



When should I use industry benchmarks and when should I set my own standards?

On assignment with one of the largest CCRC organizations, I was asked that question, along with “What benchmarks should we use to compare our costs?” I was cautious not to provide a specific answer or standard due to a vast number of variables. If the question was “How should we be comparing resident satisfaction?” it would be easier to answer. Even comparing health inspection results would be relatively straightforward— but cost is a mixed basket of fruit and is not easy to meaningfully compare.

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The Fruit Basket Approach

to Evaluating Benchmarking

by | *Wayne Toczek*

All things being equal, benchmarks are good tools to determine where your operation falls in comparison to others. Beware—are you comparing apples to apples or are you comparing apples with, let's say, grapefruit? What should you, the director, do when you are instructed to explain or adjust to meet the benchmark? Benchmarking with customer satisfaction is played on a reasonably level field when comparing the answers to the same questions administered by the same organization. Customers can be very satisfied and very unsatisfied.

What about looking at financial data—Is your cost per meal higher than the average cost? Does your labor exceed the average, or what about your productivity? How do you react or explain the variance based on the data produced by the accounting firm that is sharing state averages or industry standards? For starters, it is good to determine how you compare before you start breaking down the variables. Banks love benchmarks for determining the viability of the organization. They have formulas and allocations for extracting whether the organization is on the high- or low-side of the industry. The variables range in all areas from food cost, labor, services provided, and supplies. Within all these areas are even more variables, depending upon the type of foodservice business you are operating.

So how do you begin to attack this puzzle of financial benchmarks to determine if it is valid or not? Is it a comparison of the same fruit or a mixture? If you are comparing apples, are they all Granny Smith or are some Yellow Delicious?

You should make sure that what is being measured is the same—that all participants are using the same criteria to input data—before you begin comparing your operation to a benchmark. Imagine using a food cost per meal benchmark to compare a fast food service, full service restaurant, and a casual buffet. There are so many variables in this scenario that comparison would be meaningless. If you upscaled your dining program to achieve a better census, is the benchmark still relevant? Probably not, but you need to do a little detective work to be sure.

With the experience of dozens of sales surveys and proposals for contractors, I personally would not use a benchmark as a way to develop or evaluate a program. I base it on the vision and then what it takes to deliver that vision based on assumptions, styles, and other variables. In reality, you are setting the benchmark and measuring annually against the prior year. Historical data and trends particular to the operation typically provide more reliable comparative information than benchmarks because the variables have been neutralized.

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Apples to Apples: Food Cost

When dealing with food cost the common formula of cost per meal or per day can help make the data comparable, right? Well, sort of. Here are some common pitfalls that can skew the numbers:

How are meals counted? How complex is the menu—non-select, selective for some or all, restaurant style? Do all benchmark participants belong to the same GPO with little else in common? Are participants all members of a CCRC chain? Do you or some of the participants have a religious affiliation, such as Kosher or Seventh Day Adventist, that could skew the comparison to those who don't have the same affiliation? Do all participants account for all food that leaves the department, such as food supplies to healthcare units, in the same way? Does staff eat free? If the answer is yes, are these meals recorded as meals? Are your portion sizes the same as the benchmark operation? Do you have to use more prepared food items because you lack the equipment or trained staff to produce from scratch? Any combination of these factors can result in a very appropriate food cost for your operation that is anywhere from the "magic benchmark" to the highest cost in the group being compared.

Oranges to Oranges: Labor Cost

Now that we know how difficult it is to equalize variables when comparing food cost, let's explore what we need to know to meaningfully compare labor cost. Though there are not as many variables in labor hours, here are a few questions to answer in response to your boss's question. If you are comparing meals per man hour, how are meals counted and are the labor hours productive hours or total hours paid? Is your operation a union shop while others are non-union, or vice versa? What is the skill level of your staff?—do you have a chef and well-trained staff and are comparing your operation to one with less skilled labor using primarily prepared foods? Are you comparing a central kitchen supporting a community to one that has a completely separate kitchen staff, menu, and inventory to serve various customers? Does staff from other departments assist in the service of meals at your operation or theirs? How do your hours of operation compare to others? Is it fine dining that is open all day or just for dinner? Are breakfast, lunch, and dinner served in multiple dining venues or are meals delivered to healthcare units and everyone else eats in a single dining room? Buffet line or waitstaff service? Any combination of these factors can result in a very appropriate labor cost for your operation that is anywhere from the magic benchmark to the highest cost in the group being compared.

Pears to Pears: Meals

Regarding meals served, who is counting what and what is considered a meal? Is a single cup of coffee and doughnut a meal, or do three coffees and doughnuts equal a meal? Are catering dollars converted to meals? Do cookies and coffee for 150 people equal 150 meals, or do you have a meal equivalent factor to determine meals? Now the million dollar question: do others participating in your benchmark group have the same meal equivalent factor? If not, comparer beware!

You'll want to answer a number of questions in order to determine accurate labor costs for your foodservice operation.

Peaches to Peaches: Salary

Though compensation for dining services directors is not benchmarked per se, when seeking a new director, the salary paid is often compared to dining services directors at nearby competitors. Human Resources departments often try to make the dining services director salary fit on the same scale as other directors, aware that moving it up might infringe on the compensation territory of executives. Managed volume, number of residents or customers, and total meals served are often used to group "like" operations. These generic measures can be misleading.

When seeking a new dining services director

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Before falling into this trap, make an honest assessment of the responsibilities of your dining services director. Are the majority of meals prepared for a single customer (i.e. health care) or do you serve multiple customers daily (i.e. health care, assisted living, independent living, staff, visitors, catering for residents and community organizations, etc.)? If your compensation package for the second example is less than twice that for the first, you are setting yourself up for disappointment.

How many small businesses does your dining services director operate? The number of different service types, as well as service locations, plays a part in determining this

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number. How many regulatory agencies review services provided by your dining services department—local and state health departments, department on aging, child nutrition, etc.? Each one requires an additional level of expertise that should factor into your compensation formula. Now, contrast the responsibilities of your position with those you are comparing it to and establish a fair compensation package for your specific position.

Be skeptical about any benchmark that is not clearly defined, given the number of variables. Take a hard look at your dining services operation. Are you maximizing the opportunities offered by your GPO? Look in your garbage cans—are you managing production effectively? Review service records—are you serving replacement items to a number of customers? Take action to correct the problem if you are. Is your staff busy or standing around discussing who will win the Super Bowl? Are you meeting your budgeted goals? Your best bet for optimal financial performance comes down to six steps:

1. Create your vision.
2. Study benchmark data.
3. Zero base a budget to achieve your vision.
4. Develop and implement systems needed to achieve your goals.
5. Monitor your progress and take intermediate action as indicated by observations.
6. Enjoy your achievement and share how you did it with others.

In a Nutshell

Don't ignore benchmarks, but don't follow them blindly or let them interfere with achieving the dining services goals that will make your operation the benchmark for best value for customer service and satisfaction. **DM**

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Setting Up Zero Base Staffing

Set up a grid for all positions and begin filling in information. Start with meal times, lunch breaks, and other breaks. Then add tasks in one hour blocks or half hour blocks. This can be set up on a computer or on poster board that has ghost line blocks. Once this entire staffing grid is complete, you can easily create individual job sheets, but keep the large grid as a working plan. Look for down time and overworked positions, determine whether breaks make sense and if someone is always in the kitchen, and address other critical tasks.

Position Name	6 am	7 am	8 am	9 am	10 am
AM Cook	Clock in, begin breakfast production		Breakfast service		
AM Aide		Clock in, set up meal area		Break down	
AM Waitstaff		Clock in, brew coffee, set tables		Clear dining room	

The goal of the grid is to provide a way to see everything being done in a day and evaluate the validity of tasks. When managers and supervisors complete this grid, they learn a lot and are often surprised at how long certain tasks take for staff to complete versus how long they think these tasks should take.

For example: Breakfast starts at 7:30 and the a.m. cook comes in at 5 a.m. What is accomplished in 2.5 hours?—water boiled for cereal, bacon in oven, and eggs on the grill. You may see that this person can arrive an hour later and still meet the timeframe ...plus there is more time to actually see the position working versus the employee working alone in the kitchen for 1.5 hours before management arrives.