Benchmarking:
How nonprofits are adapting a business planning tool for enhanced performance.
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Benchmarking is a process that bridges the gap between great ideas and great performance. An organization that has defined an opportunity for improved performance identifies another organization (or unit within its own organization) that has achieved better results and conducts a systematic study of the other organization's achievements and practices. The process then goes on to include the development and implementation of strategies that will help the organization improve performance.

Because of its focus on exemplary performance, benchmarking is sometimes referred to as "best practices." But benchmarking is about more than discovering best practices. It includes comparative measurement, active goal-setting, and implementation. Benchmarking finds appropriate best practices and puts them into action. Businesses began using benchmarking when they realized that they might not be asking the right questions. In the traditional competitive analysis that preceded benchmarking, companies looked at competitors' products to see how their product design might be superior. Many came to see that competitive advantage is created by a combination of factors, including the time it takes to get a product from design to market, the total cost of the process, the nature of the process, systems for managing and motivating employees, and customers' judgments about value.

Benchmarking helps organizations learn exactly where their performance lags and focuses them on the application of best practices.

The benchmarking cases recounted here show not only the power of this tool in improving performance, but also the issues that surface for nonprofits in using it effectively. The shift to active, organizational learning requires attention to measurement, analysis of deficiencies, comparisons with better performing organizations, and an investment of time and resources -- all, as nonprofit leaders know well, practices that cut against the grain of many nonprofit cultures and funding environments.

How Big Business Uses Benchmarking: Xerox Corporation

Xerox Corporation, the world's largest manufacturer of copy machines and a leading producer of computers, began experimenting with benchmarking in the late 1970s, when its Japanese competitors brought out lower-cost, high-quality products backed by strong customer service. In this intensely competitive environment, learning was a matter of survival.

Oddly, however, Xerox's critical benchmarking breakthrough came not by focusing on the competitors who threatened it, but by looking to a best-in-its-class company from another industry altogether.

Xerox understood that performance issues are often a function of generic organizational processes, not just product design. Xerox had targeted slow order-fulfillment, a complaint of many customers and a top priority for improvement. In focusing on this process, a senior manager suddenly realized, from personal experience, that L.L. Bean, the catalog clothing company, could move from receipt of a customer order on the phone to product delivery in a very short time. To better understand the best practices behind this success, Xerox headed for L.L. Bean's headquarters in Freeport, Maine -- not to its competitors in Tokyo. (Presumably, it also helped that L.L. Bean, flattered by the attentions of a giant multinational, was not a competitor.)

Since that time, Xerox has embraced benchmarking as an active learning tool and has urged managers throughout the company to adopt it. Former chairman David T. Kearns promoted benchmarking as a core practice. He defined it as "the continuous process of measuring our products, services, and practices against our toughest competitors or those companies renowned as leaders." As customer services benchmarking manager Warren Jeffries explains, benchmarking at Xerox is still very much a matter of competitive advantage. It is used to "keep Xerox's edge razor-sharp... to discover where something is being done with less time, lower cost, fewer resources, and better technology."

Benchmarking begins with learning. Xerox identifies a problem in its organization or discovers something that someone else does better. To do this, of course, Xerox must measure its own performance. Without information about its own practices, processes, and results, it could not identify a gap to close. Therefore, Jeffries counsels organizations interested in benchmarking to "know yourself" as a first step.

Xerox's approach to benchmarking puts processes first and metrics second. For example, Xerox may discover that a competitor produces a copier whose outer shell costs $1,000. The shell for a comparable Xerox product is $1,200. Xerox will use the difference in cost not as an automatic goal, but as a signal to look at the production and purchasing processes that result in those shell costs to discover the sources of the difference and determine if action is needed.

Although Xerox is an acknowledged leader in this practice, and has been since 1979, it must remain vigilant about keeping the practice in continual use throughout the organization. In most organizations, there is a tendency for doing to eclipse planning, and planning to eclipse learning. In Xerox, these tendencies are countered with visible and frequent reinforcement by top management, investment in a position such as Jeffries, and commitment to training in the use of benchmarking.

International Benchmarking at a Large Nonprofit: CARE USA

Benchmarking doesn't always mean looking for best practices in other organizations. As CARE USA discovered, valuable information is often available through internal comparisons. CARE USA is the largest international nonprofit organization devoted to meeting the needs of the developing world's poor in emergency relief, rehabilitation, and sustainable development. It is also the largest member of an 11-organization world confederation called CARE International. CARE has traditionally operated in water and sanitation, health, population, small business development, and agriculture and natural resources.

CARE is a highly decentralized organization, managing projects through country offices and sub-offices in 37 nations. The country offices raise over 80 percent of funding for projects. Most headquarters' employees have held positions in the field, and will go back to the field eventually. Total headquarters staff accounts for less than 1 percent of CARE's personnel.

Marc Lindenberg, senior vice president for programs from 1992 to 1997, explains that CARE, which operates in remote and sometimes dangerous areas, has a very strong service culture. People who join CARE are profoundly motivated by the urgency of global problems, and want to deliver services. Their philosophy is often "Just do it" rather than "Let's analyze it." Nearly half of CARE's work in any given year responds to emergencies like cyclones, famines, and wars.

"Outsiders sometimes describe our program staff as cowboys and cowgirls," Lindenberg explains. "Their work is dangerous and exhausting, and they believe they have the right to be cynical about detailed analysis and data collection. Many believe that each project is so unique that cross comparisons make no sense."

In 1993, CARE confronted a number of pressures that forced it to challenge this decentralized service culture. Competition for funds in the emergency, relief, and development services arena had increased in recent years. A major donor, the U.S. Agency for International Development (USAID), planned to cut back funds over the next few years. CARE was getting feedback from other donors that it was not the only game in town anymore, nor perhaps the best. CARE management responded in part by turning to benchmarking to help it improve the impact of its programs and, in the process, show donors that it could meet the funding "market" challenges.

Consistent with its just-do-it culture, CARE had very little reliable, global data on its overall project portfolios or beneficiary levels to get started on a benchmarking effort. There was virtually no cost-per-participant information on various programs and few baselines for post-project impact assessments. As a first step toward improvement, CARE constructed a pool of information about project performance worldwide.

Initially, CARE took two approaches to benchmarking. In one, headquarters technical staff classified projects by types of interventions, and based on the literature and other organizations' experience, identified best practices. They then ranked the project portfolios to show the percentage of projects at the best-practice level. Using this information, they nudged and sometimes pushed project managers toward improvement. The second approach was more participatory. Headquarters technical groups organized workshops with project managers and jointly identified the keys to best practices. They then had project managers evaluate their own projects and develop self-improvement plans. They also organized "lessons learned" and "lessons applied" seminars.

For example, the analysis of water projects began with the creation of performance indicators that would describe a successful outcome. Since the water projects aim to create a sustainable water supply that supports better health, the indicators focused on longer-term maintenance of the systems, along with local health conditions, captured, for example, by the incidence of diarrhea. Staff gathered information on these indicators, as well as on project costs, for 31 systems with similar characteristics. From this information, those with both high efficiency and high impact emerged as best-practice systems. With a relatively large database and considerable variation in performance, CARE could conduct an internal benchmarking process that allowed it to learn from and benefit its own projects.

The analysis helped CARE pinpoint the attributes that led to the successful outcomes in the 15 most effective and efficient projects. For example, high-impact projects included both sanitation and water supply, involved the community heavily in identifying the need for improved systems, delivered health education along with infrastructure and included community contributions to the construction and maintenance costs as well as the actual construction and maintenance effort. These findings enabled CARE to develop design criteria for future water projects, significantly increasing the chances of sustained impact. They also provided data to justify project funding. At a later stage, this process was combined with regional meetings, where a new water-sector coordinator worked with the water project managers to get a joint definition of best-practice criteria.

Though the benchmarking process uncovered vitally important information for improved performance, CARE's first benchmarking approach -- the top-down, headquarters-based method -- also provoked considerable resistance. The second approach, with joint headquarters and field development of criteria, followed by project manager self-ranking and improvement plans, was more easily accepted.

One regional meeting using the top-down method provoked intense reactions from the field staff. When the deficiencies of certain projects were showcased alongside the strengths of others, some staff objected strongly to a headquarters-imposed process that publicly compared colleagues' performance. The headquarters analysts tried to bring an appropriate evenhandedness to the work, and had the benefit of studying multiple projects in order to deduce important success factors, but the effort required better field-staff cooperation.

Headquarters staff could not afford to alienate field staff: local knowledge of projects, ability to collect data, and commitment to implement change strategies were essential. (Since country officers raise most of their own project funds, moreover, they are not beholden to headquarters staff, and could have undermined the process.) So while Xerox counts on competition to motivate its employees in reaching new benchmarks, the competitive subtext of top-down benchmarking was anathema to CARE's culture.

Lindenberg noted other challenges to benchmarking:

- Some staff resisted the application of what they saw as a profit-enhancing technique into their mission-oriented work.
- The benchmarks created an imperative for change, which in turn created stress and anxiety as people were required to try new approaches.
- Benchmarking required considerable investment of time and money.
- Performance indicators were often difficult to establish, especially on complex projects.
- Best practices may vary according to region; they cannot be imposed through a cookie-cutter approach.

According to Lindenberg, the most successful new efforts involve joint definition of best practices through the participation of project managers, headquarters staff, technicians, and outside experts. Regional line management is taking a larger role in coordinating and overseeing senior-country teams' efforts at quality improvement. Instead of launching learning and change in one movement, CARE decided to sponsor more regional lessons-learned seminars with project managers, followed later by lessons-applied seminars. Additionally, CARE has organized four courses for senior managers, where people from all divisions and regions join together to learn strategic management concepts and frameworks including how to use benchmarking techniques.

External Benchmarking at a Local Nonprofit: The Boston Ballet

Is benchmarking useful only for companies like Xerox, that can rely on the bottom line for guidance in identifying problems, or for large nonprofits like CARE, that specialize in infrastructure and health projects with fairly evident performance indicators? Outcomes such as the quality of an artistic performance may be impossible to quantify, but the Boston Ballet's benchmarking experience suggests that other aspects of organizational performance can be benchmarked. The Ballet learned that smaller organizations can adapt benchmarking to suit their budgets and culture.

Although it has received national acclaim for its artistic quality and is considered on a par with other major ballet companies, the Boston Ballet felt it lagged behind comparable companies in its ability to raise funds. It also worried that its profile among cultural institutions in Boston was too weak to support a major expansion of its audience and fundraising. With a relatively short 32-year history, it felt dwarfed by local giants like the Boston Symphony Orchestra and the Museum of Fine Arts (both more than 100 years old). So in 1994 it set out on a benchmarking process aimed at enhancing its public image.

The Ballet's board chairman, John Humphrey of The Forum Corporation, led the benchmarking effort by establishing an ad hoc committee of both trustees and executive staff. The committee considered several questions as targets for the benchmarking effort before settling on the question, "How do other organizations manage or change their public image?" The question appealed to the committee because it related to the Ballet's goal of enhancing revenues, was broad enough to encompass a number of best practices, and was generic enough to allow the committee to look for best practices in different industries.

In fact, the Ballet ended up turning to a mix of best-practice organizations. Within its field, it chose the San Francisco Ballet, a company with which the Boston Ballet was often compared, and which shared some historical parallels. Looking at another ballet company also offered insights into artistic quality and public image. The Ballet also chose the Boston Museum of Science, which had improved its image in recent years, and Au Bon Pain, a fast growing Boston-based coffee/bakery chain with a reputation for good customer service.

The committee developed a questionnaire for use in interviews that they conducted with executives and trustees of the three best-practice organizations. They then summarized the results of the interviews and made recommendations to the board.

The process was extremely effective in engaging the Ballet's trustees in a thoughtful exploration of the challenges they faced. Beginning with the development of the interview questions, they explored in depth the processes and programs of the Ballet, including many topics not directly related to image. Traveling in teams to the other organizations and comparing and deliberating findings energized the trustees and tapped their talents. As one board officer remarked, the increased involvement of the trustees was in itself enough of an outcome to justify the effort.

As with all successful benchmarking, the process uncovered specific methods that helped the best-practice organizations achieve success. The Ballet learned, for example, that in organizations with a good image, people can describe the organization's purpose with a simple statement; everyone in the organization delivers the same message about mission, goals, and strategies; there is consistent print image; and customer service and fulfilling promises are high priorities. These findings, which may seem generic and abstract on the written page, were compelling to the benchmarking team who had seen them in action. They saw not only best practices at the other organizations, but also the potential of those practices to help them meet the goals they had set for improving the Ballet's performance.

The benchmarking process also helped trustees understand other issues beyond public image. For example, as trustee Melinda Rabb commented, "The process helped to clarify a new relationship between different worlds that have to exist together -- the need to pay homage to the past, yet appeal to new audiences. We kept hearing 'world class' and 'neighborhood' in the same paragraph."

The benchmarking committee concluded its work by developing recommendations aimed at engaging people throughout the organization in the work of consistent image-building. Recommendations addressed internal education and external publicity; customer responsiveness; and increased efforts to link the Ballet to its local communities. Not all the recommendations have been implemented, but a major Boston public relations firm, working pro bono, did create a comprehensive image campaign for the Ballet.

Like Xerox and CARE, the Ballet has concluded that benchmarking can be a useful tool in addressing a number of challenges. The staff discovered other issues that were ripe for benchmarking and began to see the potential value of drawing on outside resources, such as data available from industry groups, to use in the process. For example, when it came to artistic director Bruce Marks' attention that workers' compensation payments (for injuries) swallowed up more than 6 percent of the entire Ballet budget, he concluded that they should consider studying best-practice organizations with a much lower rate of injury.

The injury rate was not just a matter of suffering, productivity, or cost. Marks saw in the injury rate some potentially troubling signals about the Ballet's artistic preferences. Its dancers are not "industrial workers," he noted, and the Ballet should "produce people who can do something besides leap over your head." The organization has also challenged itself to engage staff below the senior executive level in the use of benchmarking, a necessary condition, the senior staff feels, for benchmarking to result in improved performance.

Benchmarking to Improve "Value"

Why invest considerable time and resources in benchmarking, particularly in the cash-strapped nonprofit world? Because nonprofits must maximize the value of what they do with the resources they use. Value, of course, can be defined in many ways by different constituents -- including funders, boards, clients, and employees. A learning process like benchmarking enables them to measure and improve value. It can provide information for trustees and funders, not only to satisfy their interest in the accomplishment of the mission but also to allow them to exercise appropriate oversight.

More importantly for most nonprofit professionals, a process like benchmarking enables them to increase the organization's problem-solving capacity. It allows for corrections and improvement in services that can increase effectiveness and impact. Organizational learning can also help in reducing the cost of existing services, freeing up resources to produce more services, which again serves the interests of both funders and clients.

In a sector committed to cooperative traditions, it will take some work to help staff discover that benchmarking is ultimately a value-neutral tool that nonprofits can use to help them fulfill their missions, without compromising their values. Xerox, CARE, and the Boston Ballet had very different goals and missions -- profitability, better health in developing countries, and exposing more people to the art of dance -- but all used benchmarking to get the outcomes they sought. And they structured the process to fit the culture of their organizations.

It is not necessarily productive, in any case, to hide from the reality that nonprofits are in fact engaged in various forms of competition. They compete for funding, but also for staff, volunteers, and sometimes even clients. If benchmarking allows them to improve their performance and outcomes, it will end up giving them competitive advantage. In fact, both CARE and the

Boston Ballet were motivated at least in part by the demands of funders or clients to improve their performance. In a resource-scarce world, rewarding the organizations that perform better can be healthy. Ultimately, it is their clients and their staff who will benefit from the improved performance.

Even as they compete for resources, many nonprofits simultaneously value cooperation in their work. Indeed, their commitment to cooperation can actually improve their ability to use benchmarking effectively. Nonprofit organizations often freely share ideas and collaborate in an effort to advance their shared agendas. This tradition makes benchmarking much more feasible for nonprofits than for many businesses. Nonprofits will be more likely to provide access to an organization engaged in benchmarking than, for example, Chrysler would be to cooperate with GM. Smaller nonprofits can share the costs of technical assistance through joint training about benchmarking methods. And within the nonprofit itself, the common tradition of cooperative, team-based work also supports effective benchmarking. A team that clarifies its performance goals, engages in learning together, and formulates implementation strategies will be much better positioned to achieve real improvements within the organization. Teams generate more ideas but also more momentum -- both critical if benchmarking is to produce results.

High Performance or a Commitment to Service?

As a process for analyzing performance, benchmarking emphasizes measuring results, comparing different methods that could improve results, and designing strategies to implement them. At nonprofits like CARE, with a "just-do-it" culture, people have little interest in or patience for analysis. In order to engage these committed staff in such a process, managers need to introduce techniques that do have the potential to add value by actually improving the services they deliver. The analysis and innovation that benchmarking can generate are wholly consistent with their ultimate goal of service: doing public good.

Improving the service rendered, or making a nonprofit more efficient so it can serve more people, is an integral part of realizing a service mission.

Why then does the staff at service-oriented organizations often resist the analysis and measurement required by benchmarking? Although many organizations rely on specialized or professional skills, nonprofit workers often view their work more as art than science. Many feel (probably rightly) that every combination of circumstance, program, and professional effort is unique, and (probably wrongly) that analyzing and comparing them at any level is impossible.

Nonprofit workers also tend to place a premium on shared values, mutual respect, and professional esteem, and would be reluctant to make comparisons even if they could. They believe it demeans the contributions of people or organizations. And many employees are ultimately committed to providing service to the individuals they work with. They see organizational analysis as a diversion from, not an enhancement of, their service work.

This culture has led to organizational systems and structures -- even the informal practices of small nonprofits -- that were established to get the job done, not to rethink the nature of the job, or the possibilities for improving performance. Effective organizational learning, moreover, takes the kind of discipline and resource investment that doesn't necessarily pay off in the short term and thus doesn't emerge as a top priority in most nonprofits. Faced with the choice of doing or analyzing, most nonprofits opt for doing, and avoid the challenge of establishing performance metrics. As a result, few nonprofits have the data and information needed to "know yourself," the first step in Warren Jeffries' playbook at Xerox.

Here nonprofits encounter another problem: Many have difficulty defining and measuring the outcomes of their work. This does not mean, however, that they cannot improve their performance through benchmarking. Even while they tackle the challenge of defining outcomes and metrics for their programs, nonprofits can begin to use benchmarking on the procedures they are currently using to achieve results.

The Boston Ballet's mission of promoting appreciation for the art of dance is difficult to measure. But the Ballet's benchmarking process focused on how its communications process affected its image, and thereby its funding and audience size. Businesses have only recently begun documenting process flows, which would illuminate in the Ballet's case the linkage between communications, image, and audience. Most nonprofits have never allocated the skills and time needed for this type of documentation. But it offers potentially large payoffs as part of a learning process, and can enable nonprofits to improve their methods.

Benchmarking brings into sharp focus some of the common obstacles that nonprofits face in building support for organizational capacity. No one will force nonprofits to benchmark, and no one is likely to reward them quickly if they do. Unlike profit-making firms such as Xerox, most nonprofits will not feel consumer pressure to measure and improve performance: nonprofit clients often lack a choice in providers. Nonprofit boards, another possible champion of a performance-improving process like benchmarking, too often draw a sharp line between policy and management, and view benchmarking as a staff matter. Finally, even when funders do require performance data, it may not help an organization with benchmarking. They are likely to want data on outcomes -- not the processes that produced them.

As a result, the burden of developing a compelling case for benchmarking falls to the leaders of a nonprofit. They must be willing to risk exposing their organizations' strengths and weaknesses and be willing to make a commitment to improvement. Nonprofit managers and boards will have to define their organizational-learning needs, design compelling and feasible approaches to them, and present their case to funders and staff.

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