

The Good, Bad and Ugly

Strategic Benchmarking: Take your school from good to great!

by

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In my 25 years of working with career schools, I've seen the good, the bad, and the ugly. In all this time, I've never met a school owner who thought his school was bad or ugly. Every owner thinks his or her school is good at best....*if they only knew!* And that is my point. How do you know?

How do you know if your school falls above or below "average?"

What makes a quality school? What do you look for? There is only one reliable way and that is to measure your school against an industry standard. The "standard" is determined in a couple different ways. It might be an average of a number of schools or it might be a measurement established by experts in your education sector. This measurement process is called *strategic benchmarking*.

Benchmarking is an often discussed but seldom used method to measure your school against a standard. A well-documented benchmarking study will provide enough data to measure yourself against the industry standard and highlight areas that need improvement. You have the opportunity to improve operational performance and enhance profitability because you know which areas to improve.

Where do you find reliable benchmarks?

There are several education benchmarks available, such as The Higher Education Benchmarking Consortium. Here, you will find consistent information in a broad sense about post-secondary education, but very little on your cosmetology sector. Accrediting agencies are an ideal source of financial information. Only a few, however, publish annual benchmarking studies. Those that don't should be encouraged to provide this information for their schools.

I've found that the best benchmarks come from comparable schools who meet regularly to compare and discuss financial results. For competitive reasons, these schools are normally not in the same geographic locations. Quarterly meetings to compare number of starts, marketing costs, compliance costs, compensation and many other items are critical to keep schools owners accountable and competitive.

What benefits will I realize from a benchmarking analysis?

Financial benefits include: Increased profitability, employee effectiveness, & productivity. What's more, you accelerate change, create a sense of urgency and overcome complacency and arrogance.

Case Study

A recent case study compared a school's bad debt expense of 18% to the benchmark of 10%. Once the weakness was identified the school began to look at their situation compared to schools with lower bad debts ratios. The school immediately instituted a number of changes:

- Revamp exit counseling
- Begin collection process earlier
- Hire an outside collection agency
- Rotate collection agencies
- Provide in school loan counseling
- Require in school cash payments

Strategic benchmarking identified the problem areas and provided an avenue for solutions.

If benchmarking is so beneficial, why don't more schools participate?

Access to reliable benchmark information can be a challenge. Beyond that reason, there is often the "my school is better than others" and "I know best" mind-set. Pride and willingness to learn from others is the most common obstacle to benchmarking. In its purist form, benchmarking is nothing more than admitting someone is capable of performing better than you.

Benchmarking is not a perfect process but done properly and consistently it is the start of improving your school and creating a more optimal learning environment.

If you have questions or comments, please email Ron Salmon at rsalmon@www.ssstcpa.com.

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