



# PATHFINDER

## Guidance on Outcomes Based Management

Building Block 7: Comparing Results to Benchmarks  
Version 1.0  
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This 'living document' provides guidance for results-driven agencies developing outcome information to inform their decision-making. The document has been produced by the Pathfinder Project, and will be updated as new, relevant material is developed. Updates will be published on <http://io.ssc.govt.nz/pathfinder> as they become available.

## BUILDING BLOCK 7: COMPARING RESULTS TO BENCHMARKS

Benchmarking studies should include benchmarking outcomes as well as costs. Benchmarking requires inclusion of analysis of outcomes in terms of effectiveness – i.e. quality, appropriateness, and accessibility and equity.

*Report to the Board of the ACT Health and Community Care Service on ACT Public Hospital Costs, NATSEM, University of Canberra, April 2001, p.4.*

### Purpose Statement

- 1 This chapter discusses the use of outcome measures (results) in benchmarking studies.
- 2 The chapter is written for agencies that have developed a precise definition of their “vital few” outcomes, and have robust State Indicators or Impact Measures for at least some of these outcomes (see Building Block 1).
- 3 The target audience for this chapter is chief executives and senior managers who require an overview of benchmarking activities and the broader organisational benefits that it can offer.

### Management Overview

- 4 The focus of this chapter is on benchmarking results, that is, comparing outcomes to valid benchmarks. Benchmarking helps identify effective practices, so they can be analysed, documented and spread throughout the organisation.
- 5 In New Zealand, public sector management reform has delivered tangible gains, particularly in focus and efficiency. Government agencies are now seeking new and better ways of using scarce resources to deliver services to the community more effectively.<sup>1</sup>
- 6 Benchmarking is a diagnostic tool used to gain an understanding of, improve and manage performance levels within entities. Systematic comparisons with similar organisations provide information about performance and help identify areas for potential improvement.
- 7 There are seven important considerations in using benchmarking effectively:<sup>2</sup>
  - i Focus on outcomes from the start. Precise definitions and good measures (see Building Block 1) underpin benchmarking.
  - ii Start with the ‘vital few’, that is, a small number of outcomes that are expected to be achieved from core services. These services usually consume significant resources, and should therefore generate the largest results.
  - iii Use multiple measures of outcomes, and include quality measures. Focusing on a single dimension of performance may focus the organisation too narrowly on a limited range of interventions, and not necessarily the most effective intervention.

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<sup>1</sup> After, Australian Public Service Commission, *Raising the Standard: Benchmarking for Better Government*, June 1996.

<sup>2</sup> After, Improvement and Development Agency (UK), *Join the Club? Benchmarking for best value*, October 2000, p.2.

Multiple measures will also help where there are delays in performance feedback or where it is difficult to measure outcomes.<sup>3</sup>

- iv Identify expected gains from benchmarking at an early stage. Check that the benefits of benchmarking outweigh the costs.<sup>4</sup>
- v Effective planning is required. Benchmarking should be an integral part of the organisation's strategic and business planning processes. Measurement, management and improvement are inherent in planning, not additional.
- vi Don't reinvent the wheel. Sector knowledge can help to identify outcomes, methods, data and business units. Often the information is already held and just needs to be processed.
- vii Benchmarking is not an end in itself, but is a tool for performance improvement. Make sure that the lessons learned through benchmarking are transferred.

### Management Applications of Benchmarking

8 Benchmarking has a number of applications in management decision-making. These include:

- Identifying best practice using results (rather than processes)
- Identifying external factors that affect outcomes
- Target setting and performance monitoring
- Identifying priorities and the best targets for interventions
- Promoting innovation and celebrating success

9 There are two main types of benchmarking:

- i **Internal benchmarking** compares processes and results across different branches or units of the same organisation.
- ii **External benchmarking** compares processes and results across different organisations trying to achieve the same outcomes. When comparisons are made with organisations that are producing quite different products or services it is referred to as **functional** (or **generic**) **benchmarking**.

The term "benchmarking" is commonly applied to activities that provide the information that is used in internal or external benchmarking but that are not really "benchmarking" as defined above. In this Building Block, we have used the term more broadly, and describe six common methods for benchmarking outcomes or results.

<sup>3</sup> See recommendation #5 for enhancing the usefulness of performance data in Harry Hatry, Craig Gerhart and Martha Marshall, 'Eleven Ways to Make Performance Measurement More Useful to Public Managers', *Public Management*, September 1994. (accessed at: <http://icma.org/go.cfm?cid=1&gid=3&sid=101&did=114>)

<sup>4</sup> For example, agencies should determine if there is room for improvement and if there are political, regulatory, and organisational or resource constraints that, in practice, make it very difficult to get improvement.

### Exhibit 1: A generic benchmarking cycle

Individual agencies will have their own approach to identifying best practice, pursuing continuous improvement and to strategic planning. Likewise there is no single approach to benchmarking, although benchmarking generally involves the following generic steps.<sup>5</sup>

- i. Identify the outcome(s) to be improved and the indicators to be measured.
- ii. Measure your own performance.
- iii. Identify, screen and recruit benchmarking partners (internal or external as appropriate).
- iv. Collect and analyse data, and determine if there is a performance gap.
- v. Communicate results.
- vi. Develop and implement action plan.
- vii. Monitor results.
- viii. Recalibrate benchmarks (*Repeat process...*).

### Benchmarking for Outcomes

10 Managing for Outcomes is about focusing management effort on achieving results. Benchmarking results, as opposed to processes, helps identify those management practices that achieve results.

11 Agencies should identify a small number of outcomes they wish to achieve (preferably their “vital few” outcomes) and robust measurement indicators for these outcomes (see Building Block 1). Agencies that have identified their vital few outcomes but cannot measure them will still find identifying best practice by using benchmarking to be useful. But these agencies should be cautious about adopting other practices when they don’t have evidence of their own performance.

12 Benchmarking activities need not be complex. Good benchmarking uses straightforward methods to determine practical answers and worthwhile improvements.<sup>6</sup> Hatry outlines six commonly used methods that can be used when benchmarking outcomes or results:<sup>7</sup>

- i Performance in previous periods
- ii Recognised standards and established targets
- iii Outcomes for different groups and service categories
- iv Different practices or interventions in pursuit of the same outcome
- v Performance of similar organisational units or geographical areas
- vi Performance of similar organisations elsewhere

They are suitable for internal and external benchmarking and are outlined below.

#### *i. Performance in previous periods*

13 Comparing results with past periods (including longitudinal and time series analysis) is a simple and common type of benchmarking activity. Data on past results is usually readily available (except for the first time performance is measured) for most interventions.

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<sup>5</sup> After, Treasury Board of Canada Secretariat, *Guide X: Benchmarking and Best Practices: An Update to Guide VII*, March 1996, p. 3.

<sup>6</sup> Australian Public Service Commission, *Raising the Standard*, para. 6.

<sup>7</sup> Harry P. Hatry, *Performance Measurement: Getting Results*, The Urban Institute, Washington DC, 1999, Chapter 9.

14 Comparisons of results between current and previous reporting periods (e.g. monthly, quarterly, annually) helps managers to assess whether performance has improved or deteriorated over time. But there are two important considerations when making this sort of comparison. They are:

- i The frequency of reporting. For data already held by the organisation, greater frequency of reporting can be obtained at minimal cost. But agencies should consider the cost of collecting additional data when deciding how often they will report against a benchmark. The costs of collecting data may preclude frequent reporting.
- ii Comparing similar periods of the cycle. For programs that have seasonal variation, data from a particular quarter should be compared with data from same quarter in previous years. Similarly labour market comparisons should be made at similar phases of the economic cycle.

15 For new measures, past data may not initially be available but should not stop new measures being collected. As more data is collected comparisons will be possible.

**Exhibit 2: Comparing performance with past periods: Road Fatalities in New Zealand 1996 to 2001**

<b>Casualty Types</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Drivers	238	253	221	254	244	235
Passengers	151	164	139	141	132	123
Motorcycle Riders	42	52	47	39	29	33
Motorcycle Pillions	6	4	7	3	2	1
Pedestrians	63	54	71	63	35	52
Pedal cyclists	13	12	16	8	19	11
Other	1	-	-	-	1	-
<b>Total</b>	<b>514</b>	<b>539</b>	<b>501</b>	<b>508</b>	<b>462</b>	<b>453</b>

Source: <http://www.ltsa.govt.nz/research/fatal5yr.html>

16 Some indicators are not likely to change rapidly. In these circumstances, the expected rate and cycle of change will guide decisions on the frequency of reviewing a benchmark.

17 Time series data may show complex patterns or be influenced by factors that cannot be clearly identified. Further analysis may be required to identify the variables influencing these patterns. In some cases these variables may not be easily predictable.

**ii. Recognised standards and established targets**

18 A recognised general standard for an outcome – one usually set by government, professional bodies or international convention – can be used to assess performance. It is important that these are outcome standards, not process or input standards. The latter will not be useful in benchmarking outcomes. Examples of such standards include environmental air quality and water quality.

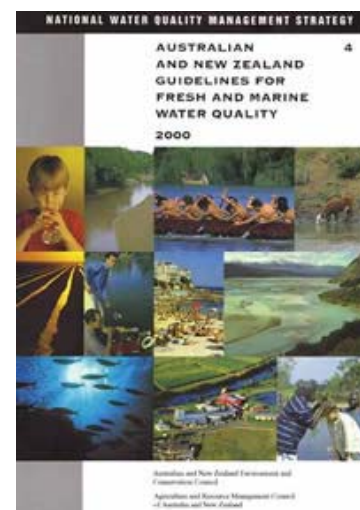
### Exhibit 3: Using Standards: Australian and New Zealand Guidelines for Fresh and Marine Water Quality<sup>8</sup>

Since the early 1990s the Agriculture and Resource Management Council of Australia and New Zealand (ARMCANZ) and the Australian and New Zealand Environment and Conservation Council (ANZECC) have collaboratively developed a framework for water quality management. Known as the *National Water Quality Management Strategy*, this series of water quality policy, benchmark and industry guidelines sets out the agreed processes for identifying and protecting the 'environmental values' of surface, marine and groundwaters.

Two key strategy papers have been released:

- the Australian and New Zealand Guidelines for Fresh and Marine Water Quality (2000); and
- the Australian Guidelines for Water Quality Monitoring and Reporting (2000).

In combination, these documents provide a comprehensive approach to water quality issues, such as salinity and eutrophication.



19 Even where the standard is voluntary, it is a useful metric for identifying sites warranting more management attention.

20 It is difficult to set standards without baseline data on past results. When data for a specific measure have never been collected or analysed before, management are unlikely to know what would be a reasonable level of performance. One approach is to rank units' or agencies' performance relative to one another, rather than against a fixed standard.<sup>9</sup>

21 Standards can also be established using a national average. Care should be taken when comparing results solely against an average as changes in a unit's or agency's performance may be due to changes in other units' or agencies' performance.

22 It is sometimes necessary to establish a nationwide standard for each measure with procedures to correct for differences between regions or groups. A side effect of modifying standards to reflect differences in demographic conditions is that it can reduce the incentive to

<sup>8</sup> In New Zealand, *Drinking-Water Standards for New Zealand 2000* list the maximum concentrations of chemical, radiological and microbiological contaminants acceptable for public health in drinking-water. For community drinking-water supplies, the Standards also specify the sampling protocols that must be observed to demonstrate that the drinking-water complies with the Standards.

<sup>9</sup> The US Department of Health and Human Services (HHS) dealt with this issue by rewarding the top states in each category of the Temporary Assistance for Needy Families (TANF) programme, rather than by establishing a fixed standard. See, US Department of Health and Human Services (HHS), Administration for Children and Families (ACF), and, Assistant Secretary for Planning and Evaluation (ASPE), *Report on Alternative Outcome Measures: Temporary Assistance for Needy Families (TANF) Block Grant*, December 2000. See Chapter 2 'Principles of Outcome-based Performance Measurement'. This report is available at: <http://aspe.hhs.gov/hsp/alt-outcomes00>

provide appropriate services to those populations identified as "hard-to-serve."<sup>10</sup> Where this is a risk, State Indicators should be monitored for the whole population of interest as well as those receiving the services.

23 Another method is to measure for improvements over time as well as absolute levels of performance. HHS took this approach in developing the TANF High Performance Bonus measures. HHS believes this gives states that have performed poorly in the past a strong incentive to improve, even if they are unlikely to achieve top rankings. Since demographic conditions do not change much from year to year, improvements are likely to be caused by changes in operations rather than by underlying conditions.<sup>11</sup> This approach is equally applicable to benchmarking the performance of similar organisational units or geographical areas.

24 Another approach, closely related to setting and using standards, is to use outcome targets.

25 Targets are typically used where State Indicators suggest disparities in outcomes exist between groups, or to promote general improvement across a population. Pathfinder believes they should be used to guide learning and to encourage performance improvement, rather than as a means to measure performance for accountability purposes.

26 As an example, the *New Zealand Road Safety Strategy 2010* sets out the government's longer-term plan for road safety and includes explicit goals and targets, such as.

- i No more than 300 fatalities and 4500 hospitalisations per year by 2010
- ii Separate regional and road user group targets for 2004

Government agencies that contribute to road safety (Police, Land Transport Safety Authority, Transit New Zealand, ACC, Ministry of Transport) will report against these road safety targets.

27 There are a number of factors to bear in mind when setting targets:<sup>12</sup>

- i A target does not have to be an absolute value; ranges and rates are acceptable.
- ii Previous performance should be considered when setting targets.
- iii Targets must be challenging but achievable.
- iv Ensure the targets chosen are feasible and credible. Targets must be cost-effective to achieve. Alternatives must be analysed, and should be discussed with interested parties so everyone is aware of their cost and benefits.
- v Targets should be backed by measurement systems and there should be ongoing monitoring.
- vi Allow for statistical variation.
- vii Allow for extraneous factors, legislative change, or possible effects of cyclic factors and directional trends, which may affect achievement of the target.

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<sup>10</sup> HHS et al., *Report on Alternative Outcome Measures*.

<sup>11</sup> Ibid. Care must be taken in relying on standards that have incremental increases each year. Management should be alert to the possibility that a maximum realistic level has been reached and that seeking any further improvement would have a negative benefit/cost. Mark Courtney, Barbara Needell and Fred Wulczyn, 'National Standards in Child and Family Services Reviews: Time to Improve a Good Idea', Paper prepared for the 2002 APPAM Fall Conference, Dallas, Texas, Nov.7 2002, provide a critique of HHS' methodologies for setting national standards. [Thanks to Rose Ryan & CYFS for this reference].

<sup>12</sup> After, Hatry, *Performance Measurement*, p.129-130; and National Road Safety Committee, *Road Safety Strategy 2010*, pp.27-41.

One criticism of using standards and targets in benchmarking is the potential for unintended consequences; for example, agencies or individual business units may change policy or practice in unintended ways.<sup>13</sup> There will be strong incentives to alter policy or practice to improve any outcomes not meeting a standard or target, and these outcomes are also likely to attract the increased attention of stakeholders. Management should be alert to possible negative incentives or unintended consequences that may arise. Using multiple measures (see description of seven important considerations in using benchmarking effectively above) will help mitigate this risk.

After, Courtney, et al., 'National Standards in Child and Family Services Reviews: Time to Improve a Good Idea', Paper prepared for the 2002 APPAM Fall Conference, Dallas, Texas, Nov.7 2002.

28 Targets are best used where there is sufficient experience in measuring an outcome and the necessary data to set a plausible target and allow for changes outside the control of the agency.<sup>14</sup> If an agency lacks experience in measuring an outcome or lacks data, then targets should be clearly identified as a "work in progress".

29 Care also needs to be taken in deciding on out-year targets. Some agencies experience delays of multiple years between intervention and first production of Impact Measures (see Building Block 3). Firm decisions on targets may require supplementary information and more than one Impact Measure, and should take implementation and measurement delays into account.

### *iii. Outcomes for different groups and service categories*

30 Outcomes for different groups and service categories can be used to identify where outcomes are generally better or worse for particular subgroups or categories within the broader population of interest. Where agencies have robust State Indicators or Impact Measures and can allow for variations in practice or throughput that may cause differences in outcome (such as client group composition), these can be used to contrast the effectiveness of individual business units delivering similar services.

An example of this approach to identifying priority populations for targeting is the Ministry of Health's publication *Our Health, Our Future: The Health of New Zealanders 1999*.<sup>15</sup> The report provides information on population health outcomes and their distribution across subgroups within the population, and the causes or determinants of these outcomes. *Our Health, Our Future* includes a description of population health status in terms of the two dimensions of health: quantity and quality of life. The report then integrates these two dimensions using both health expectancy and health gap measures. Finally, the report analyses the remaining scope for health gain. Variations in health outcomes between generations, genders, ethnic groups, and socio-economic groups are explored to an extent allowed by the available data.

<sup>13</sup> Conversely, not conducting benchmarking may allow the persistence of negative incentives or unintended consequences.

<sup>14</sup> See also, *Safety Directions Working Paper 4: Setting road safety targets*. This paper presents a method for setting road safety targets and estimating the funds needed to achieve them. Available from: <http://www.ltsa.govt.nz/publications/docs/SDWP4.pdf>

<sup>15</sup> Ministry of Health, *Our Health, Our Future: The Health of New Zealanders 1999*, Wellington, December 1999.

*iv. Different practices or interventions in pursuit of the same outcome*

31 This type of benchmarking is used to compare alternative policies, processes or procedures to those currently in use. This approach is generally applied in three circumstances:

- i When new practices are introduced across the board to replace the old practice. Here outcome data for a period before the change is compared with data for a period after the change.
- ii When new practices are introduced into part of an operation and the old and new practices run concurrently for a period of time. This enables alternatives and innovations to be tested without making full (and irreversible) commitments.
- iii When deliberate or 'natural' variation in practice occurs.

32 When outcomes and the costs of different practices are known, this type of benchmarking allows management to consider the cost of alternative practices and to factor in resource implications.

Cognitive Skills Training is part of the Correctional Service of Canada's Living Skills Programmes. The Cognitive Skills Training programme targets "faulty" thinking patterns that help maintain patterns of criminal responding to the environment. Cognitive deficits addressed include impulsive decision-making, narrow thinking, absence of goal-setting, and maladaptive inter-personal skills.<sup>16</sup> The programme was piloted in two regions in 1988 and 1989 and resulted in a 10% reduction in re-offending. The Correctional Service of Canada began national implementation of Cognitive Skills Training in 1990, yet evaluation results indicated only a 1% to 2% effect on re-offending.

*v. Performance of similar organisational units or geographical areas (internal benchmarking)*

33 This type of benchmarking is used to compare outcomes between business units that provide similar services to a comparable customer base. Results indicate which business units or geographical areas are performing well and which are performing poorly, relative to one another. They are used to judge best practice on results, rather than subjective views of service quality.

34 It is important that the services delivered and types of recipients are reasonably similar across business units or geographical areas, or that allowance is made for variation in services or client base. Also the data must be able to be disaggregated to business unit and to population level in order to provide ready comparisons.

35 An example of this approach is the NZ Department of Labour's six-monthly reports on regional economic activity and labour market conditions that compare regional data with national data.<sup>17</sup>

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<sup>16</sup> Source: Research Report No. R-41: *The Impact of Cognitive Skills Training on Post-Release Recidivism among Canadian Federal Offenders*, David Robinson, August 1995 [Correctional Service Canada - Service correctionnel Canada](#)

<sup>17</sup> Labour Market Policy Group, *Regional Labour Market Report; Auckland*, June 2002. <http://www.lmpg.govt.nz/Labour-Market-Reports/Auckland%20report%20June%202002.pdf>

#### Exhibit 4: The importance of consistent measures – comparing hospital costs

Three major studies compare hospital costs across Australia. Results were used to suggest that the Australian Capital Territory (ACT) has a high cost public hospital system and that ACT hospitals are less efficient.

A review of methods used in these studies found that they were appropriate only if the purpose was to measure average cost. One of the key methodological concerns was that the studies were not comparing “like with like”. Variations in demographic composition, scope of clinical services, referral patterns, discharge options, patient risk, accounting practices, and scale all had a profound impact on relative service delivery costs.

The review suggested that it would be most appropriate to compare the cost of providing particular treatments within different hospitals, rather than comparing hospital themselves. Comparing average costs for entire hospitals prevented analysis of which services were provided at higher or lower levels of efficiency than the national average, and induced distortions from differences in the mix of services provided.

From ‘Executive Summary’, *Report to the Board of the ACT Health and Community Care Service on ACT Public Hospital Costs*, NATSEM, University of Canberra, April 2001.<sup>18</sup>

36 The underlying assumption in this type of benchmarking is that business processes and client base are similar. Where this is not true, correction must be made for differences.

37 This type of benchmarking may be attractive because access to sensitive data and information is easier; standardised data is more readily available; and benchmarking can be done quickly and cheaply. There may be fewer barriers to transferring practices across the same organisation.

38 But management should also consider whether the practices identified within the organisation represent the best practice that the organisation can achieve.

#### *vi. Performance of similar organisations elsewhere (external benchmarking)*

39 Another common benchmarking approach is to compare your outcomes with outcomes achieved by similar organisations in other jurisdictions (or the private sector). Done well, external benchmarking can show how well you are doing in relative terms, and how much outcomes could be improved. It also helps identify best practice, which you can emulate.

40 Organisations and business environments are diverse and complex. Be careful when you are comparing outcomes and practices that you:

- Can access comparative information in a timely manner;
- Understand differences in policies and measures that can distort outcomes (and correct for these where possible); and
- Know why ‘best practice’ worked well in the other jurisdiction and that it can be replicated in New Zealand.

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<sup>18</sup> Available from: [http://www.natsem.canberra.edu.au/pubs/otherpubs/canb\\_hospital/costs.html](http://www.natsem.canberra.edu.au/pubs/otherpubs/canb_hospital/costs.html)

## Exhibit 5: Making meaningful international comparisons – a good practice example

The New Zealand Department of Corrections benchmarks performance indicators for Public Prisons against selected international jurisdictions. The Department has an 'International Benchmarking Catalogue' that describes definitions and counting rules adopted each jurisdiction and discusses the level of comparability of each performance indicator with New Zealand.<sup>19</sup>

### Success Factors for Management

41 It is better to be roughly right than precisely ignorant.<sup>20</sup> Benchmarking, like strategic planning, is not an exact science – it will require judgement and insight. A level of accuracy on which the right business decisions can be made is the goal – so there should be a willingness to approximate if need be.<sup>21</sup> To obtain best results:<sup>22</sup>

- a *Senior management provides support and leadership.* Irrespective of the organisational context of a benchmarking exercise, open and visible support from senior management is required.
- b *Set clear objectives.* Clear objectives provide a focus for work on benchmarking and reduce the risk of making performance comparison an end in itself.
- c *Focus on important outcomes.* Benchmarking can be costly so focus on what matters most, usually the 'vital few' outcomes. But there is little benefit in concentrating effort where there is little scope for performance improvement, so management should seek evidence of performance variation to indicate the potential for performance improvement.
- d *Have a willingness and ability to change.* A culture that encourages best practice and comparison to peers is a pre-requisite for success. This implies a willingness to change when the potential for performance improvement is identified. Management should also be realistic about the ability of their organisation to implement changes. This will be more likely with senior management leadership and support for ongoing improvement.
- e *Strong links to best practice and business improvement.* Benchmarking is not a stand-alone activity – it should be part of a predetermined approach to assess performance and test the underlying intervention logic (the evidence-based rationale underpinning an agency's choice of outputs, see Building Block 2). Management should recognise the links between benchmarking, best practice, continuous improvement and strategic planning. Like any business activity, benchmarking studies benefit from good planning and appropriate resourcing.
- f *Clearly defined outcome measures.* One of the key success factors is an agreed set of measures supported by data available at reasonable cost. Use standard definitions where these exist. For example, other departments may be measuring similar concepts, or international definitions may exist which allow comparison between countries. (See

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<sup>19</sup> [Thanks to the NZ Department of Corrections for providing a copy of its 'International Benchmarking Catalogue'].

<sup>20</sup> Hatry, *Performance Measurement*, p.99.

<sup>21</sup> After, Kenneth A. Bruder, Jr., and Edward M. Gray, 'Public-sector Benchmarking: A Practical Approach', *Public Management*, September, 1994. Accessed at: <http://www.icma.org/go.cfm?cid=1&gid=3&sid=101&did=115>

<sup>22</sup> After Audit Commission (UK), *Getting Better all the Time: making benchmarking work*, London, November 2000.

Exhibit 6 for some cautionary remarks). Finally, minimise the changes in definition over time. Where changes are necessary, measure or try to estimate their effect on historical measures so comparisons can be made between periods before and after the change.

### Exhibit 6: Comparisons between countries – a cautionary tale

Statistical collections of workplace fatal injuries are used to identify hazards and set safety targets. Collections are also used in benchmarking national occupational health and safety performance. International comparisons make a major contribution in both roles. But “such comparisons are often poor estimates and can be misleading about similarities and differences between countries.”<sup>23</sup> When it is not possible to use standardised data, it is imperative that the limitations and differences in the definitions and criteria be clearly described in order to permit accurate interpretation and meaningful international comparison. Exhibit 4 in this Building Block provides an example of this.

- g *Benchmarking partners are identified.* Partners can be internal units or external organisations. They can be identified from published sources, industry or subject matter experts, and from experience and knowledge within an organisation. Some benchmarking networks have been established with protocols and codes for sharing and protecting performance information.
- h *Understand why and how performance varies.* The goal of benchmarking results is to improve outcomes. Simply identifying a difference in outcomes will not, in itself, lead to improvement in outcomes. Sometimes, significant factors in the performance gap may be too difficult to quantify. Analysis of how and why performance varies is required, and must be translated into specific, actionable recommendations to management.

### Managing Issues Going Forward

42 Benchmarking is not a stand-alone activity. As part of a predetermined approach to assess performance and test the underlying intervention logic, benchmarking offers management an important tool to aid in resetting priorities, reallocating scarce resources and promoting improvements in outcomes.

43 But benchmarking can easily become mired in measurement, losing sight of the real objective: performance improvement. It is therefore important to focus on identifying opportunities for change, and implementing changes approved by management.

44 Benchmarking seeks to identify and recommend new practices that have the greatest impact on the achievement of results. But because benchmarking involves questioning current levels of performance and the results achieved by existing practice, management should be prepared to respond to adverse reaction within the organisation. Common responses to benchmarking include.<sup>24</sup>

- Scepticism and distrust - particularly if the benchmarking results are unexpected or unflattering.

<sup>23</sup> Anne-Marie Feyer, Rebecca Lilley and John Langley, ‘Work-related Fatal Injuries in New Zealand: International comparisons of official published data’, NZ Environmental and Occupational Health Research Centre and Injury Prevention Research Unit (University of Otago), January 2001, p.1. [Thanks to the NZ Department of Labour for providing this reference].

<sup>24</sup> After, Patricia Keehly et al., *Benchmarking for Best Practices in the Public Sector*, San Francisco, 1996, pp. 46-47.

- “Shoot the messenger” - staff delivering unwanted results may be heavily criticised.
- Not invented here - methods identified as effective are discredited because they were not developed in-house and do not take account of the organisation’s unique circumstances. Often critics emphasise the lack of “like with like” comparisons.
- We’ll look into it - where results seem to be accepted, but are not used.
- We cannot afford it - benchmarking costs money better spent elsewhere.
- Do not have time - staff are spread too thinly on tasks of greater value.

45 The most persuasive benchmarking will identify, analyse, document and promote practical approaches for measurable improvements in outcomes. This will be tempered with careful analysis to identify cultural, temporal, geographic or other characteristics that limit the replicability of ‘best’ practice and that can lead to blind imitation instead of encouraging innovative thinking.<sup>25</sup>

46 Benchmarking should be a reiterative process that includes the recalibration of benchmarks. This will overcome the problem of “moving goalposts” caused by an assumption that outcomes for the reference group are static.

47 Benchmarking offers management powerful insights into what works. The results of benchmarking projects can inform decision making and provide information for:

- a *strategic planning* - there is a two-way relationship between strategy and benchmarking. Strategy can inform what to benchmark, who to benchmark with and what the results may mean. Benchmarking enables organisations to continuously improve by comparing critical areas against good practice.
- b *practice improvement* - benchmarking helps identify effective practices, so they can be analysed, documented and spread throughout the organisation.
- c *standards and training* - benchmarking can be used to establish appropriate standards and to identify improvements in practice that should be sought.
- d *organisational goals and targets* - benchmarking can be used to set challenging goals and targets for learning and to encourage performance improvement. Benchmarking can also ensure that the goals and targets are feasible and credible.
- e *performance monitoring and reporting* - benchmarking can be used to provide information on the achievement of outcomes, and to report on performance.

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<sup>25</sup> Steven Cohen and William Eimicke (Columbia University), *Understanding and Applying Innovation Strategies in the Public Sector*, Presentation to the 57th Annual National Conference of the American Society for Public Administration, 1996, Atlanta Georgia.