

# Benchmarking in Human Resource Management

## BENCHMARKING À LA GESTION DES RESSOURCES HUMAINES

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**Abstract:** How can a forward-thinking organization develop an effective performance-monitoring system in the area of human resource management has been a heated issue since early 1990s'. One of those approaches to HR performance monitoring is known as benchmarking. Benchmarking in Human Resource Management (HRM) has become an important issue to management. Although benchmarking has been approved one of the tools HR can employ to improve its ability to develop programs and initiatives that benefit the bottom line. Unfortunately, there are a number of misconceptions about the practice This paper introduces the definition of "Benchmarking". Using literature review, survey, and figures to study and analyse the development of Benchmarking in HRM; its fitness into organizations' operations; misconceptions and limitations about the Benchmarking in HRM; process of Benchmarking in HRM.

**Key words:** Benchmarking, Human Resource Management (HRM), Performance monitoring, Organization

**Résumé:** Comment développer un système efficace de moniteur de performance dans le domaine de la gestion des ressources humaines pour une organisation prévoyante ? C'était toujours une discussion passionnée depuis le début des années 90 . Une de ces approches pour le moniteur de performance des ressources humaines est celle de benchmarking .

Benchmarking à la gestion des ressources humaines (HRM) est devenu une affaire importante pour la gestion . Benchmarking est considéré comme un des outils des ressources humaines pour améliorer ses capacités de développer des programmes et initiatives . Malheureusement , il y a bon nombre de malentendus sur la pratique . Ce texte présente la définition de "Benchmarking" . On étudie et analyse le développement de Benchmarking à la gestion des ressources humaines à l'aide de la critique littéraire , de l'enquête et des figures . Ce texte essaye de montrer que Benchmarking est convenable pour les activités des organisations , et il présente également les opinions fausses et les limites sur le Benchmarking à la gestion des ressources humaines , ainsi que le processus de Benchmarking à la gestion des ressources humaines.

**Mots-clés:** Benchmarking, gestion des ressources humaines, moniteur de performance, organisation

### 1. INTRODUCTION

How can a forward-thinking organisation develop an effective performance monitoring system in the area of

human resource management has been a heated issue since early 1990s'. One of those approaches to HR performance monitoring is known as benchmarking. Why a growing number of HR functions have turned to benchmarking? That's because no one a company can make an improvement only by itself. In other words, it has to exam and measure its own practices against the

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best practices other companies operate. And if the companies find the right answers for its own problems, it will achieve the amazing changes. To explore this argument further, this essay presents definitions and explanations for "Benchmarking in HRM", discuss how and why it has become an important issue to management and finally give some examples to show how "Benchmarking in HRM" has been used to improve business performance and operations in tourism and hospitality industry.

## **2. DEFINITION**

By no means is benchmarking new, in fact it's been around for more than 20 years, writes Colin Dawes in *Best Human Resources Benchmarking*. It is an approach to evaluating HR performance and is a key quality improvement technique. Benchmarking also permits an organization to study and adopt 'the best' business practices by comparing its performance on specific activities with those in 'best practice' organizations. Samuel (1995) pointed that benchmarking involves an organization learning about its own practices, searching for the best practice that will lead to superior performance and making the necessary changes. The primary purpose of the benchmarking project is to provide human resource practitioners with tools, models, skills, methods, and data to identify, measure, and share the best practices of leading HR organizations to improve the effectiveness of their human resource programs for their customers.

Increasingly, Benchmarking is being seen as necessary for survival. Competitive pressures to improve customer service, time to market and financial performance are driving managers to study recognised industry leaders, learn their secrets and adapt these ideas to their own organizations.

Benchmarking HR practices serves a number of purposes (Glanz and Daily, 1992). First, it enables a company to calibrate how it is delivering HR practices. By looking at how other organizations are accomplishing tasks and responsibilities, a company can audit itself and identify areas where practices are within or outside a given norm. Second, benchmarking enables a company to learn from others' successes and mistakes. Building a continuous improvement mentality has become an important goal for many organizations in the last decade; benchmarking can open minds and create a climate in which active learning is encouraged. Third, benchmarking can be used as a tool for creating the motivation to change. By learning what other companies are doing, line managers and HR professionals can build a stronger case for allocating resources to HRM activities in ways similar to those of successful companies. Finally, benchmarking can be used to help set direction and priorities for an HR department (Mathis and Jackson, 2000).

But benchmarking is not simply about duplicating what others are doing. It is about implementing ideas and modifying them, so they will work within a company and its culture.

## **3. MISCONCEPTIONS AND LIMITATIONS ABOUT THE BENCHMARKING IN HRM**

As been discussed above, benchmarking has been approved one of the tools HR can employ to improve its ability to develop programs and initiatives that benefit the bottom line. Unfortunately, there are a number of misconceptions about the practice (Dawes, 2002).

### **3.1 Measuring Is Not Benchmarking**

Measuring and benchmarking are often confused as being synonymous, but they are not. Measurement is a component of benchmarking. Benchmarking involves comparing a function's outcomes, systems, programs, or products with those of other organizations.

### **3.2 Surveying Is Not Benchmarking**

Surveying is also only one component of benchmarking. Organizations conduct informal surveys of other companies' practices all the time. Most organizations also regularly participate in formal surveys, the most common concerning employee compensation. The benchmarking methodology is much more involved than the survey process. In addition to the significant measurement component, benchmarking involves more detailed comparisons.

### **3.3 Limitations of Benchmarking**

Besides, benchmarking has its limitations. When used only to emulate rather than improve performance, advantages may be short-lived, time consuming and expensive (Hiltrop&Despres, 1994). Moreover, the most valuable information is not derived from the actual data, but rather the qualitative information on how and why the data outcomes were achieved. Moreover, it is necessary to understand the theory behind the practice. So, benchmarking is more than just copying. And if you apply benchmarking in the wrong way, it does not provide what insights you need. Actually, it is an ongoing, systematic process to search for and apply best practice into an organisation.

Additionally, it is easy to reach a bias for those companies involved with a benchmarking project that the employees in those companies do not complete their obligations well if other firms' worker get better results.

#### **4. PROCESS OF BENCHMARKING IN HRM**

All process improvement efforts require a sound methodology and implementation, and benchmarking is no different. Trimble (2003) pointed that the following processes are needed.

- 1st. Set objectives and define the scope of your efforts.
- 2nd. Gain support from your organization
- 3rd. Select a benchmarking approach.
- 4th. Identify benchmarking partners.
- 5th. Gather information (research, surveys, benchmarking visits).
- 6th. Distill the learning.
- 7th. Select ideas to implement.
- 8th. Pilot.
- 9th. Implement

From discussions above, in order to make a success of benchmarking in HRM, a company should clarify its goals first to select which companies it should be benchmarking against. Then it can ask what kind of external information or data it should use from its benchmarking partners and to what extent can it use those external data. Patrick Murray adds that asking the right questions is vital.

#### **5. DEVELOPMENT OF BENCHMARKING IN HRM AND ITS FITNESS INTO ORGANIZATIONS OPERATIONS**

A great deal of recent work has appeared which attempts to capture in a single conceptual model the variety of HR practices developed by organizations to augment innovation, improve quality, and be the lowest-cost producer of goods and services. In 1984, Schuler introduced such a model that identified six categories of HR practices: planning, staffing, training and development, appraisal, compensation and union-management relations. He suggests that competitive advantage accrues to companies that identify and develop specific activities in each of these six areas and that specific activities (such as internal staffing and flexible compensation) become important and advantageous internal competencies. In addition, selection of HR practices should support overall corporate strategy and lead to employee behaviours that are felicitous of it.

After a decade of conceptual and empirical research by Kravetz (1988) and others, it was possible to define key performance indicators in most of the six categories identified by Schuler (Figure 2).

These indicators can help managers evaluate how their HR practices relate to both the operational and strategic level of the enterprise, and lay the foundation

for comparing the effectiveness of HR practices and policies between companies, divisions or business units.

Another conceptualisation evaluates the effectiveness of HR practices according to six performance criteria (Bernardin and Kane, 1993): quality of delivery (in terms of conforming to some practice ideal, or fulfilling the intended purpose), quantity (expressed in terms such as dollar value, number of units, or number of completed HR activity cycles), timeliness (the degree to which an HR practice is completed, or a result produced, at the earliest time desirable), cost effectiveness (in the sense of optimising the gain or minimizing the loss from each unit or instance or use of human and financial resources), need for supervision (the degree to which a person or unit can carry out an HR practice without requesting assistance, or requiring intervention to prevent an adverse outcome), and positive impact (the degree to which an HR practice promotes feelings of self-esteem, goodwill, commitment, satisfaction, and co-operation among co-workers and subordinates.) Based on this model, the most effective managers or HR professionals are those providing the highest possible quantity and quality of HR practices at the lowest cost and in the most timely fashion, with a minimum of supervision and with a maximum of positive impact on co-workers, organisational units, and the customer population.

Ideally, these six criteria are directly linked to organisational objectives such as increased sales, improved productivity and, of course, return on investment. As Ulrich (1989) points out, most organizations have difficulty even measuring overall performance in a reliable manner, and few systematically relate individual performance to unit or corporate performance. Moreover, organizations rarely get down to specifics on all six criteria and seldom relate them effectively to the objectives of the firm. Nonetheless, it is widely understood that the linkage is a necessary one if line managers are to be convinced that HR activities are integral to organisational objectives, and that they create and sustain a competitive edge.

In addition to HR practices, Ulrich, et al (1989) suggested that benchmarks may also be developed for the HR competencies of individual managers in the organization. Under the umbrella of strategic human resource management, three sets of HR competencies may be identified: knowledge of the business, quality of service, and the management of change. Knowledge of the business refers to the extent to which an HR professional (or a line manager with HR responsibilities) understands the financial, strategic and technological capabilities of the organisation. Quality of service refers to the extent to which the HR or line manager provides high quality HR policies and services (such as training and development) to the other members of the organisation. Management of change refers to the extent to which an HR professional or line manager is able to increase the organisation's capability for change through creating meaning, problem solving,

relationship influence, innovation, transformation, and role influence.

## **6. BENCHMARKING IN HRM HAS BECOME AN IMPORTANT ISSUE TO MANAGEMENT**

Unfortunately, HRM has been still focussed on records maintenance and employee recreation activities that typically no other function wants in some organizations (Stone, 2002). Many managers believe HRM people appear to be a bunch of drones whose apparent missions (no visions) in life are to create paperwork, recruit secretaries and issue memos whose impertinence is only exceeded by their irrelevance. As a consequence, it is shown that most efforts to assess HR performance have been limited to general measures of limited values, such as headcount or payroll costs (Hiltrop&Despres, 1994). This approach to measuring HR performance has the advantage of being simple and understandable, but it fails to provide guidance when implementing effective HR management programs and organization often alienates employees who have little understanding of how their everyday transactions connect to overall corporate performance objectives. As a result, adjustments in human resource policies and practices tend to be based on intuition rather than methodical assessment of concrete and specifiable effects. HR practices must create value by increasing the intellectual capital within the firm, not reduce costs (Ulrich, 1997). This needs to evaluate the value-added effects of HR practices on organisational products and processes began in earnest during the late 1980s and this need promises to become even more critical during the latter half of the 1990s. How can a forward-thinking organization develop an effective performance monitoring system in the area of human resource management? One, which is gaining popularity, is through the process known as benchmarking. Benchmarking denotes a comparison with selected performance indicators from different organizations, typically in the same industry, or with comparable organizations that are considered to be "best in class". Successful benchmarking requires careful selection and manipulation of comparison measures.

United Technologies, for example, convened a task force with just this issue in mind during the early 1990s (Dailey, 1992). The group surveyed "internal customers" of the HR function in each of United Technologies' six major businesses with the straightforward objective of comparing perceptions of

performance between HR and line managers. The eighteen-item instrument used is presented in Figure 1. The performance categories in this instrument are instructive and, generally, the task force found that HR professionals perceived the equality of their services to be higher than did line managers. More worrisome, HR managers were viewed as competent but disconnected from the company's strategic directions.

HR professionals stood up for the HR perspective, which is good, but did it quite traditionally. They were fairly competent, but didn't measure themselves very rigorously. They did their homework and came to meetings prepared, but were not seen as very innovative or risk taking. In short, the message from this survey was HR managers are not really strategic partners.

As United Technologies illustrates, the competitive environment is intensifying and the development of key HR performance indicators, and their associated monitoring systems, is becoming increasingly important. In fact, giving the increased emphasis on cost reduction, quality and excellence in many organizations, it is surprising that human resource management has escaped scrutiny for so long.

## **7. CONCLUSIONS**

From the materials presented, in the HRM context, benchmarking can provide a useful way to identify and assess the contribution of people management practices to an organization's corporate performance. By helping organisations learn from other organisation's high performance standards, benchmarking provides an incentive for organisations to adapt, where appropriate, that learning to improve the quality of their own people management practices. Alan Barker, the regional managing director SCS (Asia-Pacific), points that organizations can also use benchmarking techniques to add value to their strategic planning processes. Overall, benchmarking can be a valuable means of setting appropriate measurable objectives to improve the organisation's strategic performance. It can also help strategically focus an organisation's HRM performance by providing challenging, yet achievable targets or goals across all key areas of HRM framework including Human resource planning, Staffing practices, Remuneration and conditions, etc. On the other hand, it is important to point that benchmarking is not only gathering data, importing best practices wholesale, it must be applied integrated a company's culture.

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## APPENDICE I :

**Figure 1**

**United Technologies Human Resources Practices Survey**

| Always: 1                                                     | Usually: 2 | Sometimes: 3 | Rarely:4                                                                               |
|---------------------------------------------------------------|------------|--------------|----------------------------------------------------------------------------------------|
| <b>To what extent does the Human Resource organization...</b> |            |              |                                                                                        |
|                                                               |            |              | 1.Understand where the business is headed and what management is trying to accomplish? |
|                                                               |            |              | 2.Stand up for the human resource perspective on business issues?                      |
|                                                               |            |              | 3.Staff the HR organization with competent professional?                               |
|                                                               |            |              | 4.Participate actively in the business planning process?                               |
|                                                               |            |              | 5.Take appropriate risks?                                                              |
|                                                               |            |              | 6.Respond in a timely manner?                                                          |
|                                                               |            |              | 7.Develop human resource objectives in the context of business priorities?             |
|                                                               |            |              | 8.Do its homework?                                                                     |
|                                                               |            |              | 9.Provide competent advice and support?                                                |
|                                                               |            |              | 10.Explore alternative solutions to problems?                                          |
|                                                               |            |              | 11.Find ways to balance its functional interests with other needs of the business?     |
|                                                               |            |              | 12.React quickly to changes in the needs of the business?                              |
|                                                               |            |              | 13.Anticipate business problems?                                                       |
|                                                               |            |              | 14.Help more than hinder the organization in attaining its business objectives?        |
|                                                               |            |              | 15.Have people seek its advice?                                                        |
|                                                               |            |              | 16.Set high standards for evaluating its own effectiveness.                            |
|                                                               |            |              | 17.Bring a competitive global perspective to the HR function?                          |
|                                                               |            |              | 18.Design solutions to business problems that meet the needs of the business?          |

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