

## The Time is Now for True Community-Based HR Benchmarking

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“Why” is the watchword in HR benchmarking. Current methodologies provide anonymous data and basic key performance indicators (KPIs) in surveys and subscriber databases to help you determine how “good” (or “bad”) you are in comparison to others, but they don’t provide insight into *why* other companies are operating more efficiently and effectively. For example, a given benchmark report may indicate a certain company was able to recruit for a specific type of mid-management position in X number of days. But because that report doesn’t explain *why* the cited (but typically anonymous) company was able to recruit more quickly than you, you lack critical, drill-down insights.

With a true, community-oriented approach to HR benchmarking, you have the opportunity to meet with people from peer companies and over coffee ask, “How did you reduce recruitment time for XYZ role?” A community approach enables the combination of qualitative and quantitative data and insights.

So what characterizes community-based best practices in HR benchmarking? Key components include:

### Comprehensive Content

Benchmarking personnel management processes – such as time management, payroll and pensions administration – is relatively straightforward as they can be quantitatively measured. On the other hand, talent management, consisting of “soft stuff” processes including personnel development, foreign delegation and recruiting, is much more challenging to define and measure. But its measurement is critical if you are to gain a holistic comparative view of where you stand along the continuum. With an interactive community approach, you can gather the requisite *qualitative data* to answer the “why” question and accordingly improve your processes.

### Hypotheses-Based Learning

This is a significant enabler of “why” answers. Here, functional HR experts gather for deep-dive brainstorming, and emerge with hypotheses-based excellence criteria. This excellence criteria helps you define quantitative measures and collect relevant KPIs on, for example, world-class recruiting practices. You are then armed with data to conduct a correlation analysis between the KPIs and influencing factors to help you determine what you should do to raise yourself into a higher success quartile.

### Feasible KPI Definitions

The reality is that some HR “objects” cannot be feasibly measured. For example, many HR managers are enamored with a “Human Capital Index”. But this attempt at combining the effectiveness and efficiencies of HR management into a highly sophisticated quantitative number simply isn’t measurable. We recommend removing immeasurable components from benchmarking activities, and instead focus on KPIs with an optimized effort-to-value ratio, including employees per HR FTE, output per HR FTE, function-specific labor costs, and total cost of HR per output.

### Integration of HR IT and HR Service Scope as Relevant Influencing Factors

While the HR processes companies run are relatively standard, there is a huge variance in the level of support different organizations provide relative to their delivered HR services. Thus, in benchmarking, it’s critical to learn whether the comparative companies are HR-minded or not in terms of the scope of their portfolio. Further, there is a large gap between companies that strongly integrate and automate their HR processes and those that don’t. Those with a “yesterday approach” to HR IT are unable to integrate workflow or collect qualitative data on employees. Here, benchmarking should help you establish whether you are best-in-class in terms of integrated, automated processes, or instead are a “yesterday” company.