



Stacking Up: How Benchmarks Will Change the Way HR Impacts Organizations

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As an HR professional, you strive to make your company's goals a reality by attracting and retaining stellar employees, creating a pay-for-performance environment where workers are motivated, and ensuring employer compliance with key issues. You're rocking the HR world. But can you prove it? Implementing benchmarking and metrics initiatives in your organization helps you make HR measurable so that you can be accountable for success. An HR strategy that leverages industry-, occupation-, and company-specific benchmarks can provide a measurable standard by which to gauge employee success, help ensure that the business is aligned with industry best practices, and accurately tie pay to performance.

As recognized by business improvement methodologies such as Six Sigma, benchmarks are also a critical component in analyzing and controlling processes. They allow you to answer questions like: "How do we compare to our peers in the industry for this specific HR process?" or "What is a realistic target to achieve in improving our processes?" Without benchmarks, either internal or external, the risk and cost of addressing improvement initiatives and maintaining them in an optimal range can increase dramatically.

When using benchmarks and metrics in an organization, there are a few things to keep in mind to ensure their accuracy and general acceptance. First and foremost, a clear set of company goals should be established that align with the overall vision and mission of the organization. Based upon these goals, key measures should be selected that promote efficiency and success in critical areas. There are hundreds of

measures that can be used to gauge company performance, but it is important not to spread an initiative too thin. Choose key metrics that resonate with management, affect the bottom line, and track well with the corporate vision – and then focus your efforts on these.

Once relevant and meaningful metrics have been selected, it is time to find benchmarking data for comparison with company statistics. There are a variety of benchmarking sources available, but it is critical that the following criteria are considered when purchasing benchmarking reports:

- **Sample size:** How many companies or individuals participated in the benchmarking survey? The number of participants is tied directly to the validity of the data – the larger the sample, the better chance of accurate benchmarks.
- **Source:** Did the benchmarks come from a reputable association or firm? It is worth the time to discover who the go-to resource is for the type of data you wish to collect.
- **Similarity:** How is the report broken down? Is it specific to the company's size, industry, etc.? This is the most important factor when selecting benchmark reports. Look for data sets that closest mirror the value you wish to compare. Seek out industry benchmarks for companies of similar size or revenue. The difference in benefits plans, for example, would vary largely between a 10-person company and a 10,000-person company.

Industry-specific benchmarks, whether they come from organizations unique to a particular industry or a benchmarking effort that consolidates data from a variety of industries, can serve as an excellent starting point for ensuring a company's competitiveness. By studying data compiled on peer companies and competitors, HR professionals can gain invaluable knowledge on where salaries and benefits packages fall in relation to those offered in their own companies, and then adjust their own compensation strategies accordingly. Depending on the industry, further data may be available regarding productivity standards and best practices.

For example, many medical practices will track "cost-per-encounter" as a measure of efficiency. The Medical Group Management Association (MGMA), an industry association, conducts annual surveys on metrics key to health care such as cost-per-encounter, patient outcomes, cost of care, etc. and creates a corresponding benchmark report based on their findings. Medical practices around the country leverage this report to gauge their performance in relation to industry best practices.

Occupation-specific benchmark data such as average income, education level, and performance measures exist for most job roles. These benchmarks are tremendously helpful when hiring new employees or determining whether existing employees' salaries are on point when compared to others in similar roles and settings. By investigating average salaries for a job type, HR professionals can craft offers that are competitive, improving their ability to attract and retain high performing employees.

The benchmarks that provide HR professionals with the biggest bang for their buck are company-specific or internal. This method of benchmarking encourages a culture of pay-for-performance, where employees are rewarded for their successes and held accountable or retrained when failing. A critical aspect of implementing an internal benchmarking strategy is the definition of, and agreement upon, measures of success. Meeting with departmental supervisors and organizational leaders to determine which metrics will be used as key measures is the first step.

Work with departmental supervisors, division managers, and CEOs to assess the abilities of each employee or employee sub-set. Where do their strengths lie? Where could they step up their performance and develop new skills? What are the measurable metrics tied to this employee that are also tied to the bottom line of the business? By asking questions along this train of thought, you should be able to create a plan that is tailored to the needs of both employees and the company.

Measures must be quantitative in nature, with enough of a sample size to provide accurate information; however, qualitative data should also be collected to surround and support the quantitative. As HR professionals know, there are many gradients when measuring performance of individuals – situations are rarely black and white, and sometimes quantitative data fails to tell us the whole story. By tracking related factors that are both quantitative and qualitative in nature, cause and effect relationships will begin to emerge in data.

Established targets for employees should be considered lofty, but not impossible. Like any sort of physical training goals, setting increments for employee performance provides guide points that serve to challenge and push the goal-setter towards growth. A novice runner training for a marathon will not start by running a full 26 miles – to attempt such a feat could result in injury or intense frustration. Nor should employees be urged to accomplish unattainable goals straight out of the gate, resulting in loss of confidence or motivation. Instead, just as a runners will begin by running a mile and tack on additional miles as their skills and endurance improve, so should employees' performance goals be revisited and grow as they grow. Your workforce will gain a sense of accomplishment with the passing of each professional "mile marker," and with the added confidence and know-how that they've gained, they'll be prepared to go further in the future.

Once areas to be measured have been determined on an employee-by-employee or staff sub-set basis, it's time to bring your expectations to the people responsible for making it happen – your employees. Explain why the metrics that will be used to measure and benchmark their performance were chosen, and how they stand to impact the company's bottom line. Remove any trepidation that they might have about their performance measurement by fully explaining what sort of actions will follow both positive and negative outcomes. Will high performers earn a bonus, a raise, etc.? Will low performers be retrained, enter a probationary period, etc.? Make any outcomes clear, and your buy-in level will increase exponentially. This is an especially important step in making departments outside of sales (that do not normally have a culture of being measured by hard numbers and compared to their peers) feel more at ease, even excited, by the process. Then, have a frank discussion with employees. Do these goals seem

reasonable? If not, what will make employees feel that they are within reach? Is there training that can be offered that will help them elevate their performance?

Another powerful tool for HR professionals in the measurement of corporate benchmarks and metrics is HR technology designed to allow comparison and monitoring of key performance indicators (KPIs). Applications exist that allow users to pull benchmarks from industry or occupational organizations and combine their own benchmark data for side-by-side comparison. Alerts can be set so that employees whose performance falls well below established benchmarks can be retrained or re-evaluated, and employees who are significantly outperforming benchmarks or their peers can be incentivized and recognized. When evaluating HR technology to serve this purpose, it is important to ensure that the application you are considering is capable of importing data from all of your HR applications in addition to other systems in your organization that track performance (such as sales or financial data). It is also important that the solution is accessible to HR professionals via ease-of-use so that constant IT intervention is not required for management of benchmarks and performance reports. The right solution will empower your entire department with accurate, timely information. Figure 1 presents a sample solution's interface that integrates benchmarking information in an interactive and easy to understand manner.

Figure 1. Integrated Information Sample Interface.

It's time that HR professionals prove that they truly are "business partners" in their organizations and offer executives the cold hard facts on their success by demonstrating how their initiatives stack up to those of peer organizations, and how they are empowering employees to achieve against measurable goals. By creating a comprehensive benchmark strategy, HR is able to do just that.



About the Author



Mike Psenka founded eThORITY in 1991 and serves as company president and CEO. eThORITY, Inc. is DataTalent's parent company. Prior to founding eThORITY, Psenka worked with Price Waterhouse in its Open Systems Technology group implementing financial and manufacturing systems. He graduated from Princeton University with a degree in Mechanical and Aerospace Engineering. He has spent more than 17 years helping organizations measure and optimize performance, and is particularly familiar with human capital management in the higher education and health care space. When not executing day-to-day business operations, he dedicates himself to the design of eThORITY's user-obvious interface and data visualization layer. Data Talent is a workforce performance engine designed from the ground up to help HR deliver intuitive workforce analytics, reporting and benchmarking metrics. Powered by eThORITY, DataTalent helps HR leverage workforce performance management to meet and achieve corporate business objectives. Mike Psenka can be reached at mike.psenka@eThORITY.com.