The role of benchmarking in establishing standards for the evaluation of human resources

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University Human Resources

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Outline

• HR Standards: elusive, evasive – necessary?

• Benchmarking, as a tool in developing HR Standards.

• Methods of evaluating HR; including reviews, managerial assessments, quality audits and performance audits.
Standard

• Anything taken by general consent as a basis of comparison; an approved model; a level of quality which is regarded as normal, adequate or acceptable (Concise Macquarie).

• A norm or model adopted by general consent as a basis for comparison eg against which to measure individual or organisational achievements or procedures, or as a target to be aimed at. (CCH Macquarie Dictionary of Employment and Industrial Relations 1992).

• “What you expect to see ….”
Standards

- HR - generally accepted management principles
- “If not, why not?”
- McKinnon, 2000, HR
- UK Universities HR SAT
- Std Australia
  - Code of conduct
  - Employment screening
- Health Sector
- Federal public sector
- Variation to take account of organisational differences
ACHS: EQuiP 4th edn

2.2 Function – Human Resources Management

2.2.1 HR Planning
2.2.2 Recruitment
2.2.3 Performance Mgt
2.2.4 Learning & Development
2.2.5 Support & Workplace Relations

** Criteria – written with both an issue and then an outcome statement**

** Principles – what is expected to be found.**

** Practices – examples of likely observations**

** Measures – examples of likely quantitative evidence**
How is a standard is normally written?

A standard has two parts;

1) a description of what should be done and
2) a criteria that specifies the performance required for successful achievement.
Some Characteristics of a Standard

It can be:

- Quantitative (50% as a pass grade, time taken, cost)
- Qualitative (awareness and understanding, goal alignment, acceptance of mission and vision)

- Where possible it should be objective and verifiable, rather than subjective
- It should contain an outcome statement
- Standards need to be evidence based, achievable and measurable (ACHS)
- Arrived at through a legitimate process
Standards are developed from evidentiary sources

- Legislation
- Policy
- Codes of practice
- Professional standards of practice (AHRI)
- Statistics within similar entities (benchmarking)
- Criteria identified in similar circumstances
- Expert panels
- Agreement to the relevant criteria (eg between an auditor and auditee).
Elusive - do we need HR standards?

• SHRM 2005
• Standards underpin business
• Standards can be a source of competitive advantage
• Necessary for evaluation
• Assist in ensuring that an issue is well considered
• Provide funding justifications
• Demonstrate professionalism
• Builds on the body of knowledge
• ..................
• Benchmarking involves learning, sharing information and adopting best practices to bring about changes in performance

• Benchmarking encompasses:
  – regularly comparing aspects of performance with best practitioners globally;
  – identifying gaps in performance;
  – seeking fresh approaches to bring about improvements in performance;
  – implementing improvements; and
  – monitoring progress and reviewing the benefits.

• Benchmarking may be a one-off event, but is often a continuous process in which organizations continually seek to improve to challenge and improve their practices.
Benchmarking for HR

• For human resources, the following three types of benchmarks are particularly appropriate:
  – **Broad measures of strategic HR planning and management efficiency and economy at an organisation-level** (graduate outcomes, SSR, staff qualifications, revenue per FTE, cost per FTE, profit per FTE employee, ROI)
  – **HR practices focusing on how effectively HR programs and practices are implemented**, making comparisons with other organisations (e.g. strategic human resource planning, management of the workforce, workforce diversity, career development, appropriate policies)
  – **Skills, abilities and capacity** of HR specialists over time (for example number of employees per HR specialist; demonstrated capacity to facilitate changes quickly – e.g. structural changes, AWAs).
Benchmarking and Standards for HR - organisational level

• Our benchmarking has given the following broad standards for assessment of strategic HR planning and management efficiency and economy at an organisational level
  – Outstanding Graduate outcomes
  – Student to staff ratio: 11:1
  – Assistant Professors or above with PhD: 80%
  – ROI: 15% or better

• There is general consent among the University community that these are the accepted norms, and that they are adequate and reasonable.

• HR’s role in achieving these standards is key; and the capacity to facilitate the delivery of these standards is continuously evaluated.
Benchmarking and Standards for HR – HR Practice Standards

• Our benchmarking has provided broad standards for assessment of how effectively our HR programs and practices are implemented; for example
  – A strategic workforce plan (covering recruitment, retention and development of staff) is present and is continuously developed in the context or the University’s strategic objectives
  – A survey of staff sentiment is undertaken each year and the results are promulgated and seen to be acted upon
  – Individual staff training plans are developed and monitored annually
  – Individual performance reviews are conducted annually and staff feedback given

• Again, there is general consent among the University community that these are the accepted norms.
Benchmarking and Standards for HR – HR Specialists Skills and Abilities

• Our benchmarking has provided broad standards for assessment of the skills and abilities of our HR specialists over time; for example
  – The number and seniority of employees per HR specialist is efficient and economic compared to peers, having regard to overall ROI
  – Industrial harmony is maximised and litigation is minimised
  – Organisational changes facilitated by HR are speedy, economic and effective
  – Comprehensive HR policies and procedures linking all aspects of HR with industrial instruments and legal requirements, are present and up to date

• HR’s achievement of these standards is continuously evaluated.
Benchmarking to Standards to Evaluation

• Our benchmarking provides standards for
  – Strategic HR planning, management efficiency and economy at an organisation-level
  – HR practices including how effectively HR programs and practices are implemented
  – The skills, abilities and capacity of HR specialists over time

• Measurement of actual performance against these standards provides a basis for evaluation of HR.
How could we assess the HR function?

- Management evaluation
- AUQA Review
- Consultancy review.
- Benchmarking
- Staff survey/stakeholder surveys
- Business Process Analysis (time to fill vacancy)
- HR Accounting
- HR Auditing
- Balanced scorecard
- Index of effectiveness (criteria with weighting of different outcomes)
- Profit Centres (e.g. revenue from consulting, training etc)
Desirable attributes of a preferred evaluation method?

• The methodology should be accepted by our key internal stakeholders (Council, V-C, Senior Mgt Team, Managers and staff).
• The methodology should be acceptable to our key external stakeholders (Unions, Investors, Institutions, Industry, Quality or Govt bodies).
• The methodology should use consistent criteria for the evaluation.
• The methodology should be future orientated
• Organisation specific objectives, risks and standards should be used in the evaluation.
• The methodology must allow for both ‘generally accepted HR principles’ (what we expect to see), and cater for “If not, why not?” questioning.
• The methodology should allow for the clear identification of the “critical issues for HR organisational success”
• The methodology should take account of risk factors
Desirable attributes of a preferred evaluation method?

- The methodology should provide for materiality issues (rats and mice vs real organisational issues)
- The methodology should allow for benchmarking
- The methodology should allow for KPI’s, and accounting measures and ratios.
- The methodology should, ideally, be independent of the HR Director and HR staff as the report authors
- The methodology should provide for HR input on any draft recommendations.
- Where possible the methodology should be based on National Standards (Standards Australia).
- The methodology should deliver value-for-money! (Effective, efficient and economic).
- The methodology should be forward looking …
Observations on Human Resources Evaluation

• HR tend to concentrate on effectiveness; but not efficiency and economy
• There is a need for HR standards ........ to aid evaluation (profession, industry, or organisation?)
• Third party affirmations; ‘Anybody can promote anybody except themselves’, who will promote HR?
• V-C’s, accountants and auditors are very interested in evaluating HR
HR & ‘value for money’

1. Rigorous framework for the examination.
2. Get the basic practices right (McKinsey 2006)
3. What are the critical HR issues for organisational success [Alignment]
4. Are HR in-tune, skilled and addressing these critical issues (will, focus, commitment, competency)?
5. See what our staff surveys are telling us about the present and future? [McBassi]
6. Have a competent business analyst focusing on HR [analytical capacity]
7. Address HR risks.
8. Combine research results into HR practice [research capacity]
Future?

- Potential for a demonstration program, perhaps with HEWRR funding, to develop HR Standards for university sector HR.
- Link to the UK Univ. HR SAT
- Can be developed using Stds Aust processes (electronic)
- Can involve our AUQA experts.