



The application of benchmarking in public sector – Lessons from Germany

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ABSTRACT

This study aims at evaluating the usefulness and exploring the problems/challenges and potential improvements of the application of benchmarking in German public sectors. It is a conceptual paper or literature review that discusses how benchmarking is adopted in Germany. The data is mainly collected from secondary sources i.e. articles, scientific research, non-governmental studies. The study uncovered that benchmarking application in a federal country has a peculiar challenges and problem that hindered an optimal utilization and benefit of the benchmarking adoption. Thus, lessons learned can be obtained for other countries in developing benchmarking in their administration.

Keywords: benchmarking, public sector, German

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1. Introduction

In today's highly competitive market, rapidly changing global economy organisations have been encouraged to consider, and in many situations adopt or implement, a wide variety of innovative management philosophies, approaches and techniques (Dorsch and Yasin, 1998). Public-sector organisations are no different. Therefore, since a decade ago benchmarking has been used broadly by public sector around the world including in Germany.

The application of benchmarking in public sector can be associated with the worldwide public sector reform under the term of New Public Management (NPM). The NPM focuses on lessening or removing the difference between public and private sectors by moving public sector practice closer to private sector practice, thus shifting the emphasis from process accountability towards a greater accountability in terms of outcomes and results (Hood, 1995). However, "technical problems, scepticism about usefulness and the appropriateness of transferring putative private sector competencies into public administration and the resistance in accepting organizational change as a necessary consequence of benchmarking exercises in the public sector, prevent the widespread acceptance and use of benchmarking in public sectors" (Kouzmin et al, 1999: 121).

Recently, German government has enacted Art. 99 d GG in 2009. This law can be seen as a form of the government objective to adopt benchmarking as an important evaluation device for public sectors. It encourages the application of benchmarking in Federal (*Bund*) and States (*Länder*) administrations level. However, some studies that evaluate the implication of benchmarking in German public sectors have found mixed results. In other words, German public sector benchmarking is

not convincing enough as a new performance instrument of public administration.

Therefore, this paper aims to give an overview of German public sector benchmarking and to evaluate the usefulness of the application for improving public sector performance in Germany. First, it discussed the background and the characteristics of benchmarking in German public sector. Second, it evaluates some main quantitative based-researches that have been conducted to evaluate benchmarking projects in German public sector in their early stage. Following that, a case based study of relatively successful benchmarking application Berlin boroughs is presented and discussed. Thus, in the last part of this paper, some recommendations for better benchmarking applications in German public sector are proposed based on the analysis of Berlin boroughs benchmarking and other empirical studies.

2. Benchmarking in Germany Public Sector

Benchmarking has been used in private sector since 1979. It was Xerox Corporation, a copier machine firm, which first developed this management tool. Xerox has used benchmarking to increase efficiency in its warehouse function and thus to win the competition with Canon low price copier machines (Horvath and Hertet, 1992 as cited in Kouzmin et al, 1999). It investigated the warehouse facilities of L.L Bean, a non-competitor to the photocopier industry, and learned about the superior picking practice from the company (Dorsch and Yasin, 1998). Thus, benchmarking can be defined as "*der Prozess der Definition, Messung und Erreichung des Benchmarks, d. h. ein kontinuierlicher Überprüfungs- und Verbesserungsprozess, bei dem sich eine Organisation mit Fokus auf bestimmte Objekte*

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anhand verschiedener Kriterien innerhalb der Organisation, mit externen Partnern oder gegen Standards vergleicht, um daraus zu lernen und besser zu werden“ (the process of defining, measuring and achieving benchmarks, i.e. a continuous review and improvement process in which organization, with a focus on specific objects based on various criteria within the organization, is compared to other organization or standards that enable the learning process for improvement of the organization) (Scheer, 2000: 4).

Moreover, the development of benchmarking in public sector administration has been linked to an international reform trend under New Public Management concept (Thau, 2009). The reform aims to modernize public sector reform by introducing performance incentives and disciplines that exist in a market environment (Moore et al, 1994:13 as cited in Larbi, 1999). The reform proponents argue that the competition resulted from a market environment will force public sector organizations to change otherwise they will be ‘punished’ through reduced funding or activities.

Therefore, it can be said that benchmarking is a NPM instrument that aims to generate non-market competition among public sector organization. This evaluation instrument compares performance, quality and costs of public sector administration that lead to higher transparency in public sector organization. Further, Adamaschek et al (2011) argues that the comparison will stimulate competition for more innovative solution and finally creating a continue process of performance improvement of the participants.

In short, the role of benchmarking in NPM reform is to change the environment of public sector by stimulating competition through comparison of performance, quality and costs of public sector administration. In addition to that, benchmarking is expected not only to create non-market competition but also to increase transparency, to find best practices and to facilitate continuous learning process among public sector administrations. Since a last decade, benchmarking has been playing a more significant role in German public sector under the phrase “*Leistungsvergleich*” (or performance comparison). This part discusses the background of increasing popularity of benchmarking in German public sector that can be associated with the New Public Management reform, EU integration and the enactment of Article 91 d Grundgesetz (the German Basic Law) in 2009.

Similar to other countries, Germany had experienced a momentum for New Public Management reform given the increasing budgetary and economic problems at the beginning of 1990s (Wollmann 2001). The German version of NPM, the so-called *Neues Streuungsmodell* (NSM) is a response to a growing sense of dissatisfaction among German city managers with existing pattern of municipalities’ management within the framework of traditional concept and instrument of “old” public management (Reichard, 2003). One of the central elements of the reform is performance measurement which is characterized by some authors as a global movement reflecting liberation and market-driven management (Gianakis, 2002 as cited in Greiling, 2006).

The main actor of NSM reform is the German *Kommunale Gemeinschaftsstelle* (KGSt) that is an association of municipalities for managerial reforms and a think tank for modernizing German municipalities (Reichard, 2003). One of the reform objectives is to establish results-oriented budget and comprehensive reporting system based on performance indicators (Kuhlmann et al., 2008). In the mid-1990s, most municipalities set up their product catalogues that consists of precise descriptions of services as well as the costs and qualities to be

achieved (Reichard, 2003). Later on, euphoria of inter-administrative comparison (*Leistungsvergleich*) can be seen amongst the German municipal administration during this period. Many local authorities participated in the inter-administrative comparison circles such as the administration of “*Bürgerbüros*” (Office for citizen affairs) (Kuhlmann, 2004). Therefore, it can be said that along with the rising popularity of new public management went the introduction of performance measurement (Greiling, 2005).

Further, inter-administrative comparison/ benchmarking can be considered as an instrument for promoting non-market competition in areas where there is no or hardly any competition (Greiling, 2005). These competitive comparisons were initiated by neoliberal thinking which has become refined by NPM movement (Brovetto and Saliterer, 2007: 2). The ideas of public management were embraced first by the local government and the central government (*Bund*) and the state governments (*Länder*) embraced the ideas much later (Greiling, 2005). Subsequently, most of benchmarking practices are found in the local administrative level.

Furthermore, benchmarking has recently achieved a major importance as a support tool for policy-making at the EU level (Osimo and Garies, 2005). Until now, there have been many EU programs that are created based on benchmarking concept. The reason is that benchmarking can be used as an instrument for the creation of cost transparency and control and the improvement of public sector efficiency amongst European countries (Kuhlmann, 2011).

Common Assessment Framework (CAF) is one of the examples of benchmarking application in EU level. In the first European Quality conference in May 2000 in Portugal, the Secretary Minister for public sector administration has decided to implement CAF in every members of EU (Thau, 2009). CAF is the common European quality management instrument for public sector that assists public sector organizations to improve their performance based on a self-assessment approach (cited in EIPA). Further, CAF applications have been further developed by EIPA that allow integrating good practice in public administrations from all over Europe. The CAF aims to introduce Total Quality Models (TQM), facilitate the self-assessment and bench learning between public sector organization in EU and maybe wider (as cited in EIPA).

This increasing role of benchmarking in EU has affected the spread of benchmarking in German public sector administration. The CAF is considered as a further attempt to develop benchmarking in the German governmental organizations (The federal administration, 2006 as cited in Thau, 2009). Subsequently, since August 2006, the federal administrative office was entrusted to serve as German CAF central (Thau, 2009). Hence, this benchmarking program in EU policy can be considered as a European integration process by facilitating horizontal corporations among the members (Speer, 2002 as cited in Kuhlmann, 2011).

In 2009, German government has enacted a new basic law that allows or encourages the application of benchmarking in *Bund* and *Länder* administrations. This constitutional basis of benchmarking is not found in other European countries (Kuhlmann, 2011). The background of his German Basic Law amendment is that “*Der deutschen Verwaltungstradition fremd, haben Leistungsvergleiche in weiten Bereichen der deutschen Verwaltung noch keinen festen Platz* (In the German administration tradition, performance comparison is not yet familiar) (as cited in Riedel, 2010: 4). Therefore, this law can be said as a constitutional status for the usage of benchmarking in the federal and states administration. It is a legal basis for

performance comparisons that can be used to identify and promote the efficiency of public administrations (Kuhlmann, 2011).

It is believed that comparison strategy and structure have not yet well developed in German administration. The enactment of Art 91d GG (basic law) can be considered as a strategy and structure of performance comparisons that create a catalyst implication and influence for related actors (politicians and key public officers) and thus increase the primary motivation for benchmarking application (Riedel, 2010). It contains not only an opportunity but also demand to use benchmarking at federal and state level of administration (Adamaschek, 2010). In short, Article 91 d GG sets new impetus to the modernization of public administration in Germany (Adamaschek, 2010).

Actually, the performance comparison or benchmarking is not essentially new for German public sector (Thau, 2009). *Verband der kommunalen Unternehmen (VKU)* had been implemented benchmarking for evaluating operating costs (*Betriebskostenvergleich*) between municipal utility providers since 50 years ago (Thau, 2009). However, the spread of benchmarking application in German public sectors seems to be slower compared to other countries. Hitherto, most of benchmarking applications and projects in Germany are found in municipal administrations (*Kommunen*). Federal (*Bundes*) and States (*Ländes*) administrations seems to be hesitant to adopt benchmarking (Thau, 2009). In federal level (transnational), some benchmarking rings have been established to compare and improve administration products, human resource management and the utilization of information technology (Thau, 2009). Meanwhile, the benchmarking application in state level mainly aims to improve the performance of financial departments and universities (Thau, 2009).

In municipal level, benchmarking has been considered as an important performance evaluation tool (Kuhlmann, 2011). The benchmarking projects in the local level seem to be better established as in other administrative level in Germany. The initiator of benchmarking application in local administration is *Bertelsmann Stiftung*. It has developed a Project – so called „*Grundlagen einer Leistungsfähigen Kommunalverwaltung*” in 1990/91 that aimed to generate competition amongst municipalities by using indicators based benchmarking (Kuhlmann, 2003). Further, it established the concept for performance comparison of municipalities by establishing two projects, namely “*Kernkennzahlen in Kommunen/KIK*” and “*Kommunales Project zum Aufbau einer strategischen Steuerung/Kompas*”. The former aimed at identifying a few relevant indicators for public managers and the latter aimed to improve the quality of life on a local level (Tebbe, 2004 as cited in Greiling, 2005). These projects can be seen as a prototype of German public sector benchmarking.

The spread of benchmarking applications in German municipal (local) administrative level can be linked to the tremendous effort and the role of KGSt with its IKO-Netz project. KGSt is the biggest facilitator of performance comparison in municipal level in last 10 years (Thau, 2009). IKO-Netzes are developed based on the experiment of the *Bartelsmann Stiftung* project and intended to establish an internal information system of municipalities (Kuhlmann, 2003). The comparison rings cover a wide range of activities, ranging from building authorities, environment departments, finance departments, kinder-gardens, personnel departments, public parks, registration offices, schools, social welfare authorities, waste/sewage disposal facilities, vehicle registration offices to youth welfare services (Greiling, 2005).

In addition to that, some benchmarking projects in local authorities are operated and initiated by the local government.

For example: in staffing area (Hamburger Bezirksverwaltungen) or in municipal utility company such as water management (Thau, 2009). Further, the new development of German local authorities benchmarking involves the application of online databank comparison that is intended to make the self-assessment of public administration easier (Thau, 2009).

In summary, German public sector benchmarking is apparently not widely implemented and found in all German level of administrations. The main initiators or facilitators of these benchmarking projects are *Bertelsmann Stiftung* and the association of local government (KGSt) rather than the government administrations (authorities).

3. Discussion

3.1. Characteristics of German public sector benchmarking

Generally, there are 5 characteristics of German public sector benchmarking that distinguishes itself from other public sector benchmarking in other countries. These peculiar characteristics seem to have effect on the effectiveness of benchmarking in Germany.

3.2. Bottom-up and locally steered

Similar to other feature of German public sector modernization, the establishment of German public sector benchmarking is not steered or controlled by a single responsible actor e.g. the central government, rather dealing with a multitude of actors and arenas (Kuhlmann, 2011). This non-centralized characteristic reflects the diversity of locally-fragmented political and administrative system of German Federal republic (Wohlmann 2004). In fact, most of German local municipalities benchmarking are hosted by KGSt. The reason could be that local governments in Germany have a comparatively strong constitutional position and neither federal nor state government is allowed to intervene within this sphere e.g. local self-government (Reichard, 2003).

3.3. Voluntary principle

The whole benchmarking process of German public sector benchmarking is voluntary (Reichard, 2002). In other words, there are no rules that force a public sector administration to participate in a certain benchmarking program. For example are *Leistungsvergleiche* projects. In these projects, every public administration e.g. local administration can participate in one or more benchmarking projects. Further, the voluntary principle of benchmarking in German public administrations have been confirmed and strengthened by the enactment of Art. 91d GG (2009). The reason could be that “*Freiwilligkeit fördert die Motivation zur Teilnahme, die Klarheit und Wahrheit der Datenbasis sowie die Bereitschaft, Erkenntnisse aus dem Vergleich umzusetzen*” (Adamaschek et al, 2011: 9). Moreover, the application of benchmarking cannot be forced (mandatory) because it can contradict with the diversity of locally-fragmented political and administrative system of German Federal republic (the principle of self-government).

3.4. Principle of non-disclosure of information

In German public sector benchmarking, the results of benchmarking are mainly not fully disclosed or shared by the member of the projects. For example: the German local authorities are free to decide whether the information relating to local authority performance will be disclosed or not to the public

(Kuhlmann, 2010). Inter-municipal comparison information remains generally “secret” (Kuhlmann, 2010: 339).

3.5. Low uniformity

The uniformity of German public sector benchmarking application in term of process and indicators is relatively low because it is not centrally coordinated by a single actor. Therefore, benchmarking projects in a state may differ with the application of benchmarking in other states.

3.6. No reward and punishment scheme

Generally, there is no reward and punishment scheme in German public sector benchmarking. In other words, the results of benchmarking will not directly cause the members to receive either certain punishment or reward for their performance.

3.7. Critics for benchmarking application in public sector

One point to consider that benchmarking is originated from private sector. Consequently, there might be some obstacles or limitations of benchmarking application in public sector because public sector characteristics in some extent differ from private sector. First, private companies have a more clear purpose of activities e.g. creating profit. The primary concern of private sector is to produce specific outputs. Meanwhile public sectors focuses not only on the outputs (public goods) but more important is the outcomes of the activities (Kuhlmann, 2011). Benchmarking can be used to compare outputs, but it might be difficult to compare the outcomes because they are not easy to be classified and measured.

Second, public sector administrations have politic dimension. As the politician’s prime goal is to be re-elected rather than to respect technical evidence (Cook, 1997: 40 as cited in Kuhlmann, 2011), benchmarking results in some extent can affects politicians’ image or reputation that results in a lower chance of re-elected (Kuhlmann, 2011). Benchmarking can reveal miss management practice of public administration that can be used as an assessment toward the performance of politician. Consequently, transparency and continuous participation as basic features of benchmarking seem to be difficult to achieve in public sector benchmarking particularly from poorly performance administrations.

Third, public sectors have complex and various purposes that make them difficult to learn from the other, or at least to compare (Kuhlmann, 2011). Each public organization has its own goal and also different type of administration structure. Additionally, there is possibility of contradictive between public sector goals and purposes, whereas benchmarking requires a clear definition of political goals.

Fourth, it should be mentioned that the application of benchmarking in public sector is expensive, given the fact that most required benchmarking information is not well established in public sector. Subsequently, these high implementation and transaction costs may discourage public sector to participate in benchmarking projects.

Last but not least, one may consider the usefulness of benchmarking results in public administrations because the politicians have incentive to ignore the information in their political decision making process. The reason could be that there is nothing a politician likes so little as to be well informed; it makes decision making so complex and difficult.“ (Keynes as cited in Sanderson, 2002).

3.8. Outcomes and Problems in German public sector benchmarking

Although benchmarking has been used by German public administration for more than 15 years, empirical research on it is still limited (Thau, 2009). The previous researches have showed mixed results of its implication for German public sector performance (Kuhlmann, 2003). This part summarizes and discusses some main studies on the evaluation of public sector in Germany.

3.8.1. Dissemination of benchmarking application

Benchmarking has been used widely in German public sector particularly by local administrations (*Kommunen*). In fact, the inter-communal performance comparison and self-assessment of public sector in Germany undoubtedly have become dominant tools in the modernization process (Kuhlmann, 2004). However, a limited increase on participant number of benchmarking projects has been noticed. In the biggest comparison project hosted by IKO-Netz, there were 870 *Kommunen* that at least participate in a comparison ring in 2006 (Thau, 2009). This equals to 7% of total *Kommunen* in Germany (*Bundesamt für Bauwesen und Raumordnung* as cited in Thau, 2009).

Moreover, Thau (2009: 57) has documented that “..große *Kommunen* zu einem deutlich höheren Prozentsatz teilnehmen, so schließt ein Vergleichsring nur ein spezifisches Aufgabengebiet ein“. The comparison rings involve only 20 area activities that indicate a fragmented evaluation procedure (Burr and Seidlmeier, 1998 as cited in Thau, 2009). Given these facts, it can be said that many of KGSt benchmarking projects are temporary and time limited. In other words, the existence of “long time participation, widely spread and concern only on the most important activities of local comparison ring” is rare (Kuhlmann, 2003).

Further, benchmarking is still not widely used in federal and state level of administration. Nevertheless, benchmarking application is further developed through online benchmarking that enables public sector to conduct self-evaluation and decrease the cost of implementation (Thau, 2009). In short, benchmarking as a reform instrument in German public is widely accepted and its trend is noticed. But, the spread of benchmarking application e.g. the number of participant is still relatively lower as it is expected (Thau, 2009).

3.8.2. Performance and institutional change

Public administration scholars have noted positive implications of benchmarking applications for German public sector. First, they have led to some institutional changes in public organization. The application of benchmarking (*Leistungsvergleich*) has become the impetus to broad “evaluation movement” in German public sector (Kuhlmann, 2003: 10). For example is the publication of benchmarking report of *Bundesländer*. The reports have shown how benchmarking have been increasingly used as the instrument for inventory control and process of change in German public sector (Thau, 2009). Additionally, the application of benchmarking have changed organization, operational and personal structure in term of the improvement of IT facilities, employee training, and changes in personnel planning in member of benchmarking projects (Kuhlmann, 2004).

Second, benchmarking applications have increased the participant performance. Kuhlmann (2005) found that the cost-consciousness of the members of benchmarking projects has risen significantly, which is attributed mainly to the fact that costs and benefits are transparent and can be compared and evaluated during their involvement in the project. Benchmarking

is often considered as a basis for cost efficiency improvement (Thau, 2009). Further, based on the assessment of Bertelsmann basic projects, Schuster (2003) documented the improvement of service quality e.g. longer open hours and shorter waiting time in public services provision, higher productivity of public servant as well (Schuster, 2003). In this project, waiting times of participating administration/organization of core rings (*Kernringes*) have reduced between 1995 and 1997 and just before the project's termination it was documented that no participating administrations have waiting-time above 10 minutes (as cited in Kuhlmann, 2011). The performance improvements have been found also in the Bertelsmann *Stiftung*-benchmarking of public libraries. The operational benchmarking that was introduced in the project has triggered a more customer-oriented media selection of collection development with better display among participating public libraries (*Bertelsmann Stiftung*, foot note. 26, p. 14, as cited in Kuhlmann, 2004, p.18).

However, Thau (2009) argues that all these positive implications of benchmarking applications are inconclusive because there are produced by isolated observations. In other words, these outcomes are only found in some benchmarking projects. In contrast, internal administrative services have changed only little. Banner (2001) found that continuous improvement process during the benchmarking projects is not occurred, because the performance improvement will stop immediately after a new performance standard has been achieved (as cited in Thau, 2009). Similar to that, Kuhlmann (2004) has learned that the benchmarking participants do not have any orientation to achieve the best practice; rather they focus to a standardization of their performance. As a result, the increase of benchmarking or the movement to higher performance level is only incremental (Kuhlmann, 2004). Moreover, Schuster (2003) found that the performance of poorly performing participants in the Bertelsmann project certainly has improved, but in the middle field (average performing participants), immobility was to be noticed. The reason could be that the middle performance participants/ organizations face a less severe threat to their survival (Van Helden and Tillema, 2005). Last but not least, most inter-administrative benchmarking concerns only on the output level, rather than the outcomes (Greiling, 2005:562) and the comparison rings have made barely any impact on the political-strategic level of local governments (Reichard, 2004).

3.9. Problem and limitation of benchmarking

The failure to attain optimal benefit of benchmarking application in German public sector can be associated with two factors, namely implementation problem and the limitation of benchmarking method (Thau, 2009). In one hand, the application of benchmarking in public sector is not an easy task and requires considerable costs. On the other hands, there are some requirement or prerequisite for an effective benchmarking adoption in public sector that are apparently not existed in German public sector administration.

3.9.1. Cost of benchmarking application

One of the reasons behind the slow spread of benchmarking in German public sector is considerable cost of its adoption (Bogumil, 2004 as cited in Thau, 2009). The participants have to pay these costs in the early phase of the projects, while the benefits of the comparative projects are still questioned (Thau, 2009). For example: costs for participating in KGSt IKO-Netz. The participants have to pay personal costs, costs for IT facilities and fee for IKO-Nets moderators (Kuhlmann, 2003).

These costs may be not significant if the comparison projects can improve the participant performance. But, these costs may

contend the efficiency principle if the results of projects are not useful and the performance of participants not increase.

3.9.2. Methodological difficulties

One of the main problems of benchmarking application in public sector is the establishment of relevant performance indicators which are appropriate for comparisons across institutional boundaries (Kuhlmann, 2010). This difficulty might be caused by high variability and complexity of public sector administration structure. In fact, the application of benchmarking in federal system with self-government feature is more difficult because each public administration can be considerably different and uniformity in public administration is limited (Thau, 2009). During the reform process, each local administration in German have developed different strategies or methods such as accrual accounting and cameralistic accounting. These divergence lead to difficulty to establish such appropriate performance indicators in benchmarking project. Given this limitation, the so called '*Straßenlaternenproblem*' (the street lamp problem i.e. a limited scope) (Adamaschek, 1997). Lastly, one can question the validity and quality of comparison data. These elements are very crucial in benchmarking because they affect the result of benchmarking significantly. The quality of the performance data collected in the local authorities has often been questioned because of the fact that employees were simply not able to spend much time with measuring, filing and updating a multitude of performance indicators (Kuhlmann, 2011).

3.9.3. High dropout rate of benchmarking project

Another problem of German public sector application is high dropout rate of benchmarking projects. There were quite a few local administrations that participated only for one year in benchmarking projects. Subsequently, some projects were terminated after one year because the participation rate was very low (Greiling, 2005). The voluntary and no penalty principles in German benchmarking have created no pressure to act (*Handlungsdruck*) and thus increased dropout (Kuhlmann, 2011). Moreover, high dropout rate can also be linked to declining motivation of the public officers for participating in benchmarking program. For example: transaction and opportunity costs have contributed to the high drop-out rate of local administrations from the performance comparison projects (Kuhlmann, 2004). In addition to that, the projects create additional tasks for public employees and they are sometimes demotivated or even afraid that the data will mainly be used to monitor their own performance (Kuhlmann, 2004).

3.9.4. Learning process problem

The ultimate purpose of a benchmarking project is learning process from best practice. This objective seems have not fulfilled by benchmarking projects in German public sector. The HBS project "*10 Jahre NSM*" survey has showed that German local administrations have learnt rarely from other local administration.

Based on the Survey of HBS Projekt '10 Year NSM' (as cited in Kuhlmann, 2011), only less than 20% *Bürgermeister* (Mayors) have learned fully from other *Kommunen* (municipalities) in NSM project e.g. benchmarking (Kuhlmann, 2011). Additionally, Bogumil (2010) have learned that Nearly 60% of mayors and 50 % of staff councils and the political group leaders do not believe that the comparative information have changed the decisions and ways of working in politics and public administration (as cited in Kuhlmann, 2011: 170).

Taken together, benchmarking as instrument of NSM reform in Germany has not successfully facilitated and encouraged an optimal learning process among the participants. The result of

benchmarking is mainly considered as control device (Kuhlmann, 2011: 173).

3.9.5. *Insufficient incentive for benchmarking participation*

In German public sector benchmarking, the participants do not have obligation to disclose the result of comparison. As a result, political actors and public have hardly insight into the result of comparison works and thus external pressure from the public is rarely existed (Thau, 2009). Given the fact that benchmarking participation is based on voluntary principle, the poorly performing administrations can terminate their participation and thus the cost of benchmarking application will be futile. In addition to that, the absence of reward and punishment mechanism in German public sector benchmarking can affect the desire of the participants to improve their performance, or worst, to participate in the benchmarking projects.

4. Conclusion

Benchmarking has been gradually seen as an important performance measurement and evaluation instrument for public sector in Germany. This private sector originated method was introduced by NSM reform and its application has been encouraged widely and extensively through the enactment of Art. 91 d GG. The reason could be that the *Bund* and *Länder* seems to be hesitant to use benchmarking in their administration although the benchmarking applications in local administration have shown some positive outcomes.

Further, it is widely believed that the benchmarking applications in German public sector are under studied. On the one hand, the benchmarking projects have increased the performance parameters of participants such as shorter waiting list and longer open hours. Moreover, some scholars have noticed the emergence of evaluation activates and evaluation feature (for example transparency) among the participant of benchmarking projects. On the other hand, other scholars have also found increasing dropout rate and declining motivation for participating in the benchmark projects. More surprisingly, some studies have shown that the expected learning process between the participants is scarcely existed and the information resulted from benchmarking projects is not relevant for or not being used by the public administrators.

In some extent, these results can be linked to the general characteristic of German public sector benchmarking. It seems that the peculiar characteristics of benchmarking application in German public sectors have hindered optimal outcomes of benchmarking application. To be specific, voluntary participation combined with powerless economic incentive has reduced motivation of German public sectors to seriously struggle to win the competition by increasing their performance. Additionally, the absence of the necessity to disclose the result of benchmarking has exacerbated the situation because external supervisor or pressure from public is not existed. In other words, public cannot scrutinize the performance of public sector because they don't have related information.

Moreover, high variability of administrations structure among German local and state governments have contributed to difficulty in creating representative and comprehensive benchmarking indicators. Consequently, the benefit of benchmarking application cannot be received optimally. In KGSt – comparison rings e.g. projects with different area comparison, a municipal is not able to participate in all KGSt-comparison rings because it does have certain database or information system that

is required by the comparison project. This fact can be associated with variety of public administration in Germany where the municipal has sufficient autonomy power to manage its administration differently from other municipal, including the application of certain method of performance measurement. Consequently, the biggest KGSt comparison ring project can only compare one specific performance area (Burr and Seidlmeier, 1998 as cited in Thau, 2009, p. 57).

Further, HBS survey of “10 Jahre NSM” has shown that the practice of continuous learning process from best practice as the ultimate objective of benchmarking application in public sector is barely found. This might occur because the whole process of benchmarking is voluntary and depends upon the capability of civil servants to draw learning conclusions from the results (Reichard, 2002). Moreover, either politicians or general public officer seems to be not interests in comparing the results obtained by public authorities (Reichard, 2002).

Based on above discussion there may be a scope for improvement of German public sector benchmarking. The effectiveness of benchmarking application in German public administrations can be enhanced by introducing a more powerful incentive and supervisor from a higher public administration. The significant implication of these elements can be seen from Berlin benchmarking where the result of benchmarking directly affects fund allocation and the existence of regular supervisor. Therefore, a benchmarking project should use compared indicators that highly correlated and utilize by the members in their daily management activity e.g. budgeting. In other words, benchmarking indicators should cover and capture the need of the members. Additionally, based on Berlin benchmarking borough, the selected comparators (partner) should have significant similarity in term of administrative structure and purposes that make the learning process easier.

Moreover, the principle of voluntary in German public sector benchmarking should be revised. The reason is that an effective benchmarking practice needs certain number of period of implementation and consistency of participation to ensure continuous learning process. The obligatory participation can be a solution for reducing dropout rate and encouraging the participant to follow up the benchmarking results more active, extensive and responsive.

However, given the fact that voluntary principle of benchmarking in German public sector is a consequence of the federal system and self-government, in which neither federal nor state government is allowed to intervene other (level) public administration (Reichard, 2003), the establishment of a more powerful incentive scheme seem to be a more possible solution for increasing effectiveness of benchmarking application in German public sector. This can be done by providing a clear direct or indirect “reward” for good performing administration and “punishment” for poorly performing administrations.

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