, June 2000.
5. *On Target: The Practice of Performance Indicators*, Audit Commission, June 2000.

The Audit Commission has produced a number of reports covering related issues. The following may be of interest to readers of this report:

Seeing Is Believing

How the Audit Commission will carry out Best Value Inspection in England

2000, Free

Aiming to Improve

The Principles of Performance Measurement

Management Paper, 2000, 1862402272, £15

On Target

The Practice of Performance Indicators

Management Paper, 2000, 1862402280, £15

Listen Up!

Effective Community Consultation

Management Paper, 1999, 1862401969, £15

Best Assured

The Role of the Audit Commission in Best Value

1999, Free

Planning to Succeed

Service and Financial Planning in Local Government

Management Paper, 1999, 1862401683, £15

A Measure of Success

Setting and Monitoring Local Performance Targets

Management Paper, 1999, 1862401462, £15

A Fruitful Partnership

Effective Partnership Working

Management Paper, 1998, 186240075X, £15

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Benchmarking can be an effective way of helping organisations to deliver better services by comparing performance and learning from other organisations. Its use is increasing in the public sector, and central government is keen to promote its benefits. Comparing performance is central to the success of best value in local government, and the NHS Executive is also promoting benchmarking as a way of improving services.

This paper looks at the experiences of organisations in local government and the health service, and discusses the factors that lead to successful benchmarking. It is primarily written for people who have been given the task of setting up or leading improvement projects using benchmarking, but the messages that it contains will be relevant for all those involved in considering or planning such projects, including members of local authorities, and directors of health authorities and trusts.

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