

# Put a Positive Spin on Benchmarking

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Benchmarking in and of itself does not change outcomes. We would typically see it coupled with terms such as “to identify best practices,” “creating success factors,” or some other verbiage to make sure that the message is not simply benchmarking, but is also using the information to improve the position of those working the numbers. There has undoubtedly been a lot of benchmarking in the automotive and banking industries over the years, and the recent economic outcome was not very favorable. Healthcare has its share of benchmarking as well, and one can’t help but wonder if perhaps all this actually causes some organizations to head in the wrong direction by following the wrong “leader.” Most of us would probably agree that we do not want to follow the same path as the automakers and financiers whose industries are ending up with significantly more governmental intervention.

No, this article is not advocating for the elimination of benchmarking or performance measurement. It suggests that we look at the big picture to make sure organizations are on the right track. It also suggests examining issues from every conceivable angle to gain as much insight as possible into an issue. We benchmark so we can see our origination point and to measure the progress we have made over time.

For supply chain leaders, take a simple internal benchmark like the number of special order line items/non-item master items, as a percentage of total purchase order lines. The premise is that the more special items that are ordered in your organization, the less cost control you have because tracking against contracts in your Materials Management Information System (MMIS) is likely gone. Now, for those readers looking for chinks in the armor, there are

plenty. For example, we need to know how much activity is going through a procurement card/credit card system and also the check requisition process, bypassing the MMIS. So that starts another set of benchmarks. We should be plotting scatter diagrams of multiple factors like SCMetrix™ does so well and never look at just one piece of data by itself. There are always multiple influences of successes and failures when you break it down.



Trending is a very basic process and powerful tool used during benchmarking. Establishing the base by which you show a trend is a benchmark itself.

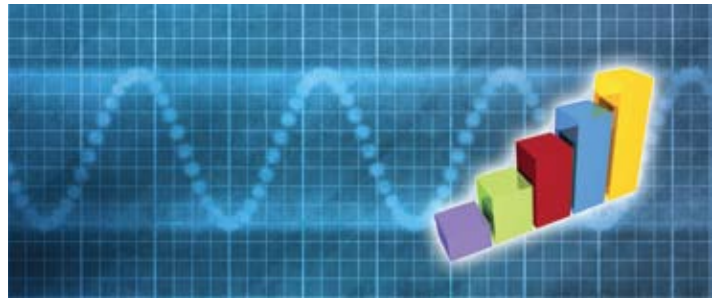
Keeping a positive attitude about benchmarking is important. People tend to focus on negative benchmarks. The reality of benchmarking is that it’s the “bad stuff” we are trying to find and change. It may be the negative focus that causes people to find the subject unappealing. Organizations may be better off if the opportunities for change are found in the most productive and positive manner possible. For example, it may be more advantageous to work towards the percent of purchase order lines with item master items being over 80% rather than the percent of non-master item line items being below 20%.

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Trending is a very basic process and powerful tool used during benchmarking. Establishing the base by which you show a trend is a benchmark itself. We trend to show the direction of development over time and to show if performance is going in the right direction. Trending will also show inconsistencies of data, outliers as well as good and poor performance. Value is gained when a data point falls out of line, a root cause is identified, and irreversible corrective action is put in place. If you're tracking, you can trend. If you trend, you can hone in and work the area that needs attention.

Beware of the the pitfalls of benchmarking. I am aware of an organization that significantly increased its productivity on paper when its MMIS recently changed. The majority of its inventory items were changed to the lowest unit of measure. For example, lap sponges in the operating room (OR) were previously stocked and issued by the case. If the OR ordered four cases, the storeroom personnel were credited with issuing four items. During the planning for the new information system, the entire process was reviewed from the OR information system to the staff productivity. They determined that to be effective at monitoring unit prices as it may relate to preference cards, or to facilitate the development of a perpetual inventory, that the items must be split off into each unit of measure. The productivity of storeroom staff shot through the roof by simply changing the tracking of storeroom items issued to lower units of measure. The four cases that were issued before became 200 after the conversion with no real change in productivity. This could easily take a low to median performer and move them to top quartile or better, without a true change in productivity. So if you are trying to look at performance improvements in this case, your benchmark is going to be set at a new point in time, and your comparison group will need to change to those whose methodology is similar to yours.



Using tools that can find those outlier metrics is important to your success in sizing up the data. SCMetrix™ is considered more of a comprehensive performance measurement tool than a simple benchmarking product. It is the very type of product that our healthcare supply chain needs. Healthcare materials managers and CFO's have long been asking for an unbiased effort to be able to compare ourselves against others across the country. I have heard about the need from my peers at AHRMM conferences for years and now it has come to fruition. As the product evolves and continues to improve and gain traction, we really need continued support of the healthcare institutions to provide the critical mass to sustain this product for years to come. If you are not part of the solution...(you know the rest of the phrase!)

We all try to identify best practices and assist our organizations in becoming stronger. That's why we network as we do, attend the AHRMM annual conferences, and get involved in the regional/state chapters. Look around you, the ListSers are hopping, the educational opportunities are increasing and getting better, and you have an opportunity to be a major part of keeping healthcare in this country strong for decades to come. Don't stay on the sidelines. ■

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