

What can an economic benchmark teach us about benchmarking?

By Professor John Seddon.

Portsmouth City's housing repairs service achieved an economic benchmark: it (with its suppliers) was the first to develop a repairs service that gives tenants repairs on the day – and at the time the tenants want – and this new service operates at half of the cost of the old service. Jaw-dropping, extraordinary and, as I often say, if BT could learn to do that, we'd all cheer.

But when Portsmouth received a visit from the Audit Commission in the latter's dying days, the inspectors downgraded their rating of Portsmouth's service. Portsmouth's leaders were unable and unwilling to show the inspector the things the inspector wanted to see, one of which was active involvement in benchmarking.

Belief in benchmarking

How on earth could Portsmouth have achieved what it did by comparing itself to, and visiting, others? A question that didn't even register with Audit Commission inspectors: they were just doing their job, ticking or not ticking boxes. But it is an obvious truth: you will never out-innovate others by copying them. Why do we believe in benchmarking?

The protagonists of benchmarking, avoiding that

obvious truth, will argue that others should visit Portsmouth now, to learn from the service. So let's see what that might reveal.

If you go to Portsmouth, as I have done, you'd probably start where the customer rings in for a repair, at one of the suppliers. You might have a concern that letting the supplier take the call is not the same as taking the call yourself and then instructing the supplier. After all, you want to control your suppliers, don't you?

The first thing you would see is tenants calling in and being asked when and on what day they'd like their repair done. If you are a conventional repairs manager, for that matter a conventional management thinker, you would think this is going to be costly. Conventional managers think doing what customers want can only increase costs; they think there is a trade-off between quality of service and cost.

If it occurs to you to ask how they have been able to work this way, the Portsmouth managers (council or suppliers) will tell you that they resource with tradesmen to what they know to be the 'upper level of demand', explaining that demand varies, but is broadly stable and predictable and, so to ensure they can meet all

Rarely does seeing something change our view of the world, especially when what we are seeing challenges convention





tenants' requirements, they in effect keep an excess of tradesman resource.

My prediction is that the conventional thinker would gloss over phrases like 'upper level', predictability and so on, being unable to find questions to illuminate something that is foreign and, in any event, the revelation that an excess of tradesmen will have caught his attention and fuelled his assumption that this can only mean high costs.

If your visit then moves on to going out with tradesmen as they go to do the repairs, you would see, first of all, that they always get in (well you would, with excess resource and pandering to tenants) and then you would witness the tradesman calling in to say how long he was going to take to complete the repair.

"You've got to be kidding," would be the first emotional response. This is putting the amount of time spent on jobs in the control of the worker; it could only mean that tradesmen will be encouraged to take their time or spend time drinking tea. If it is a job that requires materials not kept in the tradesman's van, you'll see him call in to order materials and you'll hear him being asked when he'd like it delivered. More control to the worker, this is something like a holiday camp.

The one thing that would get you excited, if your tradesman talked about it, would be the fact that tradesmen now carry much less van stock, saving about 65% of material costs for items carried. It is something you've always believed in; you don't want guys carrying things around that cost money and don't get used.

And then you'd see the tradesman finish the job and ask the tenant if anything else needs doing – and then you'd see him just get right on and do it. No job ticket,

no instructions, nothing. If something needs doing that he can't do, the tradesman will use the call-handlers in the centre to get the right man there to solve the problem during the same visit, meaning less inconvenience for the tenant.

Issue of control

If you are a conventional manager, by now you'd be having a fit of the out-of-control variety. You'd be wondering if the managers have lost their marbles, you'd be very concerned about whether the managers running this service have any control of their tradesmen and their costs. If you engage the tradesman in a conversation about the materials that are being delivered, you may learn that management worries about availability not unit cost; so they will often pay more for things they need at short notice. Unbelievably bonkers.

Maybe, by now, the day is over and you join your colleagues for the journey home. Sharing your observations from the day, someone will at some time realise that the thing missing was the schedule of rates, something all housing repairs organisations use to control costs. But, by now, you are up the road and there is no one to ask about where it had got to.

You all really liked the fact that van stocks were minimised, but you hadn't had the time to find out how they did it; in any event, you think you know how to do that. And as for the claims that this service is delivered at half the cost, you'd be thinking there must be something creative going on in accounts.

What did you see? Maybe the better question is, how did you look? What governed the way you looked was how you thought. This is what happens in benchmarking: we fit what we see into our view of the



world. Rarely does seeing something change our view of the world, especially when what we are seeing challenges convention.

Lessons to be learnt

And what would you do? The best you could do is copy Portsmouth, but you'd be unlikely to do that because you'd have big doubts about it. If you did, you'd probably get it wrong, for Portsmouth's design was based on what it learned when it studied its own system, how do you know you've got the same problems?

The time when a conventional thinker ought to visit, but would never be likely to, is back when Portsmouth's leaders were studying their system, many moons ago. A visit at that time would have been looking in on a roller-coaster of challenges. They would have seen managers admitting they had no real control over their operations, they would have seen emotional responses to the discovery that management's measures were part of the problem and they would have seen managers realising that focusing on the productivity of the tradesmen was to focus on entirely the wrong thing.

It would have been to witness a maelstrom, a veritable whirlwind of activity, revelations, epiphanies, painful realisations shameful confessions and, eventually if you hung around, massive enthusiasm coupled with renewed energy to do some 'radical' things which, by the way, no longer seem radical.

You might have been inclined, if you were visiting at that time, to ask them why they had no plan; they'd have replied the only plan was to get knowledge. Clearly bonkers, not proper management.

If you had stuck with them through their process of getting knowledge you would

have seen, as they did, that more than half of the demand into their repairs centre was failure demand. Not a problem understanding that idea and you'd have been inclined to think this was because the people were not doing as they should – and you'd have been wrong about that. But obviously this is a crap service.

You'd have seen managers taking measures of the true end-to-end time it takes to effect repairs and you'd have seen them almost cry to discover it was an average of 50 days and could predictably take much longer. More proof that this was a crap service. But would you have reflected on the fact that you have no knowledge of either failure demand or the true end-to-end time it takes you to deliver your service?

You'd have seen managers discover that one job can become a whole series of jobs in the target culture. Fixing a broken window could mean boarding up (meeting the emergency target) then glazing, carpentry, plastering and painting – all treated as separate jobs (and all meeting their targets).

You'd have seen managers discover how the bonus scheme drove the tradesmen to optimise their own pay-packets, not the same as optimising the service. And you'd have learned how the schedule of rates drove costs up: what was recorded at the front end was not what was needed in the repair; it led to a cottage industry of paperwork (all changes to the specification had to be signed off). And the most shocking discovery that properties were repaired on the first visit less than half the time.

But would you have reflected that these are the very things you need to learn about your own system? Or would you have assumed that they were

known or not a problem?

You'd also have seen the Portsmouth managers learn how to study the things they needed to know to design a better service: the predictability of demand from the properties, this enabled them to know what trades' expertise they would predictably need; the predictability of materials usage by individual tradesmen, this enabled them to strip the vans back to only what was predictably needed; the cost of materials in the system in total terms, including storage, losses and availability, which taught them that the cost of materials is concerned with time, not cost, and should be managed that way. And so you would have witnessed the development of the better philosophy, developed through getting knowledge.

And if you had been able to follow all of this, you would have understood that Portsmouth's system is designed for perfection. The design absorbs the variety of demand (something the schedule of rates doesn't do and the reason it drives costs up) and costs fallout because the system is much better at achieving its purpose: completing repairs on the first visit.

Benchmarking is the fastest way to mediocrity

Deming taught us that benchmarking is copying without knowledge; it is risky and more likely to cause losses rather than gains.

Taiichi Ohno taught us that

benchmarking is looking in the wrong place. As the managers in Portsmouth learned, everything you need to know is in your own system – you just need to learn how to look.

Going back to Deming, he made much the same point: "Managers know everything there is to know about their business, except how to improve it." To improve it, you need to learn to see things you can't currently see.

While the Audit Commission gave Portsmouth the thumbs down (and just one reason why we should be glad it is being closed down), Gary Hamel, uber-guru, gave Portsmouth's leader Owen Buckwell an award for innovation: <http://www.managementexchange.com/blog/m-prize/announcing-m-prize-winners-audacity-imagination-experimentation>.

ABOUT THE AUTHOR

John Seddon is a visiting professor at Derby and Hull Universities. John has received many academic honours for his contribution to management science. John is leader of the Vanguard organisations. www.systemsthinking.co.uk.

