BenchPA

Interreg IV

BenchPA Project IT/AT - ID 4906

Development of a benchmarking and benchlearning process among local public administrations in Carinthia and Italy

TRANSNATIONAL BENCHMARKING AND BENCHLEARNING GUIDE

ANNEX II - PANNEL CONTRIBUTIONS

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In this Annex you can find the complete version of the Panel members' contributions.

The experts of the Panel are:

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GIANCARLO VECCHI

We can draw some important suggestions for the successful implementation of benchmarking systems in the public sector, especially among local authorities:

- the evaluation dimensions to be used for the construction of performance indicators can be various (effectiveness, efficiency, equity, modernization, accessibility, etc.) but it is advisable not to include too many indicators: detect and validate data is a costly activity; the choice of 4/5 indicators is sufficient to provide information on the progress of policies.

- there are several 'clients' of evaluation, as there are different possible uses of the benchmarking results. Among these, we can consider politicians, the top management, executives and officials and the wider public: for each type of actor it is necessary to draft a different report (entailing the main data strategy for politicians; analytical for managers, oriented to quality and satisfaction for citizens, etc.)

- quantitative indicators are not sufficient to represent the policies of each organization. Preceding the identification of performance indicators, it is advisable to start with a 'narrative' describing the policy evolution in each context; and is, moreover, useful to complete with useful qualitative analyzes. This means, for example, that support software are relevant to the organization of benchmarking , but they do not replace the written reports.

- benchmarking is not just a technical tool based on performance indicators, it is also a process of confrontation among actors. For this reason, the definition of moments of discussion between the actors involved is equally important. For example, in the ex ante stage, benchmarking can be used for organizational self-assessment processes for the definition of the programme priorities; in the ongoing phase, it can support the processes of re-orientation of programmes and improve communication between the various actors involved; in the ex post stage, it can form the basis for organizational learning and accountability processes (i.e. through Social responsibility reports). In all these cases, the design of the interaction among the actors involved is a crucial part for the success of the initiatives. For example, in the learning process, the design of the discussion concerning the results of benchmarking finalized to the identification and dissemination of good practices can be successful only if it is possible to build a sort of 'trading zone'[1] where the different languages and the different interests (political, bureaucratic, of the users, of stakeholders , etc. .) are mutually understanding.

[1] *The concept of trading zone as a way to improve the exchange of information among researchers and to sustain learning practices was proposed by Peter Galison. See Galison, Peter, "The Trading Zone. Coordinating Action and Belief", in Image and Logic. A Material Culture of Microphysics, Chicago, University of Chicago Press, 1997, pp. 781-844.*

- benchmarking does not only need to include the analysis of policies oriented to the production of goods and services; it is also relevant for it to encompass political and regulative policies and policies for organizational development, so as to spread the culture of measurement throughout the organization (in addition to fact that in many areas of intervention municipal regulatory policies have a decisive role).

- the presence of an independent agency can be a relevant factor of success; in fact a subject that verifies the reliability and the correct use of the data is needed, as well as one that provides opinions and suggestions about the results (both over time and cross section).

- the results of a benchmarking exercise are only the first part of a benchlearning process; performance indicators can show only 'what seems to work', not 'why and how' policies are working; to improve a learning process actors need to know the mechanisms that can explain the relations among context and resources, at one hand; and the measured results; the analysis of causal mechanism is a fruitful field to analyse good practices and to structure the policy transfer activities, based not on pure replication but on the opportunities of adaptations.[2]

[2] *See Barzelay, Michael, "Learning from Second-Hand Experience: Methodology for Extrapolation-Oriented Case Research." Governance 20(3), 2007, pp. 521-543.*

MARK MCATEER

The Bench-PA Project

a. At the workshop in Udine in September the Bench-PA project team highlighted for the panel the range of activities the project had worked on over the previous 2 years and demonstrated the key project deliverables. The team also engaged in detailed discussion of issues that had arisen within the project. The following observations are informed by those discussions.

b. The overall emphasis of the Bench-PA project was strikingly similar to the developments that the IS had lead in Scotland. While the scale of Scottish local governments and the municipalities involved in the Bench-PA project differed – Scottish councils are much larger organisations covering larger population groups and geographical areas – the aim of using benchmarking to better understand performance, to identify where good practice in service delivery lay, learn from that practice and to share it with all the municipalities involved in the project was very similar.

c. The range of services covered by the Bench-PA project is narrower than the Scottish example but it was recognized that the starting points of both projects differed. Bench-PA was developing, in a sense, a 'proof of concept' model for Italian and Austrian local government that benchmarking was possible and could help deliver improvements. This meant a narrower range of services was examined in comparison to Scotland where the project has a broader focus. However, the added complexity of the BecnhPA project of involving Italian and Austrian municipalities which have to operate within different political and policy jurisdictions makes their choice fully understandable.

d. The process for selecting the services appeared to be robust, from an analytical perspective, and combined with sound practical judgements that reflected the differences in the twin jurisdictions of the Italian and Austrian municipalities. The matrix of services appeared to capture the broad similarities and differences in the chosen service areas and was a useful step in initiating the subsequent benchmarking process. The project team also appeared to understand that the data to be gathered would never be perfect – complicated again by the two jurisdictions covered by the project- but that getting the relevant service data to a point where it was 'good enough' for the purposes of the exercise was sufficient. The combination of robust project design combined with a practical understanding of how the framework needs to operate in practice with the range of municipalities involved in the project is a notable and welcomed feature of the Bench-PA approach.

e. In selecting the Performance Indicators (PIs) to cover the services the project sought to capture data on the objective and subjective performance of the services - including service costs; performance and customer/ citizen satisfaction with the services. The cost element appeared to create some initial challenges. To calculate costs in a transparent fashion across the two jurisdictions is both technically and 'politically' challenging but the issues seemed to have been overcome by the decision to focus, for the initial phase of the project, on the Gross cost of services; salary costs and the cost of relevant equipment necessary to deliver the service. Again the decisions taken by the project team are both sensible and acceptable practice in these matters. While the data and consequently the indicators will improve over time the initial phase of the project in this area can be judged as a success.

f. There was good awareness among the team of how the data that has been generated will be able to be used by a range of stakeholders – citizens, service managers and elected politicians. The different stakeholders will use the data for different purposes – accountability for citizens and politicians and improvement for managers. This element of the project is very similar to the Scottish project and is a recognized good practice feature of a public benchmarking system. Generating data that has multiple subsequent functions is important as serving the needs of a wide range of stakeholders will be important to the future development of the Bench-PA benchmarking approach.

g. The IT platform developed by the project team is an extremely useful tool and has many high end functionalities necessary to operate an effective benchmarking analytical and reporting tool. The tool operated impressively as a core data base for the PI data and was very well designed to meet the needs of the project. The clarity of layout of the data, the logic to its presentation aided the ease of understanding of what a practitioner may be able to achieve in using the tool. Each indicator is properly coded, named and categorized with a description of what the indicator covers clearly displayed plus, where appropriate, the formula for calculating the indicator also clearly displayed. In summary the technical functionality of the tool appears to be well thought out and planned and should meet the needs of different users of the system. The team are to be commended in this area of development.

h. In addition the tool was able to generate clear graphical representation of performance against each indicator. The ease with which the data for an individual municipality can be compared with relevant others is impressive - especially the ability to pick out municipalities where the socio demographics of the populations or the topographical nature of the areas are similar. Again this will aid use of the tool and add some real value to service managers as they seek to understand their service performance in comparison with relevant other municipalities. It will also aid communications with other stakeholders who may be less comfortable with or lack understanding of numerical data.

The quality and range of graphics generated (from spider charts to straight forward histograms) through the tool was impressive. This will aid users in making sense of what the data can now tell them. It will make it easy for different audiences to engage with the data in ways that they can then make sense of the information.

i. The display of customer satisfaction data was something that adds real value and coupled with the financial and performance data will help managers understand performance in the round better and plan improvements that meet the needs of the service while being able to track impacts on customer satisfaction. Once again this is a highly useful development from the project team. There are issues in the method of evaluating customer satisfaction adopted by the project team but this will be addressed in the next section.

j. Overall the project has developed an impressive approach to benchmarking that is robust but practical; is highly analytical yet easy for the 'lay user' to engage with and which has the essence of developing useful data in the round necessary for understanding the performance of public services. Equally the data and the supporting analytical tool will be of value and easy to use for small municipalities where analytical capacity make be lacking. The ease through which data can be analyzed, pictorially represented and compared across municipalities will make the data readily comprehensible to non technical stakeholders as well as those with a more technical background.

Potential Improvements to the Bench-PA Project

Overall the Bench-PA project has achieved a high standard of project outputs with many of its strengths set out in the above section of this report. On reflection there are some areas were improvements could be considered and new developments could be incorporated beyond the current project lifecycle.

In terms of the cost data some consideration could be given to help the municipalities using the tool to understand cost drivers of services and to compare them across the benchmarking group. In particular understanding the specific needs of the community each municipality serves is important and how those needs drive the service costs of the municipality. For example more deprived communities tend to generate additional costs to some public services and these costs cannot be 'wished away' when comparing performance across a group of municipalities. Therefore building into the project some analysis of the core cost drivers across the range of services and how they impact across the range of municipalities will help in understanding the relative performance of each municipality. Linked to this is the need to continue to develop and gather data so that trends can be established. It may well be that different municipalities performance or service costs will vary depending on where they are in Capital investment programmes in areas such as lighting column replacement programmes. Recognizing the

differential starting points of all the municipalities involved in the project will be important going forward as will the utility of building up trend data for analytical purposes.

Secondly while in most public services the business support costs (services such as human resources/ finance/ legal services etc.) necessary to support 'front line' services are low (on average about 4% of overall organizational spend in Scottish councils), these costs should be factored into the understanding of the front line service cost structure. Variation in the cost and quality of these supports could skew the comparisons across municipalities so understanding the variation in them is important. Equally ensuring that the best quality of business support is available to front line services is important so adding this dimension into the framework going forward will add further value to project stakeholders. Lastly, there is a symbolic element to undertaking the analysis of business support services- it illustrates a willingness to understand and control the corporate or 'bureaucratic' overhead that front line services need to absorb. This in turn puts public services on a par with their private sector counterparts where the cost of the corporate overhead is actively managed as part of the business model.

Thirdly the project could consider the range of services covered in a second developmental phase. Benchmarking has the potential to generate savings through collaboration and shared learning. The potential should be extended to a wider range of services than covered in phase 1 of the Bench-PA project. The benefits of the project should be shared with larger, arguably more important services, such as social care services, wider education services or local health services. If through collaboration and sharing benchmarking data and subsequent practice exchange cost, performance and other benefits can be generated then these need to be a core part of the improvement process for as many public services as possible. So the learning from phase 1 of Bench-PA should be further developed and rolled out to a wider range of services than currently covered by the project scope.

Consideration should also be given to how the insights from the data gathering and analysis will be shared across the municipalities and how they will then make use of that data within service improvement processes. In the Scottish example the benchmarking data is provided to all 32 councils by the IS and the councils then work together in groups that reflect the socio economic basis of their communities, the urban rural nature of the areas the councils serve in order to work together to make deeper sense of the data and identify good practices to drive improvement. The outputs of that exercise feature in internal service planning and improve procedures in each council in order to ensure that the learning gained from benchmarking is built into future service planning, improvement and change actions. Similarly Bench-PA should consider how the outputs from the project will drive change in service practices in the municipalities involved in the project. The translation of insights gained from benchmarking to day to day service improvement actions needs support (often external and technical expertise) to facilitate learning, exchange and subsequent change in practice for the true benefits of benchmarking to be fully realized. If a further stage of the Bench-PA project is to be pursued, consideration should be

given to how municipalities will be supported to make full use of the insights gained via benchmarking in terms of service change and improvement.

The project funders might also wish to consider how the capacity of the small municipalities involved in the project might need to be built in order to capture the full potential of the valuable work to date. The capacity building work may be both technical, analytical in nature to ensure good quantitative analysis skills are available to the municipalities involved in the project. Such capacity may be developed within single organizations or developed as a shared capacity between participating organizations. Equally service panning, improvement and change capacity may also need to be built and or shared across the project partners to truly capture and drive the benefits that benchmarking can bring to the municipalities involved.

The manner in which customer satisfaction has been assessed to date within the project should be reviewed. The deployment through by project of the Servqual methodology will generate a particular form of customer satisfaction data. By its nature Servqual generates data on the immediacy of perceived customer satisfaction with a service. This is not un-useful data and can give service mangers some insights for improvement purposes. However the methodology is weaker at grasping broader community level satisfaction with service or organization outcomes, which by their nature are more diffuse but critically important aspects for public service delivery. Nor will Servqual necessarily account for the broader community level perceptions on the customer satisfaction with a service e.g. the perceived quality of a public service rather than the real quality of outcome. This is often clouded by media perceptions or general public assumptions of low productivity within public services, regardless of the reality of those services. In future the project may wish to consider how it supplements the Servqual data with broader measures of customer and community satisfaction with the services covered by the framework. This could be done via tools such as resident's survey data, citizen or community panel data.

The last development area for any future stage in the project that might be worthy of consideration is in the publication of the project data. In the Scottish example all the benchmarking data is published to allow citizens and other stakeholders such as the media to access and understand the information. The publication of the data serves to support the accountability of councils for their performance to citizens - a core democratic requirement of all public services. Secondly the accountability dimension acts as a spur to improvement as it drives services to improve performance as reported to citizens. Care needs to be taken that all the data are truly representative of the performance of a service and that the different inter related dynamics that affect performance are fully understood and made available to the public. With this caveat in mind, publication of data drives performance improvement. While in the developmental phase it is understandable why the data gathered through the project has not yet been made available to the public, this should be considered for future developments. Publication should be enabled in suitable formats, including online publication, where detailed graphical presentations

of the data as well as improvement actions and shared learning to emerge from benchmarking can be made available to citizens.

Conclusions

The Bench-PA project has much to commend it to date. It is technically proficient, highly engaging and offers a real potential for improvement in the performance of municipal services. If the suggested improvements outlined above are borne in mind for future developments, there is no reason to believe that it cannot continue to evolve and help improve service performance further. That it has been developed to date working with smaller municipalities is commendable and shows that organizational size and scale is no barrier to involvement. As such the framework has the potential to be utilized by a wider range of municipalities across Italy and Austria.

DAVID HARRIS

The Bench-PA Project

The Bench-PA project shows remarkable respect for the critical "lessons learned" from past experience and the very interesting and positive results are ample proof of this.

The analysis of the external context (legal framework, distribution of responsibility for services among different levels of government, etc.) allowed the project team to identify what can be measured and compared in the context of the pilot project and led to the development of multidimensional indicators.

Bench-PA has assured multidimensionality with the inclusion of different categories of measures. The key, broad dimension of outcomes is comprised of measures of quality, appropriateness and effectiveness, while in that of efficiency both economical and technical parameters are considered. The complexities of measuring service costs in a public administration invariably stymies development of useful indicators (In Italy, the use of management control systems – controllo di gestione – has been obligatory in all cities for 15 years, with however extremely limited results). Adding the complexity of deriving common indicators from different public accounting systems might seem an overwhelming problem. The choice of the project team to adopt a pragmatic, "good enough" approach to the development of economic indicators is therefore particularly appreciated. The results speak for themselves. A set of meaningful indicators which allow the interested user to understand the key cost drivers underlying performance results.

Quality indicators reflect both perceived (subjective) and effective (objective) quality. Various categories of end users (stakeholders) have been taken into consideration when developing the set of indicators. Integrating customer satisfaction indicators (perceived quality) into the project is very useful and will allow stakeholders to examine trends and outcomes (impacts) over time.

The software platform is well developed with an easy to use end user interface, and innovative graphical features which facilitate rapid comprehension of complex phenomena.

Next Steps

While everyone agrees on the utility of performance management and benchmarking systems, their implementation often leaves much to be desired. Usually because their management has left much to be desired. Several studies have underlined the difficulty in developing successful performance evaluation systems in the public context[3] due to a formalized, bureaucratic approach rather than a managerial approach, with public managers often adopting what Henry Mintzberg

[3] *Broad, M., Goddard, A. and Von Alberti, L. (2007), Performance, strategy and accounting in Local Government and Higher Education in the UK. Public Money & Management, vol. 27, n. 2, pp. 119-126.*

has called "managing through information" or "deeming". As he wryly comments[4] "People sit in their offices and think they're very clever because they deem that you will increase sales by 10%, or out the door you go. Well, I can do that. My granddaughter could do that; she's four. It doesn't take genius to say: Increase sales or out you go." Most scholars and practitioners agree that the main obstacle to the full integration of performance evaluation in the decision-making of the public sector is cultural. Crucial effectiveness elements, in this sense, are the real motivation of top-management in the development of these systems and the willingness of the leadership to involve the whole organizations.

In the context of the Bench-PA project confronting this difficulty this means adopting a, for want of a better term, "commercial" approach to further development. If Bench-PA is to succeed it will need to "be sold" and not just "be available". Being sold, in the context of a freely-available public good, means identifying the exigencies of key users (the politicians and managers who will sponsor and champion the introduction of the IT platform), and developing specific useful solutions for them. The software product is off to an excellent start with an intelligent, validated set of indicators, a good user interface, and useful graphical features. But this is not enough. Other software products[5] for example allow the user to generate most of the key documents called for by current Italian legislation such as the three-year performance plan, the yearly development objectives, the end-of-year performance analysis, and so on. In the cost-benefit equation this means that as well as allowing managers to measure their performance (long-term strategic added value), they will obtain an immediate return on their investment (time, training, organizational adjustments, etc.) in immediate operating added value. In other words, as stated in the introduction, they will be able to connect strategic and operational management.

One area of improvement for the Bench-PA software is data validation and verification. At present the database is populated via manual data entry without any validation or control system. This of course introduces the likelihood of casual transcription errors as well as the possibility that unscrupulous operators will knowingly insert false data. As Ronald Reagan once famously said to Michael Gorbachev (referring to nuclear disarmament): Trust but verify". And when performance results, as measured by benchmarking indicators, are correlated with yearly bonuses, this phenomena is not to be discounted. Data used to calculate the performance indicators should be obtained from pre-existing databases, which are populated in the course of everyday activities, thus reducing both the cost of data production and the possibility of data error. It would therefore be useful for the project team to develop connectors which extract data directly from the existing databases .

The Project also need to address the issue of "low-hanging fruit". The service domains examined during the preceding phase of the project are valid and important, but they are not the economic drivers of city services. Those, of course, are educational and social services which typically represent the lions' share of the budget. It would be extremely useful to analyze and include these services in further development. One of the constraining factors was that these services are carried out by different entities (not cities) in the participating countries. This however should be

[4] *Mintzberg, H. (2009) Managing, Prentice-Hall, USA*
[5] For example "PerformPA" developed by the Fincoms group

considered an opportunity for future development. The project team could work toward developing standard, measurable "elementary service units" which enucleate key elements of educational and social services, along with their relative indicators. If they are successful, these "service units" will be independent of the organization which manages them, thus allowing us to compare quality and efficiency even when the competencies are distributed among different levels of government. This would be a major advance in benchmarking which would allow countries to improve the basic design of service models.

Conclusions

As the European Union makes further strides to realizing the ideal of an ever closer union, it is clear that the residents of cities sited on both sides of national borders will progressively think of themselves as European citizens. One of the inevitable consequences will be for them to ask why are services better (or worse) in towns just across the border and then to demand redress. Claiming national differences can only be a stopgap measure as the Union' subsidiarity principle[6] kicks in, and European citizens in neighboring towns demand similar services with similar service levels. The Bench-PA Project is a technically sound and innovative attempt to address this problem.

[6] *Article 5 of the Treaty on European Union states that decisions are taken as closely as possible to the citizen and that constant checks are made to verify that action at Union level is justified in light of the possibilities available at national, regional or local level.*