



# The Tyranny of Benchmarking

How to conduct an HR audit that really matters

by Marc Efron, Talent Strategy Group

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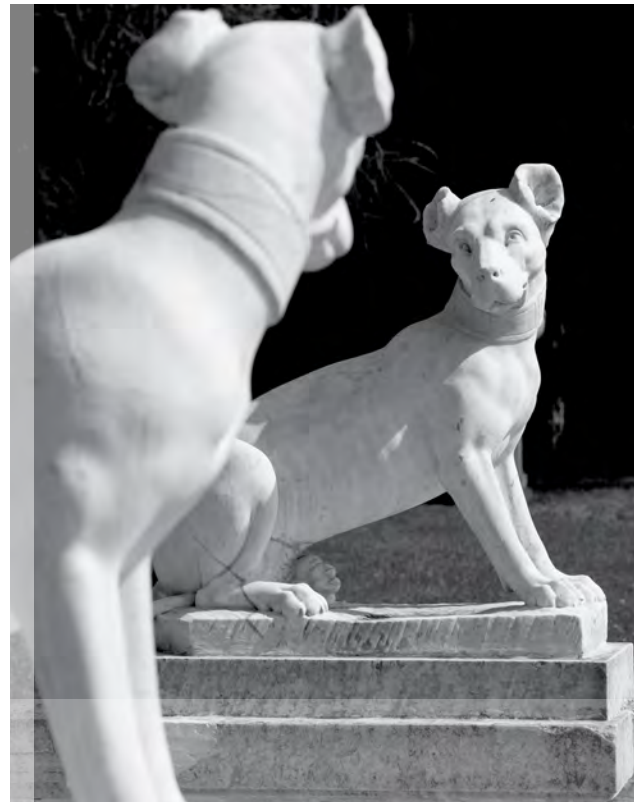
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It's basic human behavior to compare how our beliefs, thoughts and capabilities align with those around us.<sup>1</sup> In psychology it's called Social Comparison Theory and it effects everything from the clothes you wear to your political beliefs. We compare ourselves to others because we can't objectively measure if we're sufficiently generous, healthy, friendly or beautiful. The views of those around us set those standards, so we benchmark against their collective definition of great.

If we could objectively measure those things, we'd be far less interested in what others were watching, wearing, doing or drinking. Benchmarking would be reduced to interesting stories that provide color commentary about what is already proven to be true. That's exactly how benchmarking should be treated today in HR.

We're fortunate that there's objective science and practice to guide how you structure and manage HR in your organization. This makes



benchmarking your neighbors a risky proposition when you audit your HR strategy and practices.

## The Tyranny of Benchmarking

Benchmarking stories provide false comfort even if they describe well-known companies and come from well-respected sources. Among the risks are:

- **Lack of Science:** Were the benchmarked ideas based on proven science or just the executives' preferences at that company? It's likely that they sourced their ideas from somewhere else, so you're simply benchmarking their benchmarking.
- **Poor Strategic Fit:** If their programs were developed to meet their specific goals, why should they work for you unless you have the exact same goals?
- **No Path to Implementation:** Benchmarking rarely uncovers the more subtle factors that allowed successful implementation (i.e., CEO



support, large budget). The idea you benchmark may be very legitimate. That doesn't mean that you have any idea how to make it work in your company.

- **Culture fit?** How would implementing this idea in your company affect your corporate culture?

Benchmarks are often created by consulting organizations using "convenience samples" – the companies they work for, that responded to a survey or that are popular in the business media. They aren't an objective assessment of the market – they're random at best and skewed by companies focused on self-promotion at the worst.

Our individual biases also cause us to align to certain benchmarks and not others. Do you believe in a more humanistic workplace? You'll see practices that elevate and celebrate people as far more worth emulating. Do you believe in meritocracy and individual supremacy? There are plenty of companies you can cite who are doing things the "right way."

Most importantly, knowing a benchmark tells you absolutely nothing about how to make that practice successful in your organization. Self-managed teams are reemerging as companies try to squeeze innovation out of complicated matrix structures. Great – what exactly should you do to create and manage those teams? You hear that companies are limiting their leaders to three big performance goals. Sounds enticing, but which specific capabilities do your leaders need to master the art of focused goal-setting?

Benchmarking appeals to the basest human instinct of comparing ourselves to others. That doesn't make it correct and certainly doesn't make it accurate. We believe that you should assess and audit HR in using science and proven practical application.



# Every HR conversation should start with an understanding of the most conclusive scientific evidence about how people and companies succeed.

## Science, Simplicity and Real Experience - How to Conduct an HR Audit

### Process, Science, Practical Output

We believe that an accurate, practical HR audit requires science-based insights and practical guidance from experts who've personally implemented successful HR. An effective HR audit should cover four areas:

- **HR Strategy:** How does the HR strategy for the next 3 – 4 years fit with both the longer-term business direction and key “HR hygiene” factors? This step includes comparing the capabilities the business strategy demands with those currently in the organization (See our article [“Companies Change but People Don’t”](#) for more information.)
- **HR Structure:** A globally matrixed organization is today's default model, so how should you align HR's structure and responsibilities to best support it? This includes assessing the organization of specialists, HR business support and shared services, and how much of each should be insourced or outsourced.
- **HR Practices:** Most people experience HR through the processes they run – from onboarding to performance management to compensation to benefits. This is often where benchmarking runs amok, with site visits, TED talks and conference speeches providing more excitement than substance.
- **HR Quality:** A missing element from many audits is a hard look at the quality and capability of the HR team. The best strategy, structure and practices mean nothing unless the HR team is fully capable of driving success in the

organization. This step should assess HR quality and depth against a very high global standard.

Those areas are similar to what many firms would assess. **What makes an audit accurate and helpful is that it assesses:**

**Effectiveness:** What is the specific goal of that practice, process or structure? What evidence do you have that it actually achieves that goal? How specifically does it justify its existence against the business strategy? No HR practice has an independent right to exist. Anything your company does must clearly and directly advance your business strategy. We use the Executive Fit Matrix™ and other proprietary tools to assess the alignment.

**Science:** As the creators of science-based simplicity, we believe that every HR conversation should start with an understanding of the most conclusive scientific evidence about how people and companies succeed. This is the objective standard that's completely missing from benchmarking. The fact that you know what your neighbors do isn't helpful if your interest is knowing what's proven to work. The foundation of any quality HR audit must be the scientific proof in that area.

**Simplicity:** Great HR is designed for the customer and customers want simple, easy to use processes. The ability to refine an idea to its science-based essence and simplify it to its core is something that's only possible from those with practical experience as a senior HR leader. Simple is also borne of a business mindset. One standard by which to assess an HR practice is how efficiently it meets its business objective. A deep belief in the business primacy of HR helps



guide an audit to the correct conclusions.

**Accountability:** The most common, important element missing from companies' HR strategy is their managers' accountability to execute HR practices. No matter how technically well-constructed an HR process or practice may be, it won't work unless it's someone job to do it. Consequential accountability (good things happen to you if you do it; not good things happen if you don't) is part of the *One Page Talent Management*<sup>2</sup> framework and an essential element of an HR audit.

**Transparency:** Perhaps the most challenging topic for companies today is how open they should be with employees about their HR approach and practices. A proper HR audit should assess the senior teams' interest in transparency and provide specific advice to improve it where desired.

### Putting it to Work

The weakness of a typical HR audit is the less-than-specific advice provided about how to improve HR strategy, structure and practices. What differentiates a helpful audit is that it provides detailed, tested and instantly implementable advice to enhance those areas. This advice should be at "blueprint" level – fully described and ready to build. It's only through

practical experience as an HR professional that your HR auditor can understand and guide you in a sound direction.

### Getting Started

We understand the seductive allure of HR benchmarking. It provides "clean" answers to difficult questions from companies that are known by your boss and peers. It feels like a safe, secure way to ensure your HR approach is aligned with what the world's best are doing. We'd suggest that it's exactly the opposite. By ignoring the hard-core academic science about what's conclusively proven to work, you're at high risk to the ever-present fads and trends that buffet HR. You will find that today's "correct" answer quickly fades when the next popular book or TED talk appears.

An HR audit is a meaningful investment and should provide a meaningful guide for HR success. If you start with the science, we're confident that you'll find substantive answers and more dependable advice.

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1. Festinger, Leon. "A theory of social comparison processes." *Human Relations* 7, No. 2 (1954): 117-140.

2. Efron, Marc, and Miriam Ort. "One page talent management." Harvard Business School Publishing Corporation, USA (2010)

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