



Yiannis Lagos FBEI

There is much talk in recent years among HR professionals about the value of Human Resource Management (HRM) benchmarking, where HR departments compare policies and practices with those of other organizations, aiming to learn from best practice and improve. Estimates show that over 1,000 human capital indices¹ are in use for reference, including absence figures, employee engagement surveys, data on grievances and disciplinary incidents, staff turnover and feedback from exit interviews. The abundance of measures, however, does not guarantee that benchmarking will always produce positive outcomes, nor that it will help the organization to learn and improve. Many of these reference-metrics are subject to external and internal influences, and proper application requires more than a mere copy-paste of "best" practice. They vary between sectors, regions, as well as over time, and are dependent on the state of the labour markets, turning benchmarking in HRM into a double edge sword.

HRM benchmarking has rightfully gained acceptance worldwide as an instrument of continuous improvement and as a means of enhancing competitiveness². It is used intensively and extensively in both the private and public sectors since it offers significant benefits including helping to develop an improvement mind-set among staff, promoting an organizational dialogue about how things are and what needs to change, and facilitating an understanding of best practices and processes

¹ Crail, M. (2008). HR roles and responsibilities, 2007: Benchmarking the HR function. *IRS Employment Review* 863, 6-12.

² Carpinetti, L. C. R. & de Melo, A. M. (2002). What to benchmark? A systematic approach and cases. *Benchmarking: An International Journal*. 9(3), 244-255.

in the industry. It also helps speed up the processes of change and innovation by expediting the identification and development of necessary improvements and solutions and motivating the organizations to accept them.

Undoubtedly, there is value in using Human Capital indices and metrics for benchmarking purposes. However, there are also significant limitations that need to be understood. For example, to indicate organizational commitment, HR professionals use indices such as employee turnover and engagement. These metrics, however, are significantly influenced by factors such as overall market availability of jobs, levels of work-life balance or even any short-term actions of the organization. Are these factors equally the same across all benchmarking organizations or countries? Similarly, the cost-to-fill-vacancies metric offers a fair indication of the efficient use of recruitment channels but says nothing about the quality of the people selected. Is hiring-for-quantity of equal importance for all organizations? Moreover, what if an entity has an above average ratio of HR staff to employees? Does this justify a reduction in HR staff without any consideration of how these people operate and the value added by their contributions? Pfeffer³ argues that benchmarking demands incredible care to ensure that the measures used are appropriate and accurately measured, because "what is easily measurable and what is important are often only loosely related."

Rodwell, Lam, and Fastenau⁴ also arrive at parallel conclusions arguing that despite any possible benefits and its popularity, adopting best practice in HRM has proven rather elusive. They make a point that HRM benchmarking could reveal only the industry practices that have been widely adopted by organizations, without necessarily identifying those that make for competitive advantage. In their view, it is important to differentiate between good and bad performing entities, and between common/standard practice and best practice. They also stress the significance of considering the industry, timing, and the environment of the investigated policies, as there may be substantial implications. For example, in their study of the finance industry in Australia, Rodwell et

³ Pfeffer J. (1997). Pitfalls on the road to measurement: the dangerous liaison of human resources with the idea of accounting and finance. *Human Resource Management*, Vol. 36, No. 3, 357-65, p.360.

⁴ Rodwell, J. J. Lam, J. F. & Fastenau, M. (2000). Benchmarking HRM and the benchmarking of benchmarking. *Employee Relations*, 22(4), 356-374.

al., counter-intuitively found one of the major “best” practices to be a lack of written policies on health and safety. It is immediately self-evident that this finding is limited only to the industry and country examined and cannot be generalized to the finance industry of another country, where, let's say, the issue of safety is of critical importance due to high crime rates. Moreover, a “common/standard” HRM practice in one market, may not be so viewed as such in other. For example, the practice of Equal Employment Opportunity and Affirmative Action (EEO/AA) may be standard in Australia or other western markets, but may not be in China or the Middle East.

Furthermore, Harrington⁵ talks about the “fallacy of universal best practices” to drive home the point that what may be best practices for one organization may be disastrous for another. Following the review of one of the world’s largest databases of international management practice’s (involving industries from Japan, Germany, USA and Canada), Harrington indicated that there were only five practices considered universal “best practices.” He also observed there was only a slight chance of five percent that these approaches would benefit an organization’s performance, depending on whether this organization is a low-, medium- or high- performing entity.

So, what does all this mean in practice, and what learnings can research in HRM benchmarking contribute?

To begin with, the notion that others can adopt particular best practices found in one country, industry or organization, can prove to be disastrous since a mere copy-paste does not work. Several factors including the socio-cultural environment of host institutions/countries can have an enormous impact on the outcomes. Secondly, even though benchmarking could potentially lead to the establishment of new industry standards (e.g., China adopting the Equal Employment Opportunity policy), it does not automatically produce competitive advantages for the replicating organizations. Practices will have to be modified, or their mode of implementation adapted, to fit the cultural values and beliefs of those entities. Thirdly, there is no hypothetical universal “best practice” combination which applies and can be copied to all entities striving to improve⁶. Instead,

⁵ Harrington, H.J. (1997). The fallacy of universal best practices. *The TQM Magazine*, 9(1), 61-75.

⁶ Harrington, H.J. (1997). The fallacy of universal best practices. *The TQM Magazine*, 9(1), p.70.

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organizations need to look for and identify the specific factors that are generating competitive edge for their competitors. Lastly and most notably, organizations can achieve competitive advantage only through the development and innovation of new HR practices from within, which constitutes the fundamental mechanism for an organization benchmarking, to become the learning organization it aspires.

Benchmarking in HRM is a double edge sword that can hurt as much as it can heal. To reap the real benefits it can produce, organizations benchmarking must become innovators in the management of their Human Resources, rather than just imitators of the champion.

ABOUT THE AUTHOR

Yiannis Lagos is a People Operations and SHRM expert with over 20 years of experience in organizational excellence and workforce development and motivation. He has spent the past decade evangelizing a market-wide shift to evidence-based HR and has assisted many corporations and organizations transition successfully. Yiannis is recognized for developing *UCC (Understand-Communicate-Connect)* employee relationship management model, re-engineering the legacy recruitment processes with *TalentFit*, and developing the *TalentPortal* online set of tools, that are fuelling the transition. His work is often mentioned in international media including MSNBC, USA Today, Los Angeles Business Journal, Entrepreneur, Inc.com, and presented at international conferences such as TEDx and other industry events.

Yiannis is co-founder and partner of Humantelligence™, a Recognized Excellence Expert™ and Fellow of the Business Excellence Institute (FBEI).

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