Volume 1

INTERNATIONAL HOSPITAL BENCHMARKING FORUM

CENTRUM FÜR KRANKENHAUS MANAGEMENT

The Trial and Tribulation of Benchmarking

or: the difference between the fast and the dead managers

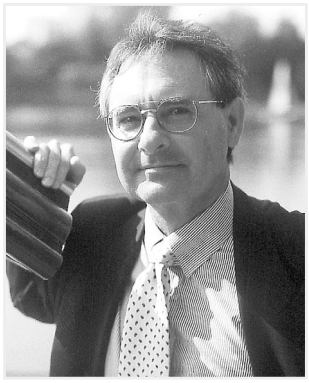
As it turned out 1993 was not a good year for the than CEO of Eastman Kodak. He was fired. His board accused him of having failed to keep the company competitive, profitable, innovative and customer oriented by his omission of having benchmarking introduced in a timely and thorough manner.

Benchmarking, as it seems is regarded as the "silver bullet" by most of today's "modern" managers. And as such it is hailed as an all round cure for all corporate ailments. It has caused a wave of euphoria among the management of care providers, who too, think it is exactly what the doctor ordered to cure their "sick" organisations. Benchmarking fever has once again sent perplexed hospital administrators on a wild goose chase for a panacea which they believe is an "off-the-shelf" recipe to help them eliminate most of their problems and give them instant solutions to their continual crisis situations.

"Learning from others", isn't that just simply too easy a solution? Doesn't that mean that we simply duplicate others who are better than we are? Doesn't that mean a metamorphosis on the quick, achieving the same results like the company we modelled ourselves on? And if companies replicate each other isn't the result of this going to be that we all end up as a bunch of clones? Isn't the continuous striving for "differentiation" a better bet for success in the fiercely competitive hospital market of the future?

So, why would a best-of-breed hospital share its knowledge, skills, experience, creativity and innovative processes and workflow with competitors when these very competitors could easily copycat things to boost their performance levels, thus narrowing if not closing the competitive gap? Who would be foolish enough to jeopardise one's competitive advantage by educating contestants about one's innovative ideas and exemplary customer orientation so as to make them soon become the norm for all other industry participants? The downside of benchmarking lies precisely in this unprofessional perception and application of this otherwise revolutionary methodology:

- Benchmarking is not a statistical comparison of key management ratios. On the contrary, it is a systematic and focused search for best practices. The search for best practices embraces the whole gamut of corporate "production factors", for example organisational and leadership culture, corporate strategy, managing relationships, communication, the way and manner operational improvements are achieved, CRM etc. etc. The awareness that opposing goals can be made achievable by means of innovative ideas can in itself be classified as a "mental" best practice, without which fundamental improvements are not possible.



A corporate comparison is not meant to serve as a mental crutch for managers who have run out of ideas ...
... rather, it should be the incentive for target-oriented dialogue which transcends hierarchies, organisation, occupational groups and branches of industry.
Prof. Dr. Dr. Wilfried von Eiff

- Benchmarking is a methodologically structured process - from identification of a problem to the planned and organised search and subsequent adaptation of an internal/external best practice to obtain pole position.

- Benchmarking is an integral part of the process of corporate culture and organisational development.

- Without the creative inputs and an unwavering commitment to pursuing business excellence the practice of benchmarking can easily degenerate into a bland "me too" strategy.

- In particular, benchmarking is designed to cross the boundaries of different industries. This is the only way in which real "breakthroughs" and truly sustainable competitive advantages are gained. For example: competitive pressure and high operational costs compelled Virgin Airlines, run by the entrepreneur Richard Branson, to obtain a substantial reduction in gate time, i.e. the time the Virgin fleet spent on the ground between arrivals and departures. A comparison with their major competitors soon revealed that even if Virgin Airline matched the best gate turnaround times of any of their competitors it would not give the company the desired "breakthrough" and competitive advantage it sought. So it studied turnaround times outside the airline industry. The "best practice" turnaround times anywhere were ultimately found in Formula 1 racing pit stops. The adoption of the Formular 1 "best practice" to gate time practices for its fleet of aircraft resulted in significant time savings, men power and overall costs and setting a new standard way above that of its competitors.

Benchmarking is not industrial spying legitimised by a "membership" in a "benchmarking club". Benchmarking needs to deal with the ethical issues that arise when "insider" information is made available by another company. In this respect benchmarking only works on the basis of a strict "code of ethics". The code requires unreserved openness and discretion of all benchmark partners.

Bertelsmann Stiftung

An initiative of the reform workshop "Healthcare" of the Bertelsmann Foundation and the CKM

Benchmarking cannot be seen as a commodity. The greater the number of benchmark partners, the less valuable the information becomes. "If you read about a dead certain stock market tip in all the Daily's, you can be sure that it is too late to make any money from it".

Companies that are serious benchmarking practitioners are irritated by the benchmarking tourism that has sprung up. Teams of twelve, fifteen or more people arrive at American hospitals gold-rushing "best practices" in the hope of gaining ingenious solutions ready made for application in their own organisations at home. Further more in most cases these informational visitors come ill-prepared.

Dr. Clyde Wesp, Medical Director, Memorial Care Los Angeles (USA), Participant in the International Hospital Benchmarking Project (Bertelsmann/CKM) with Professor von Eiff (CKM)

Apart from wasting everybody's time and energy this sure is a failsafe for developing a never-to-be-done-again mind set with the host management, who finds the superficiality as anything else but an invitation to a mutually gainful and beneficial dialogue.

Dr. Clyde Wesp, Medical Director at the Memorial Care Hospital, Fountain Valley, California, spells out his organisation's rules with regard to benchmarking with other hospitals:

- a The visiting benchmark partner's team is not allowed to exceed five people.
- b They only benchmark with partners that have a track record of top notch performance standards recognised by awards received or feature in a top ranking position in hospital comparisons.
- c Each visiting benchmarking delegation is to present a best practice from their respective institution.

Dr. Wesp further states: "Benchmarking is a balanced give and take. It can only achieve its desired effects when one's own performance is compared to the one of a top hospital. Anything else is a waste of time."

Conclusion:

Benchmarking, Profit Centres, the "Fractal Hospital", TQM or Balanced Scorecard - most if not all of these management concepts are eulogised as a panacea invariably by managers lacking innovative qualities. Hence, the jury is still out with regard to the success of these promising programmes. As the saying goes, "in the light of the setting sun, even dwarves cast long shadows".

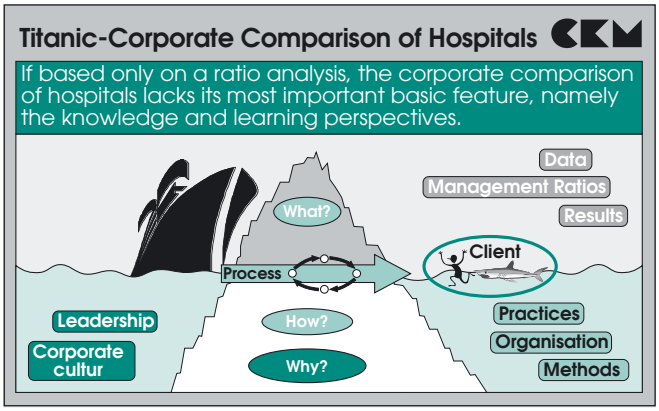
It is only through an open and honest dialogue that concepts can best be assessed in terms of their potential for success and limitations with regard to their applicability.

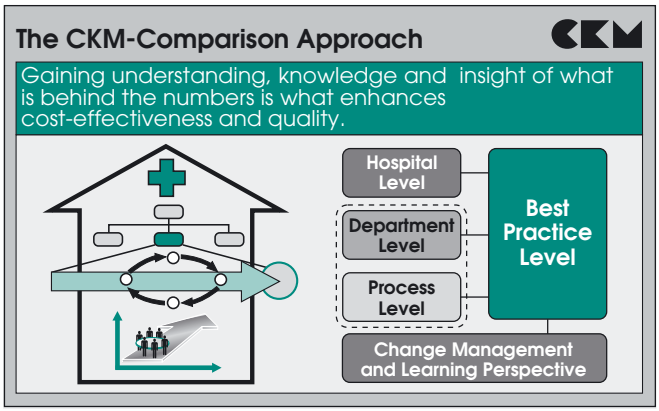
Benchmarking of Hospitals - The CKM Way

The sinking of the Titanic has a fascinating symbolic power as a metaphor for the decline in the lifestyle of European society or as an omen, warning against the fatal belief in the infallibility of human technical innovation, similar to the Chernobyl incident or the Challenger disaster.

The discussions about the benchmarking of hospitals has a lot in common with the story of the sinking of the Titanic, namely to steer a hospital safely and successfully through a "field of icebergs". The "icebergs" being in the shape of competition, pressure to drastically reduce costs and the demand for enhanced medical quality. To avoid being struck by one of these "icebergs" cannot simply be achieved by using a compass, which only compares the decision parameters "direction" with other broad indicators such as "wind direction", "currents" etc. More precise navigational measurements are required which not only accurately locate and give precise positioning of the "icebergs" but at the same time give accurate readings of the potential danger hidden under the water surface.

A hospital with an optimal organisational structure, low costs, high quality medical output and where all the processes are patient and relationship centred fulfils our ideal of effective and efficient care provision.



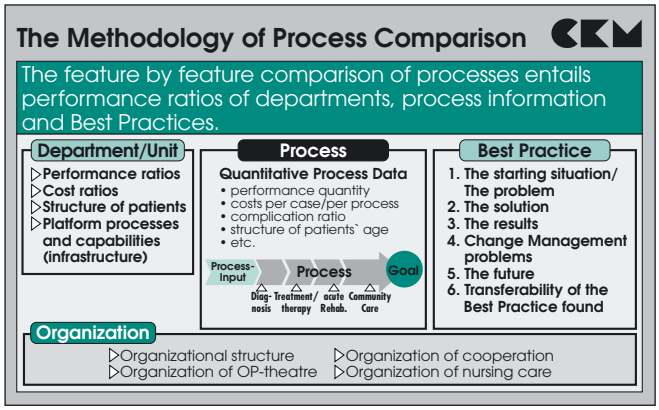


The benchmarking philosophy pursued by the Center for Hospital Management (CKM) takes all of these above mentioned attributes of what an ideal care provider organisation should be like into account. The key management ratios, the patient-centredness of processes as well as the strategic alignment are all interdependent of each other and therefore must all be part of the comparison if true and meaningful opportunities for service and process improvements are to be found. Best practices found and applied in the manner described above lead to continuous performance improvements and thus sustainable competitiveness. Both quantitative and qualitative performance indicators are collected and analysed for the entire hospital and specific functional segments (medical and/or non-medical). The generated indicators for specific processes such as, for example, bypass surgery, hysterectomy and materials management are of particular relevance in this context of benchmarking.

The established performance indicator form the basis for a comparison of one organisational unit with another or, more precisely, highlight their respective importance in terms of achieved results for a given core competency.

They allow an even greater appreciation of how valuable they are in terms of "best practice" comparison for finding

opportunities for improvement when they are superimposed on both the organisational structure and change management practices of the comparative other care providers. This way we also gain an intimate insight into how those organisations we compare ourselves with think and how they manage their business in a strategic planning sense. "Best practices" benchmarking is a powerful means of com-munication allowing a logical comparison of ideas, concepts and experiences to be clarified and drawn conclusions from and to use that resulting information to improve one's own organisational performance.
CKM advocates the above described process of investigation to ensure the identification of the critical success factors that should lead to business improvement maintaining and /or achieving a sustainable "competitive edge".



IHBF - The Project

THE PROJECT

The International Hospital Benchmarking Forum (IHBF) project was started by the Bertelsmann Foundation in 1998 and the Center for Hospital Management (CKM), established some years earlier in 1994 by the Foundation, was given the task to develop a concept for comparing care provider organisations. The purpose of the project/concept was to determine and analyse the critical success factors in terms of the specific strengths of a best-practice organisation that would have the most potential to improve one's own organisation's performance. Additionally, the project/concept faced the challenge to facilitate transfer and incorporation of those identified parameters into the respective business environments.
To achieve its remit CKM developed a methodology that divides the project into two categories:

- a comparison of procedural outcomes and cost/performance structures of specified medical and non-medical processes and
- simultaneously learning about best practices from the participating hospital benchmarking partners.

In the context of the project a best practice can be a clinical, nursing or administrative best practice.
The overall objective of CKM's international benchmarking project is to establish an international network of care providers that have an open mind and a willingness to expose their own thinking and to accept the opinion of others thereby learning as well as gaining new ideas, perspectives and receiving energising inspiration from the outside.

Furthermore, the project is to develop a benchmarking information and intelligence network specifically to:

- Stimulate benchmarking activities among care providers in a variety of generic areas but not exclusively on subjects specific to health care.
- Establish a methodology for comparison and a core group of cooperative benchmark partners which makes identifying of information resources, the collection and analysis of information as well as searching for best practices less time consuming and ensures a high quality of the benchmarking information. To this effect the CKM has created a relatively short questionnaire designed to allow follow-up questions so as to allow for continuous refinement and improvement to ensure the delivery of accurate, meaningful and reliable benchmarking information.
- Learn from best practice providers how they achieved their level of prominence and how this might be transferable to enhance one's own organisational effectiveness and efficiency.
- Discover how one's own best practice is perceived by others in combination with their experiences and sources of information.
- Build and maintain a benchmarking intelligence and information network among like-minded organisations characterised by a direct person-to-person approach thereby yielding dividends in the form of improved levels of appropriate, accurate and reliable information for the participating partners.

The health care provider organisations participating in the CKM international hospital benchmarking project agree to abide by the following code of conduct:

1. All figures and information obtained from other participating benchmarking partners as a result of this project are to be treated in strictest confidence and with utmost discretion.
2. Each benchmarking partner ensures that benchmarking findings and results will be used only for own organisational improvement and are not passed on to third parties.
3. Benchmarking partners that want to report, quote and or publish findings and results pertaining to their own organisation, but obtained as a result from their participation in the CKM benchmarking project, need to obtain approval in writing from CKM and all the other participants.
4. The names of the other benchmarking partners have to be kept confidential and no information about their best practices is to be divulged to third parties.
5. Site visits have to be prepared thoroughly and the size of the site visit team should be kept to two or three people. This allows the participants to conduct the interviews as close to the actual work setting as possible.
6. The participants should stick to their outline. When on site visit and surveying the benchmarking partner organisation, participants should stick to the agreed-upon outlines provided as part of the inquiry. It should not be attempted to introduce new topics or ask for new information while at the site.
7. Information that oneself would not divulge should never be requested. The success of our benchmarking project is based on trusting each other and on communicating openly and with total commitment.
8. The philosophy of GIVE and TAKE is the expressed CKM theme for this data-gathering activity.

To achieve these goals CKM provides a multi-channel communication and interaction platform with the institute acting as a facilitator to help to identify best practices, to understand the strengths of other organisations and to implement them in one's own business environment.

The base of the platform is the questionnaire. Without hard and solid basic data describing the organisational and cultural framework of a benchmark partner's organisation and suitability to benchmark with, benchmarking is bound to fail to achieve its goal of looking for improvement opportunities.

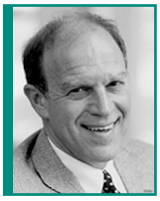
Secondly, there are the bi-annual fora of the participating benchmarking partner hospitals held in Germany. At the fora the benchmark partners meet to listen to lectures, learn more about special applications of quality management and most importantly present best practices. These are presented in poster form and discussed in great depth in workshops which have a compounding effect on the quality of information and the transfer of experiences and knowledge.

Thirdly, CKM provides an internet platform where all participants can exchange information independent of time zones, interests and contents.

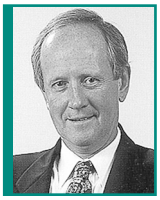
Statements from the Project Partners

"Successful benchmarking means to look behind the figures for getting a real understanding of how the core business runs, how processes work and what the corporate culture, especially the incentive systems, is like."
Wilfried von Eiff, CEO of the CKM and Professor at the University of Münster, Germany

"Participation in the International Hospital Benchmarking Forum has given us the opportunity to share our ideas and problems with health care professionals and gain global perspectives regarding healthcare delivery trends and innovations. We have experienced the Forum as a perfect medium to participate in creative thinking that takes place at a highly professional level."
Deon Moulder, Medical Director at Medi-Clinic Ltd. Stellenbosch, Republic of South Africa



"The IHBF is an extremely valuable forum for exchanging ideas and sharing best practices in the hospital environment. The regular meetings have built relationships which have encouraged in-depth conversations about issues and problems that are common to hospital management in all developed countries. The insights that come from an open and honest discussion of opportunities and challenges have been very valuable to me."
Thomas Massaro, Chief of Staff and Professor at the University of Virginia Health System, USA



"The great value of IHBF is drawing on diversity to free up thinking. By sharing our different ideas and international experiences we generate new approaches to common problems. Innovations in practice and process improvements provide the basis for better hospital management. The results are safer care and higher levels of satisfaction for patients, staff and other key stakeholders."
Clive Wellington, National Clinical Manager, Mayne Health, Melbourne, Australia

"Being a part of the IHBF network is both a pleasure and an honour. It is akin to the meeting of the minds between the East and the West, where the exchange of best practices between Singapore and our western counterparts at the International Hospital Benchmarking Forum can only attest to this: A Concerted Quest for Continuous Quality Improvement in Healthcare."
Nellie Yeo Sok Leng, Chief Quality Officer, National Healthcare Group, Singapore

"Since the problems facing all postindustrial countries are almost identical, an efficient search for best solutions is greatly facilitated by an international, well-structured and open dialogue. The International Hospital Benchmarking Forum has proven its value as a valuable meeting place for its participants. Effective publication policies have brought these ideas within the reach of many others, active in the same rapidly evolving field of modern health care."
Martti Kekomäki, Professor of Health Care Administration, University of Helsinki, Finland

"The IHBF initiative confirms that only by uniting the efforts of several hospitals of excellence from different countries we can achieve significant improvements in hospital management that eventually reflect in better patient care."
Leonardo La Pietra, Chief Medical Officer at the European Institute of Oncology, Milan, Italy

"Rising patient and public expectation is becoming a key stimulus to positioning benchmarking of best practices as a pivotal lever which will bring accountability for things that matter - the assurance and improvement of quality."
Aidan Halligan, Director of Clinical Governance for the NHS, Head of the NHS Clinical Governance Support Team, UK

"The IHBF network offers a valuable opportunity to exchange experiences and best practices on an international level. Many discussions at the IHBF have shown that hospitals in different countries often face the same problems. Therefore the main challenge is often not to invent new solutions to common problems but to learn from the experiences of others and find a way to transfer these best practices into one's own institution. In this context the IHBF is an ideal platform to learn from each other."
Jörg-Dietrich Hoppe, President of German Medical Association, Head of Department, Institute of Pathology, Krankenhaus Düren GmbH and Professor at the University of Cologne, Germany

"My institution in Japan has long searched for best practice models in a practical approach to benchmarking, seeing both a narrow opportunity domestically and a lack of good international opportunities. The IHBF, however, brought together by the Bertelsmann Foundation leadership, has had tremendous merit for me. It is an ideal venue for international dialogue with a direct exchange of ideas, thoughts and feelings."
John Wocher, Executive Vice President, Kameda Medical Center, Kamogawa City, Japan

Project Initiative

Project Patroness: Liz Mohn, Member of the Board
Contact Person: Martin Spilker

Project Co-ordinator: Dr. Ralf Ziegenbein (until 9/2002)
Project Co-ordinator: Conrad Middendorf (from 9/2002)
Project Assistant: Annette Bauer

CEO: Prof. Dr. Dr. Wilfried von Eiff

Bertelsmann Stiftung

INTERNATIONAL HOSPITAL BENCHMARKING FORUM

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