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BENCHMARKING HUMAN POTENTIAL

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Abstract: Basically benchmarking is comparing one's own enterprise with those of the competitors that are the best in their fields of activity for the purpose of cognition on how they managed to become market leaders, as well as how to integrate such good business principles into one's own system of business dealings. However, benchmarking does not represent straightforward copying of the method of work of others i.e., it isn't a process of adopting ideas, but rather of adapting the effective solutions of others to one's own needs. The strong point lies in the exchange of ideas that promote quality and encourage personnel creativity. The work considers the advantages and types of benchmarking, indicating the possibility of implementing benchmarking in the sphere of human potentials. The basic principle of this process is to perceive what exactly the market leaders are doing to improve their business, and to integrate everything from the accumulated data that might contribute to the advancement of business.

Key words: benchmarking, human potentials, benchmarking process, knowledge management.

INTRODUCTORY CONSIDERATIONS

In the Croatian language, the expression benchmark refers to a starting point or a standard of measurement.² Basically, benchmarking is comparing one's company with other best competitors who are in the same line of business. Benchmarking does not constitute mere copying of somebody else's methods of work. It is not a process of taking over ideas, but is instead an adapting of workable solutions of others to our own needs. Its strength is in an exchange of ideas that instigate creativeness. Benchmarking is a continuous process of identifying, understanding and adapting a

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² Renko, N., Delic, S., Skrtic, M., *Benchmarking u strategiji marketinga*, Mate, Zagreb, 1999, p. 9.

company's product, service, facility or procedures with the best practices, the goal being to enhance one's own business. This process embraces³:

- comparing the company and its divisions with the best ones,
- comparing production and other company activities with competitive firms,
- comparing products and services with the results of leading competitors ,
- comparing technical solutions for purpose of choosing the best equipment,
- implementation of best business performing processes,
- planning of development and active adaptation of new trends and technologies,
- carrying out and surpassing the expectations of consumers.

From the mentioned it may be concluded that the essence of benchmarking is the acquiring of cognition, which can be further developed, elaborated and adjusted to one's own needs.

1. TYPES OF BENCHMARKING

Empirics have developed several types of benchmark processes each of which is defined by its aim and by the object of investigation, and they can be separated into the: internal, competitive, functional, generic, strategic, combined internal and external benchmarking⁴.

Internal benchmarking enables analysis of running a business and its enhancement in light of the organizational divisions of the enterprise that have asserted themselves as effective and profitable. Internal benchmarking includes two-way communication and exchange of opinions between sections within the same company or between several companies that make up a singular business system.⁵ Internal benchmarking is characterized by an easier access to necessary data, lesser expenses, etc., however a large number of experts think that the best solutions are to be found outside of the concrete enterprise(s).

External benchmarking is based on comparing the company's activities with the activities of other companies, and is conducted at a much slower pace than internal benchmarking and its execution necessitates higher costs. Furthermore, it is necessary to take into consideration that all the solutions that are applied in a company are not of necessity applicable in all the other companies.

Competitive benchmarking implies comparing the activities of one enterprise with the activities of other enterprises, the aim being to obtain important data on how competitive enterprises run their businesses, so as to compare such data with their own, hence to enable the positioning of their own products, services or market management in relation to the competition.

³ Vujic, V., Menadzment ljudskog kapitala, drugo izdanje, Fakultet za turisticki i hotelski menadzment, Opatija, 2005, p. 145.

⁴ Renko, N., Delic, S., Skrtic, M., *Benchmarking u strategiji marketinga*, Mate, Zagreb, p. 26.

⁵ Kozak, M., Nield, K., "An Overview of Benchmarking literature: Its strengths and weaknesses", *Journal of Quality Assurance in Hospitality & Tourism*, Volume 2, Number ¾, The Haworth Hospitality Press, An Inprint of Haworth Press, Inc., New York, 2001, p. 10.

Functional benchmarking includes comparing of products, services and business processes performing the same activities as the best companies worldwide, regardless of the business that they do. The aim is to ascertain ideal handling of business, regardless of its location; thus this type of benchmarking offers possibilities to achieve excellent quality in running business.

Generic benchmarking includes the comparison of various activities in order to reveal similarities between business processes. In this way numerous innovative processes are discovered, such as business culture, communication, itemization and similar procedures that are used by business systems of excellence.

Combined internal and external benchmarking, as it is called, indicates that enterprises start with internal benchmarking, and in the end they shift to external benchmarking. Each company combines these processes and activities to their own needs and preferences.

Strategic benchmarking is a search for successful strategies that leading firms have worked out. It is used when the purpose is to bring business strategies into consonance once they become unsuitable due to technological changes or buyer demands. It should always be pointed toward processes of key interest for the success of the enterprise.

Each of the designated benchmarking processes has its advantages and shortcomings. Every enterprise will decide which type of process is the most desirable. The best results are found by utilizing the combined internal and external benchmarking since all enterprises differ, hence each enterprise makes up its mind for the combination of different benchmarking processes with which it will accomplish the best business results. On basis of the mentioned, it is possible to name the joint positive effects of benchmarking:⁶

- it contributes to a better understanding of crucial processes,
- it is a means of learning and motivation,
- it teaches from the business practice of others,
- it develops a business system that teaches,
- the enterprise learns to manage and adapt to changes,
- focuses on the demands of users and of the market,
- quicker and better decision-making, increase of profit and efficiency,
- helps enterprises ascertain their own strong points and weak points,
- motivates employees to accept innovations within their own domain.

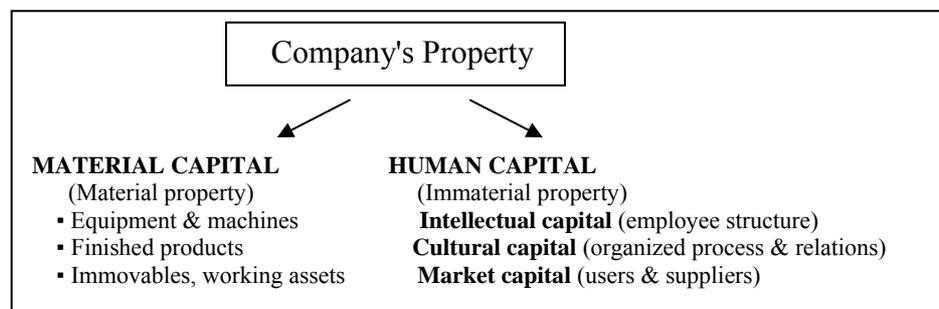
Benchmarking as a managerial technique and tool is founded on the idea that it is possible to look into the best procedures of other companies and thereafter to apply the changes formed on basis of such observations. Benchmarking is a first-class source of business ideas, and one of the basic benefits of benchmarking is its opening of both the business system, as well as of every individual towards new ideas, products and business processes.

⁶ Fakultet organizacije i informatike, www.foi.hr (15.5.2003.)

2. BENCHMARKING PROCESS OF HUMAN POTENTIAL

All enterprises should be aware of the fact that the only way to survive on the market and uphold successful business activity is by properly motivating their employees to attain new levels of skills, efficiency and creativity. It is more and more clear that successful enterprises on the market are precisely the ones that can offer more know-how and better quality on the global market.⁷ It is therefore very important for the department of human potential within every enterprise to be organized in the right manner. Human potential, as a constituent part of the intellectual capital of a company, must under the conditions of general globalization and accelerated development of new technologies, be capable of rapid change and adjustment to new demands. Outline 1 depicts the property structure of an enterprise.

Outline 1: Property Structure of an Enterprise



Source: Vujic, V., "Management of Knowledge and Personnel", Human Capital, Culture and Quality in Tourism and Hospitality Industry, Faculty of Tourism and Hospitality Management, Opatija, 2002, p. 243.

Benchmarking is a customary part of checking the work of the human potential department within an enterprise. Work checking is an internal study of the human potential department within the company, which also embraces an assessment of the work of the managers of every area. At the start it is necessary to ascertain the effectiveness of the various functional areas of the activity of human potential. Thereafter, benchmarking of the various activities of the human potential department is executed in order to assure a continuous progress. Benchmarking human potential enables the managers to have insight into the success of human capital management and to coordinate the personnel policy components with the company's strategic business plan. According to Jeannette Swist, designing the benchmarking process is comprised of the following four steps:⁸

- Step 1.: Plan (What should be subjugated to the benchmarking process?)
- Step 2.: Investigate (Where to find benchmarking information?)
- Step 3.: Analyze (What should be done with the gathered data?)
- Step 4.: Implementation (Why is implementation essential?)

⁷ Vujic, V., "Management of Knowledge and Personnel", Human Capital, Culture and Quality in Tourism and Hospitality Industry, Faculty of Tourism and Hospitality Management, Opatija, 2002, p. 238.

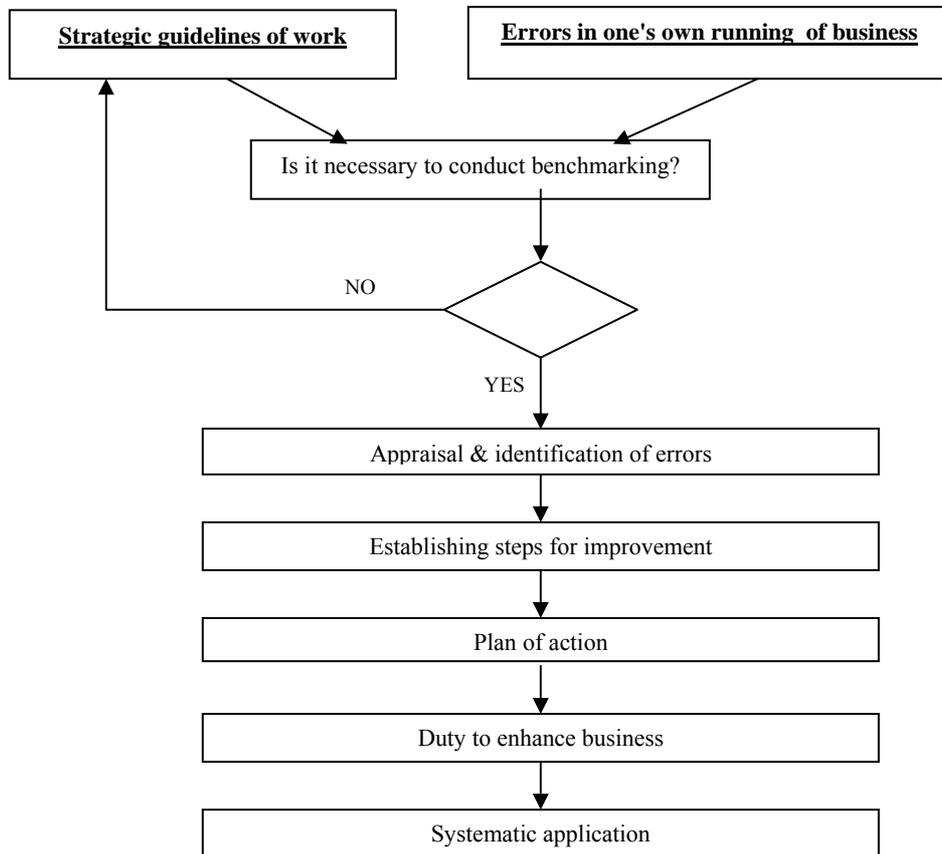
⁸ Human Resources Learning Center, www.human-resources.org. (15. 5. 2006.)

The First Step calls for a survey and identification of all the processes of human potential, those that were successful, as well as the ones that were not. The only way to establish what functions in a company, and what does not, is by accumulating, measuring and analyzing data. By and large, this part of the benchmarking process includes checking up on:

- procuring, selecting and deploying of personnel,
- job initiation and motivation of personnel,
- innovation of knowledge and personnel promotion,
- appraisal of workers' achievements and assessment of co-workers' satisfaction.

Checking of only one of the above mentioned areas would merely provide limited insight into the activities of human potential. Enterprises must link the benchmarking process with the strategic business plan as illustrated in outline 2.

Outline 2: Benchmarking Process



Source: Pyo, S. "Benchmarking the Benchmarks", Journal of Quality Assurance in Hospitality & Tourism, Volume 2, Number ¾, The Haworth Hospitality Press, An Imprint of the Haworth Press, Inc. New York. 2001, p. 2

When on the subject of strategic guidelines and initiatives it is necessary to establish in which way will the strategic plan have an impact on the human potential. The first thing to establish is to ascertain what is in concordance with the needs, and what is not. After that, interviews with managers are made to establish their views on how they think the plan will influence them. It is necessary to amass as many different ideas as possible, list them, and pick the best ones from that list. The benchmarking process provides various possibilities. One of them is a perspective „outside“ of the enterprise and an analysis of its activities. The planning process is also the focusing on specifics, target themes and working methods of our competitors. In this phase it is necessary to establish the areas that should be subjugated to the benchmarking process. Managers have to determine which problems need to be solved. This part of the process begins with concentration of analyzing the problem or analyzing specific possibilities.

The second step encompasses investigation of information required for the benchmarking process. The sources of information can be: libraries, Internet and on-line services, professional associations, various publications, educational institutions, providers, experts and consultants, investigative studies, various opinion polls, et al. The investigation process should begin with finding a source that compares the data that the initiator-enterprise has amassed with the information that already exists, and which is linked to the problems under investigation. In the course of investigation databases can be used and doing so it is necessary to focus on a specific area of investigation in concordance with the key words. It is important to avoid excessive focusing on details so as not to overlook observing the big picture. In contrast, it's important not to get involved in investigations that are too broad and too comprehensive, since all the accumulated data must be useful. The investigative process will be easier if the problem is approached by searching for a possible solution, instead of making exertions to ensure support to some proposed solution. Data for investigation can also be acquired by establishing contacts with colleagues through professional associations and the like.

The third step of the benchmarking process is to analyze the consumers, competitors, markets and the surroundings. The aim of this analysis is to identify and describe the consumers and understand their preferences and needs; assess the size of the market and establish the companies and products that compete on the market. One of the results of analysis of external factors is the identification and discovering of favorable opportunities and threats which the company encounters or will encounter. During the inspection of the amassed data it is necessary to look for concrete processes, used methods, standards for evaluation of results, as well as activities and technologies whose implementation brings about effective performances.

The fourth step of the benchmarking process is the implementation of new solutions or changes in running the business. Their application is necessary in order to provide a continuous progress. This desire to upgrade the value of the enterprise is apparent in all four steps of the benchmarking process. The first step of planning calls for the establishment of the factual state and analysis of the assembled data regarding the activities of the human potential. The second step – investigating renders the opportunity to identify benchmarking sources. The third step – analysis, comprises the analyzing of existing practical solutions, work methods, methods of measuring results, activities, and the technology that brings about topnotch levels of performance. The

fourth step, points to the fact that communication and action must follow all the hitherto undertaken activities within the benchmarking process. The advice and strategies for implementation are:⁹

- presentation of facts and conclusions to the company management,
- to show the results in graphic form,
- to ascertain available possibilities for improvement of work,
- to establish the aims and gain the trust and support of the company management,
- to establish the desired outcomes of activities.

The ASTD Benchmarking Forum has developed a set of standardized measures for comparing data between different enterprises. ASTD Benchmarking Forum was founded in 1991, and by the end of 2005 it had 55 members.¹⁰ The basic aim of the ASTD Forum is to gather and analyze as much data as possible that would enable us to understand the various trends in the process of innovation of the knowledge of employees. Any company can become an ASTD member and utilize their services if they desire. Membership in the forum brings the following benefits:¹¹

- joint learning and exchange of information,
- joint analyzing of studies of cases and databases regarding trends that have an impact on the advancement of business excellence,
- comparative reports on analytical investigations of specific data received from all the other companies.

In order for fellow members of the Benchmarking Forum to retain their positions on the market they are obliged to maintain a continuous performance of the benchmarking process, looking for the best method of doing business and constantly networking with other companies for the purpose of accumulating data. The Benchmarking Forum is engaged worldwide and its structure enables members to learn from the best world-class companies and professionals who will teach us to better understand the internal problems of a company and the impact that they have on the development of the company's employees.

The set of measures and services of the Benchmarking Forum helps companies control and enhance the efficiency of the learning process and see to it that the managers of human potential receive credible information for making comparisons with other companies. ASTD's Benchmarking services are accessible to everybody. Every company, big or small, can utilize the advantages of these services free of charge. With the use of the set of measuring instruments, every company can begin to participate in the benchmarking process whenever it wants to.

⁹ Human Resources Learning Center, www.human-resources.org (15.5.2006.)

¹⁰ Human Resources Learning Center, www.human-resources.org (15.5.2006)

¹¹ Human Resources Learning Center, www.human-resources.org (15.5.2003.)

CONCLUSION

Quality is the backbone of today's world market and the sole creator of quality is Man, who has to be motivated to permanently innovate his knowledge. The major assignment of a manager has become to render individuals of quality, motivate them, educate and develop them to achieve superior results and contribute to the accomplishment of the organization's goals. In absence of that, the best of plans or organizations will have no effect.

The global market does not recognize the inadequate or average anymore, but only the excellent. Under contemporary conditions of business management, a company can no longer allow itself to be humdrum or „drowsy“ in a business sense. On the contrary, in order to survive a company must be on a constant level of alertness and readiness to react to the steadily ascending changes on the market. Benchmarking is one of the most successful methods of „maintaining“ our awareness of the company's position on the market, and of the necessity to introduce changes and innovations into the management of our own business.

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