Issues, Ideas & Actions

Useful Information from Ryun, Givens & Company

Benchmarking • Issue IV

Ryun, Givens & Company, P.L.C.

Industry Standout

Many organizations are interested in determining where their organization's performance stands in relation to the rest of the industry.

Some are simply curious. Others wish to improve their organization's performance so that they are one of the best of the best. This is called benchmarking.

In our experience, there are a lot of misconceptions about benchmarking. Many believe that database benchmarking (the measurement of outputs/results) is the only method available. But there are seven different types of benchmarking that include not only results, but also best practices (processes) as well as customers' and the general public's perception of the value created by the organization.

This article provides a broad overview of

benchmarking as well as a suggested list to help get you started.

Why Benchmark?

Organizations use benchmarking for a variety of purposes.

- To find out how their organization is performing as compared to other organizations, simply to satisfy their own curiosity or to find out what is possible.
- To learn from other organizations or to identify ''industry best practices.'' Organizations may find potential sources of ideas, information, methods, practices, etc. that other organizations use that could be worth adapting, adopting, and implementing.
- For performance improvement, budgeting, testing ideas, and solving and resolving disputes.
- Organizations develop a culture of striving to be among the best at what they do. They use benchmarking not to simply copy what others were doing, but to understand why it worked and to adapt and improve on the

practices and ideas they discovered before adopting them.

- To set appropriate target performance levels based on what others are achieving.
- To solve a specific problem. For example, to look for what others are doing and to learn what worked and what did not work.
- To build up a network of like-minded people. When organizations work together as in an informal group, they become part of a network of people interested in improving the way they run their organizations. They use this network to discuss any topic of mutual interest, to form focus groups or simply to talk with like-minded people.
- To help justify manpower and/or expenditure increases as well as decreases and to prove that the organization is acting responsibly and is managed effectively and efficiently.
- To target a competitor's weak points by figuring out what their customers think are their weaknesses. The benchmarking organization can then ensure that their own performance is better in these areas and market on those relative strengths.

Oftentimes benchmarking studies have pre-defined "performance" categories that are used to construct a performance framework. That framework in and of itself is useful for an organization to define its own performance in a fashion that goes beyond whether the organization enjoyed a net profit for the year, etc.

What Should We Benchmark?

When organizations think of benchmarking, they often believe that it is limited to the financial performance of their organization. This is simply not true. Benchmarking is not reserved for the financial operations of an entity. In fact, restricting benchmarking to financial results

ignores all of the practices and processes that lead to those financial results.

Benchmarking can be applied to any area where you want to compare performance and/or learn from others. Any aspect of an organization, has the potential to be benchmarked.

Here is an example of what could be benchmarked. This is based on the Baldridge Award, which is based on a Business Excellence model and includes seven criteria that Malcolm Baldridge determined was critical to the success of any business:

1. Leadership: how the organization's senior leaders guide and sustain the organization. It includes the organization's governance and how the organization addresses its ethical, legal, and community responsibilities.
2. Strategic Planning: how the organization develops strategic objectives and action plans; how these are deployed and, if necessary, changed; and how progress is measured.
3. Customer and Market Focus: how the organization determines the requirements, needs, expectations and preferences of customers and markets. It includes how the organization builds relationships with customers and determines the key factors that lead to customer acquisition, satisfaction, loyalty, retention, business expansion, and sustainability.
4. Measurement, Analysis, and Knowledge Management: how the organization selects, gathers, analyses, manages and improves its data, information and knowledge assets. Also, how it manages its information technology. It includes how the organization reviews these aspects of its business and uses these reviews to improve its performance.
5. Workforce Focus: how the organization responds, engages, manages, and develops the workforce to utilize its full potential in alignment with the organization's overall mission and action plans. It includes the organization's ability to access workforce capability and capacity in order to build a workforce environment conducive to high performance.
6. Process Management: how the organi-

zation determines its core competencies and work systems. Also, how it designs, manages and improves its key processes for implementing these work systems to deliver customer value and achieve organizational success and sustainability.
7. Results: how the organization's performance and improvement in all key areas (product and service outcomes, customer-focused outcomes and performance levels) are examined relative to those of competitors and other organizations providing similar products and services.

Short Cutting the Improvement Process

Organizations that are interested solely in performance improvement may wish to shortcut the benchmarking process and not take the time to compare themselves to other organizations. In such cases, the following process may prove helpful:
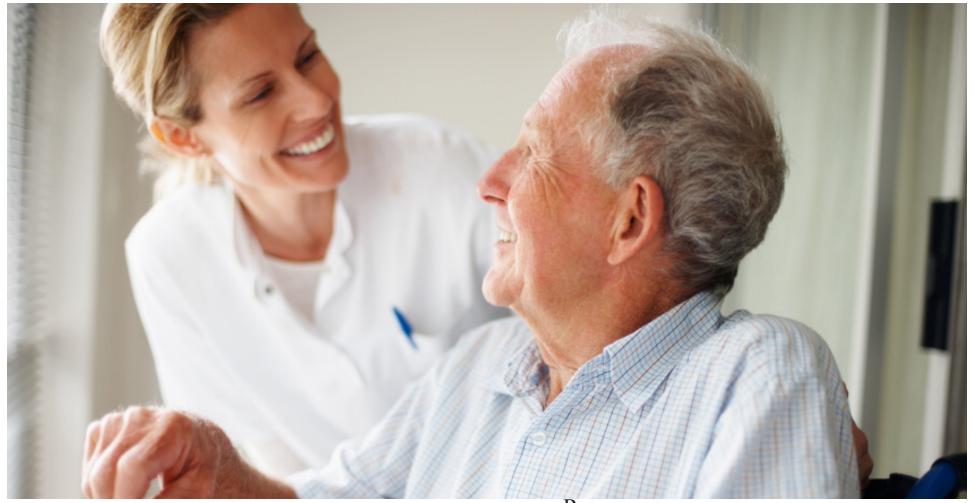
1. Identify current best practices
2. Adapt and improve them
3. Expend effort on implementing changes with a high degree of certainty that the performance will be at least among the best
4. Benchmark their organization's performance after adoption of the best practice to be certain that their performance is among the best

The following is a suggested list to help you get started with the benchmarking process:

Census Days
- Private-Pay, Medicaid, Medicare Days - trended
- Market Share - NF, Medicare, vs. Market
- Research report
- Acuity - RUG scores

Resident
- Resident Satisfaction Survey scores
- Average Length of Stay

Services
- Market share for services provided and unmet demand - in your market area

Facilities
- A capital budget is constructed for each facility and a "wish list" of items is shown with approximate $ and date
  to replace.
  - Actual expenditures versus "wish list" total
  - Variations of this - i.e.) departments, service levels
- Age of Facilities; Refurbishment Dates; Projected Refurbishment Dates

Payment Rates & Reimbursement Rates
- Historical Amounts vs. Current Amounts - trended
- % Increases in payment rates; compare to census (increase/decrease)
- ILU Contract Types and Amounts - trended
- ALF Contract Type and Amounts - trended
- Revenue per square foot

Employee Compensation and FTEs
- Compensation Costs as a % of Service Revenues
- Variations of this - employee cost PPD; cost per PPD
- Revenue generated per employee FTE
- FTE's per resident - by each service level

Fundraising and Donations
- Contributions and Donations - trended
- Fundraising costs as a % of contributions & donations

Costs per PPD - by level of service

Charity Care - trended

Marketing Budget vs. Census vs. Resident Revenues

If you'd like to discuss how benchmarking can benefit your organization, please call Whitney Tucker at 515-225-3141 or email sgivens@ryungivens.com.

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