



JOBS AUSTRALIA
NATIONAL CONFERENCE

27-28 MELBOURNE
AUGUST 2014

Andrew Benoy & Sandy Forbes
Nous Group

Benchmarking Best Practice

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Our presentation will cover four key areas

1. Evolution of our approach to benchmarking
2. Overview of process
3. Potential benefits
4. Practicalities and proposed timelines

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The cost and quality of back-of-house functions directly affects capacity to deliver services to clients

- Organisations that deliver their administrative and support functions efficiently can spend more on front-of-house service delivery
- High quality administrative and support services free up staff to spend more time helping their clients and less time dealing with cumbersome back-of-house functions



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graph LR
    A[Benchmark back-of-house functions] --> B[Measure cost and quality, share good practice & identify improvement opportunities]
    B --> C1[Improve back-of-house service quality]
    B --> C2[Reduce back-of-house cost & reinvest savings]
    C1 --> D1[Better supported program staff]
    C2 --> D2[Better program resourcing]
    D1 --> E[Improved job-seeker outcomes]
    D2 --> E
  
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The diagram illustrates a process flow starting with 'Benchmark back-of-house functions' (orange box). This leads to 'Measure cost and quality, share good practice & identify improvement opportunities' (grey box). From this step, two parallel paths emerge: 'Improve back-of-house service quality' (green arrow) and 'Reduce back-of-house cost & reinvest savings' (green arrow). These lead to 'Better supported program staff' (blue arrow) and 'Better program resourcing' (blue arrow) respectively. Both of these intermediate steps lead to the final outcome: 'Improved job-seeker outcomes' (red box).

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We have worked with NFPs since 2008 to conduct back-of-house benchmarking

- Community sector has historically lacked comparative data on the cost and quality levels across NFP sector
- In 2008, twelve Victorian NFPs engaged Nous Group to investigate the feasibility and potential benefits of benchmarking back-of-house functions.
- Feasibility study identified potential performance improvement dividends of 2% through reduced costs or increased quality from benchmarking

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These 12 NFPs commissioned Nous to conduct the three year NFP Benchmarking project

Final year report (10/14)

Project website

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We have refined our approach nationally

- Queensland**
 - Individual project with a large disability provider
- New South Wales**
 - Online benchmarking project with 100+ small to large disability NGOs
- ACT**
 - Current discussions with ACT Government and local CSOs
- Victoria**
 - Three year NFP Benchmarking Project
 - Individual project with large disability CSO

Western Australia

- Currently working with one of WA's largest NFP aged care and retirement village providers



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To date we have benchmarked 7 back-of-house functions

Function	In-scope service areas
HR	<ul style="list-style-type: none"> • Recruitment and selection • Performance management • Training • OH&S • Workplace relations • Management services
ICT	<ul style="list-style-type: none"> • Management services • Communications services • Helpdesk services • Base IT environment • Applications support, operations & maintenance • Public internet site • Building new or enhancing existing ICT capability • Back up • Disaster Recovery



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To date we have benchmarked 7 back-of-house functions

Function	In-scope service areas
Finance	<ul style="list-style-type: none"> • Financial accounting • General ledger and asset financial management • Tax activity • Grant and donation management • Management accounting • External reporting and financial governance • Investment management
Payroll	<ul style="list-style-type: none"> • Payroll services • Salary packaging
Fleet	<ul style="list-style-type: none"> • Fleet provision and management
General admin	<ul style="list-style-type: none"> • Office reception, coordination and support
Facilities	<ul style="list-style-type: none"> • Property management • Repairs, maintenance and utilities



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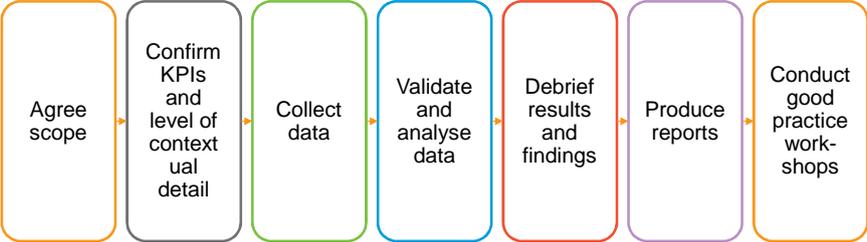
We have also looked at the costs of funding compliance

- The NFP Benchmarking Project benchmarked activities related to compliance for DHS (Vic) and DSS funding agreements
- Benchmarking compliance had several challenges:
 - Reaching consensus on the motivation for measuring compliance (e.g. is it to improve performance or support advocacy to government)
 - Agreeing the scope of the compliance activities
 - Measuring staff effort that is dispersed across back- and front-of-house staff (e.g. reporting)
 - Distinguishing between activities that constitute compliance versus business as usual (BAU) quality improvement
 - Differing views about whether compliance is the cost of being in business versus an additional burden that could be reduced with improved monitoring.



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The benchmarking process has several key stages



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graph LR
  A[Agree scope] --> B[Confirm KPIs and level of contextual detail]
  B --> C[Collect data]
  C --> D[Validate and analyse data]
  D --> E[Debrief results and findings]
  E --> F[Produce reports]
  F --> G[Conduct good practice workshops]
  
```

1. Agree scope
2. Confirm KPIs and level of contextual detail
3. Collect data
4. Validate and analyse data
5. Debrief results and findings
6. Produce reports
7. Conduct good practice workshops


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Benchmarking has enabled organisations to identify and implement improvements in service delivery practices

Function	Change in practice
Overall	<ul style="list-style-type: none"> Introduced performance pay tied to key performance indicators (KPIs) for function managers
HR	<ul style="list-style-type: none"> Restructure of HR function to report directly to CEO Centralised recruitment policy while decentralising recruitment Renewed focus on formal performance management Centralised coordination and procurement of training delivery Introduced self-directed online learning for non-technical learning
Payroll	<ul style="list-style-type: none"> In-housed overall payroll function Out-sourced salary packaging management Automated payroll systems Increased electronic and mobile timesheets and rostering


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Improvements in service delivery practices [Continued]

Function	Change in practice
Fleet	<ul style="list-style-type: none"> Transitioned to different fleet management model Decreased overall fleet size Downsized vehicle size Implemented strategies to increase utilisation such as sharing vehicles between sites Transitioned Executive vehicles into pool during business hours
Finance	<ul style="list-style-type: none"> Centralised Accounts Payable functions Invested in additional capability in management accounting function
ICT	<ul style="list-style-type: none"> Increased investment transition to Citrix and thin clients Shifted overall ICT spend from hardware to global applications and mobile technology Increased investment in applications with mobile functionality



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The benefits of benchmarking increase over time

Stage 1 - Understand drivers and change internal attitudes

- Better understand drivers of cost and quality for their back-of-house functions for the first time
- Increase transparency and visibility internally around how back-of-house functions operate
- Shift attitudes away from viewing back-of-house functions as 'administrative burdens' to key enablers of efficient and effective client service delivery



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The benefits of benchmarking increase over time

Stage 2 – Improve data quality and increase efficiencies

- Broaden and deepen understanding of back-of-house functions
- Make more informed decisions about significant changes to back back-of-house service delivery
- Proactively manage fixed costs for back-of-house services in the context of highly variable revenues
- Increase quality of back-of-service delivery



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The benefits of benchmarking increase over time

Stage 3 - Develop internal strategic partnerships

- Develop internal partnerships with service delivery functions that align directly with needs of the organisation
- Establish clear expectations about back-of-house service delivery levels
- Embed benchmarking KPIs into regular management and board reporting
- Set differentiated and evidence-based targets for back-of-house services



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Working with other organisations to benchmark can also foster much greater communication and collaboration

- Some of the key benefits from the collaboration between the 12 organisations in the NFP Benchmarking project include:
 - Increased trust to work collaboratively on those areas where collective power increases the return for all (e.g. using group purchasing power)
 - Joint advocacy activities regarding cost of compliance
 - Active communities of practice across each function to identify good practice and where the best return on investment is likely to be found
 - Exploration of co-operative projects (developing better IT systems, using group purchasing power etc.)



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Quality benchmarking outcomes require direct and indirect investments by each organisation

- The time required can range anywhere from one to several days for each back-of-house function – depending on the:
 - Size and complexity of the function
 - Extent to which costs are stable over time
 - Type of systems and processes already in place to track costs, outputs and outcomes.



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Organisational data is protected by strict privacy protocols

- De-identification
- Restricted data storage
- ‘Chatham’ house rules
- Approval prior to release of data publicly



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The proposed project will likely begin next year

Month	Milestone
October 2014	<ul style="list-style-type: none"> • Confirm benchmarking consortium members • Conduct initial briefing meeting • Scope benchmarking of compliance
February 2015	<ul style="list-style-type: none"> • Meet with CEOs and senior teams to confirm objectives • Brief data collectors • Data collection commences
March 2015	<ul style="list-style-type: none"> • Cleanse and analyse data
April 2015	<ul style="list-style-type: none"> • Meet with organisations to debrief findings identify existing strengths and opportunities
May 2015	<ul style="list-style-type: none"> • Conduct best practice workshops for each function
June 2015	<ul style="list-style-type: none"> • Brief boards and CEOs of key findings



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Benchmarking investment

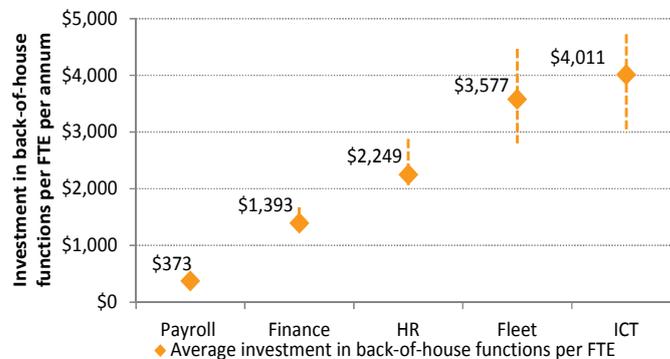
- The cost per organisation to benchmark 5-6 back-of-house functions will range from \$15,000-\$20,000 p/a – depending on the number of partner organisations that participate each year.



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NFP Benchmarking Project organisations spent on average \$12,287 per FTE on back-of-house services in FY 2011/12

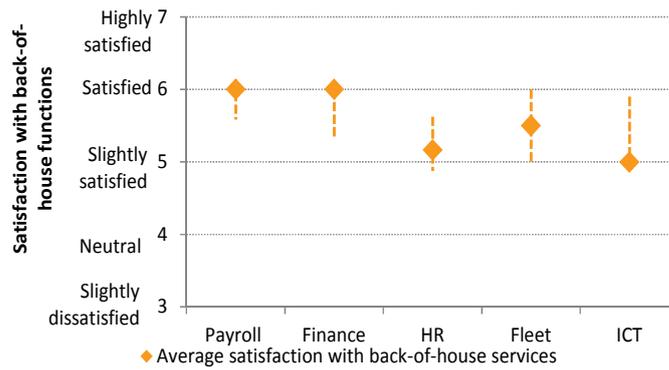
Figure 1: NFP investment in back-of-house functions per FTE





Staff satisfaction across services was variable

Figure 2: Staff satisfaction with back-of-house functions*



*Staff satisfaction was gauged through a survey. Further information is provided in Appendix B.