

Benchmarking Operations

Imagine two professional baseball teams. One team measures every aspect of every player's performance – the number of at bats; number of hits, walks, and strikeouts; batting averages against right- and left-handed pitchers; slugging averages; and fielding percentages. They also measure each pitcher's earned run average, number of base on balls, strikeouts, wild pitches; and so on. The other team decides it's too much trouble and keeps no statistics whatsoever.

These two teams will meet each other twenty times a season. While well matched in player talent, hustle, and desire and though each team possesses competent management and coaching, one team dominates the other season after season. Would anyone be surprised to discover which is the dominant team?

As everyone knows this example is ludicrous because every baseball team measures players' performance and uses this information to make crucial game decisions. What is it that baseball managers understand that some club managers don't seem to grasp? The fact that everything in life follows patterns. When patterns are tracked and analyzed, they can be used to predict future performance.

Benchmarking, the act of measuring and analyzing operating performance, seeks to understand the patterns underlying a club's operation. Reasons to benchmark include:

- Establishing the baseline or 'benchmark' of existing operational performance.
- Comparing future performance to the benchmark.
- Establishing realistic performance goals for future periods.
- Comparing a particular period's performance with past periods, other similar operations, or the industry as a whole.
- Identifying under-performance or best practices.
- Improving the accuracy of budgets.
- Forecasting business levels.
- Measuring member response to new products/services and initiatives.
- Providing hard numbers to support decisions and requests for additional resources.
- Establishing the condition of the operation when a new manager assumes charge.
- Establishing parameters for bonuses and other performance-based incentives.

A club manager, like the pilot of a plane or the captain of a ship, needs to know that all systems are operating within desired parameters. How will he or she know without detailed measures of performance? The club's monthly operating statements provide good basic information, but these summary numbers can mask troubling trends within the operation. For instance, higher food revenues can be a result of less patronage, but each member spending more because of higher menu prices. The manager is happy with the higher revenues, but is blissfully ignorant of declining member usage.

Benchmarking is best accomplished by club department heads who have bottom line responsibility. They have an absolute need to know and understand the underlying factors that affect their revenues and expenses. Each department head will need to decide what are important data to track. Most performance measures will fall into the following broad categories.

- Revenues, both aggregate and by type
- Expenses
- Inventories
- Retail sales mix to determine buying patterns of members

- Processes to track specific tasks or events

Most of the raw data necessary to benchmark comes from point-of-sale (POS) reports. Much of the lode of daily information gets looked at briefly by department heads or the accounting office and is then filed away, rarely to be seen again. The real value of this information comes from tracking it over time to determine trends by day of week, week to week, month to month, and year to year. This makes it necessary for managers to pull the daily information from POS reports and enter it into spreadsheet software.

Even without sophisticated POS systems, benchmarking can still be done. Cash registers offer a fair amount of data, but state-of-the-art POS systems provide the most information and the greatest flexibility of reports. Despite these reports, it is still necessary to transfer daily data into electronic spreadsheets that allow archiving of data for future analysis.

A few caveats:

- There are as many aspects of an operation to measure as time, resources, and ingenuity will allow. Focus on those most critical to a department's operation.
- Data used in benchmarking must be defined and collected in a consistent manner.
- When comparing data, always compare like to like.
- Ensure benchmarks measure practices and processes with only one underlying variable.
- Do not draw conclusions from too small a sample. The larger the sample, the more accurate the conclusion.
- When two pieces of data are compared to generate a benchmark, both a small sample size or extreme volatility in one or the other, can skew the resultant benchmark.

Benchmarking is not complicated, but it does require organization and persistence. It is best accomplished by setting up routine systems to collect, compile, report, and analyze the information collected. Like a baseball team, the knowledge gained by benchmarking will bring a club to the top of its game.

Ed Rehkopf, Club Resources International