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BENCHMARKING IN HUMAN RESOURCES

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Introduction

Benchmarking is an organizational change process directed toward continuous improvement. It is a search for best practices among recognized leaders that lead to their superior performance. The basic idea is analyzing what the superior organization did to make improvement and then integrating whatever methods might be useful.

Benchmarking is typically part of a human resources audit. An audit is an internal study of the human resource functions throughout the organization, including those performed by managerial and supervisory levels. The first step in the audit is to evaluate the effectiveness of human resource functional areas. The second step in the audit is to benchmark human resource activities to ensure continuous improvement. Human resource professionals need to know how to add value to the organization. Benchmarking provides value-added tools and the measurable difference in aligning the human side of business with the organization's strategic business plan.

This paper will begin with a brief overview by introducing each of the four steps involved in the benchmarking process. We will look at the issues of what to benchmark and where to find benchmarking information. We will conclude with a discussion on analyzing data and implementing changes.

Overview

Designing a benchmark involves a four-step process: plan, research, analyze and implement.

Step One: Plan: How Do I Determine What to Benchmark?

- Link benchmarking efforts to the organization's strategic plan and

organizational goals.

- Determine what internal information will be gathered.
- Identify internal benchmarking opportunities.
- Focus on specific, targeted issues and measures.

Step Two: Research: Where Do I Find Benchmarking Information?

- Identify what data sources are to be used as benchmarking targets.
- Collect data.

Step Three: Analyze: What Do I Do With All This Data?

- Analyze data for common findings, suggested improvements and gaps.

Step Four: Implement: Why Is Implementation Necessary?

- Present findings, establish goals, implement specific changes and monitor progress.
- Redefine benchmarks as part of a continuous improvement process.

Step One: Plan: How Do I Determine What to Benchmark?

What is Working, What is Not?

The first phase of benchmarking involves planning. Part of the planning process calls for an audit of which human resource processes have and have not been successful. The only way to decide what is and is not working is to document, measure and analyze data. Generally, we call this an audit of human resource practice areas, including selection and placement, training and development, compensation, benefits, employee relations, health and safety. Some typical measures of the practice areas may include employee turnover, absenteeism, accidents and employee attitudes. More often, organizations fight fires by waiting until they hear a warning signal or they require a crisis intervention to find out what is not working.

It is in an organization's best interests to undertake ongoing or periodic audits to learn effectiveness. A thorough audit consists of looking at HR activities and impact across three levels: day-to-day operational effects, mid-level impact and implementing strategic initiatives.

Keep in mind that an audit of only one of these three levels provides a limited review. For instance, if the review is on implementation of strategic initiatives, the focus is on the future. We must also look at the present and ask:

- How do we make the transition to strategic work?
- How are the day-to-day operations running?
- What impact does HR have on midlevel management?

- How are managers handling human resource issues?
- Should we make changes to processes that are currently working?
- Should we put any changes on hold since we believe implementation of strategic initiatives will take care of it?

Identifying Internal Benchmarking Opportunities

Plan with the intent of linking benchmarking efforts to the strategic business plan. The challenge for HR is to identify and meet needs at all three levels in the organization. Levels:

Day-to-day Operations:	Look at any internal data human resources or a related department collect. Are there any strengths or limitations in present policies, practices and procedures?
Midlevel Impact:	Conduct interviews with key managers to get their ideas on current and desired human resource practices and effects. Identify the gaps.
Strategic Initiatives:	Identify how the strategic plan will affect HR. What is and is not in place. Conduct interviews with key managers about how they think the plan will affect them. Consider brainstorming "what if" scenarios, write down ideas.

Benchmarking gives us choices. One choice is to look outside at what other organizations are doing. Often, organizations simply overlook key features or innovative ahead-of-the- times developments already occurring within the organization.

Another form of internal benchmarking involves tracking data over time. Some examples would be tracking turnover or employee attitudes over a designated period. An analysis of the data may show particular trends. Top management likes details but requires the big picture. Trend data provides a way to gauge progress, make continuous improvement and plan for new programs and implementation of strategic initiatives.

Focus on specific, targeted issues and measures

Blocking out time to identify areas that require benchmarking is important. Spend time thinking about the issue(s) requiring resolution. Begin this step by concentrating on an analysis of the problem or opportunity. By writing down your response to each of the following questions, you will begin to develop a specific and targeted issue of the problem or the opportunity. **Do not attempt to arrive at solutions to the problem/opportunity at this time.**

1. Describe the basic problem or opportunity.
2. What are the major factors involved?

3. Why is it a problem or opportunity?
4. Why is it important enough to study?
5. Is there any relevant data available on the problem or opportunity?
6. Where is the problem or opportunity located?
7. Who is involved or affected?
8. Describe current status; describe desired status.
9. Analyze the problem/opportunity for symptoms versus possible causes.
10. List all possible explanations for the problem/opportunity.
11. Which of the above explanations appear the most relevant?
12. Are there any common relationships among the explanations?
13. In reviewing the major causes of the problem/opportunity, is it realistic to reduce, modify or eliminate one or more of them?
14. Specifically, in what practical ways will the situation improve if we solve the problem/opportunity?
15. How will the organization benefit?
16. Is it likely top management will commit to and support the effort?
17. What is your personal involvement with the problem?
18. What degree of control do you have over the situation?
19. Can you identify the first few steps that need to be taken?
20. Write the specific, targeted issue as a statement or question. Identify where the problem is found, major factors involved and who is affected.

Even if the culture of the organization is to fight fires, the above analysis can help you review the situation. When dealing with top management it is imperative that human resource professionals document their activities and the results. Data must be in quantifiable numbers measuring cost, time, benefits, quantity and/or measurable differences.

To successfully use benchmarking, it is necessary to have clearly defined measures of competency and performance. However, the paradox is that few clearly defined measures exist to benchmark against in human resources. You may wish to refer to a 1997 handbook published by the SHRM Foundation, "Effective Human Resource Measurement Techniques: A Handbook for Practitioners."

Step Two: Research: Where Do I Find Benchmarking Information?

You will begin the research process by reviewing the problem/opportunity

statement you developed in Step One. The next step is to identify sources for benchmarking comparisons.

Sources of Information

- Libraries (academic and business-oriented).
- Internet and on-line services.
- Networking sources.
- Professional associations.
- Publications.
- Universities.
- Customer-suppliers.
- Internal/external experts.
- Trade publications.
- Research studies.
- Surveys.
- Site visits.
- Consortiums.
- Consulting firms.
- Trade associations.
- Chambers of commerce.
- Award-winning companies.

Begin the research process by identifying a source to compare information you have gathered with what is already out there. Generally, checking with academic (university/college) and strong business-oriented libraries is a good start. You will probably be using a variety of databases. The research challenge is focusing on a specific issue, such as key words. For instance, some individuals focus too closely on details and miss the bigger picture, while others conduct a search that is too broad in scope. The data collected must be meaningful and useful. For example, you may choose to do a database search. Focus on the problem/opportunity statement, *who, what, where and why*. The research will be easier if you approach the problem looking for possible solutions instead of trying to find efforts supporting your proposed solution. A word of caution: Hundreds of databases are available. Databases are also selective in their coverage and retrieval from them is based on key indexes. In searching for information, searching several indexes may be necessary. For example, should you choose to conduct a search on the topic of turnover, you will retrieve thousands of sources.

A secondary step in the research process is to network with colleagues through professional and trade associations, chambers of commerce, etc. If you have access to the Internet, consider doing an on-line search on your topic through any of the search engines. In fact, your search will lead you to find a variety of networking opportunities to web pages for professional and trade associations and state, federal and global resources.

The third and final step is to consider contacting organizations. Some organizations are willing to share data and discuss their practices. Start by developing a list of tightly focused questions for each intended contact you either read or heard about. Call the contact and arrange a mutually convenient time for a teleconference, or a site visit.

A final note, a code of conduct is available through The International Benchmarking Clearinghouse of the American Productivity and Quality Center. The code of conduct offers advice on how to engage in best practices studies ethically and effectively.

Step Three: Analyze: What Do I Do With All This Data?

In the practice of benchmarking, no standard methods or criteria exist on identifying and evaluating practices as the best. As you review the data you have collected, look for real-world examples of processes, methods, measures of results, activities and techniques that resulted in effective performance. Focus in on the purpose and background of the example. Try to differentiate between nice-to-know versus need-to-know information. Do not become too focused on a particular industry. Different can be useful! Compare the information you have collected against the twenty questions posed in the planning section, specifically the question concerning desired status. Look for common findings, suggested improvements and gaps in the data collected. Continue to ask more questions, such as:

- When did the change occur?
- How did the change support the goals of the organization?
- Can you identify the lessons learned?
- Have you identified quantitative and qualitative data collected?
- How was the data collected?
- How was it measured?
- What were the results?
- Were the measurements calculated differently from the data you collected?
- What elements fit into the organization's cultural environment?
- What changes will the organization need to make to produce improvement?

Be wary of measurement comparisons. You may end up comparing apples with oranges. In fact, you will find practices that are effective in one organization but will not necessarily work in another. Keep in mind that you will not be able to

completely duplicate what one organization did and make it work in your organization. Review the ideas and modify what you think will work.

At this point, begin to develop recommendations and action plan suggestions. The action plans should include a time line and identify who will be accountable for what.

Step Four: Implement: Why Is Implementation Necessary?

Implementing change to ensure continuous improvement is necessary. To add value to the organization, human resources must be willing to take action. This value-added mentality is evident throughout each of the four steps. The planning step asked us to look at what is and is not working by documenting, measuring and analyzing human resource processes. The research step gave us the opportunity to identify benchmarking sources. The third step involved analysis of real-world examples of processes, methods, measures of results, activities and techniques that resulted in effective performance. Benchmarking is key to developing clearly defined measures of competency and performance in human resources. Numbers lend credibility to the human resource function. Data supports comparisons, and provides a way to gauge progress. In Step Four, we learn communication and action must follow that benchmarking effort.

Implementation tips and strategies:

- Communicate findings to top management.
- Present findings as bullet points.
- Display results of data in graphic form (bar charts, pie charts).
- Identify opportunities for improvement.
- Gain commitment and support from top management.
- Establish goals.
- Develop measurable objectives (desired outcomes).
 - *Example: Within three months after the implementation, the total number of serious accidents will decrease by 20 percent over a comparable period a year earlier.*
- Achieve buy-in by involving key people in the implementation efforts.
- Implement specific changes.
- Communicate.
- Monitor progress.
- To remain current, redefine benchmarks and review processes every two-three years.

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general information, and is not a substitute for legal or other professional advice.

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