

THE BENCHMARKING HR IN THE LOGISTIC CENTRES

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Abstract

This paper deals with the topic using benchmarking for human resources in the logistic centres. Nowadays the company's surroundings is changing quickly. The logistic centres are forced to react quickly on these changes for achieving competition advantage. The on line benchmarking tests enables gathering objective information on the base quantified indexes. Thanks accessibility on the web the benchmarking test enables to the company (logistic centre) whenever gain necessary information for decision making about increasing efficiency, productivity, total economic prosperity etc.

Key words: benchmarking, human resources, logistic centre, indexes.

Classification JEL: M12 Personnel Management

1. Introduction

In the past the company's environment was steady, but nowadays the free market economy could be described as turbulent economic environment, this fact is caused mainly by extension of the European Union and higher influence of the globalization. It's necessary to be able to react quickly on changing opportunities and challenges to achieve fruitfulness and prosperity. The goal of each company should be keeping customers and achieving prosperity and profitability.

The benchmarking basically contains learning, sharing information and accepting the best practices for reaching changes in the performance. Said simply it could be defined as "Improving myself by learning from the others" [2].

The benchmarking usually contains in practice:

- the regular comparing performance aspects (the functional as well as the procedural) with the best professionals,
- identifying gaps in the performance,
- looking for new approaches for reaching performance improving,
- implementation improvements and
- verifying and monitoring improvements, evaluating benefits.

The world trade is globalised, so it's necessary to support competitive advantage of the Czech logistic centres as well the whole Czech transport sector. This can be made with help of index benchmarking.

The purpose of the project called "The concept of index benchmarking for logistic centres" is to ensure improvement of critical spheres, which could threat particular companies (logistic centres) and empower spheres in which are the Czech logistic centres above the others.

Benchmark analysis enables comparison of Czech logistic centres with competitive centres in the Czech Republic, in the Europe and in the world.

Following paper deals with the topic benchmarking of logistic centres with specific focus on the HR (Human Resources). This paper is one of the outputs within first period of solution project MD CR 1F83A/014/520 The Concept of Index Benchmarking for Logistic Centres.

2. Human Resources

"The Human Resources are specific activity within organization, which deals with managing human capital in the organization, so with the managing employees as a whole" [5]. It

differs from the managing that it manages employees as a whole and it offers a tool to managers which they can use for direct or indirect influencing growth and keeping productivity of labour.

The Human Resources have developed from the personnelistics. The objective of Human Resources is to maximize the return on investment from the organization's human capital and minimize financial risk. It is the responsibility of human resource managers to join these activities in an effective, legal, fair, and consistent manner. Human resource management serves these key functions [7]:

- Recruitment Strategy Planning
- Hiring Processes(recruitment)
- Selection
- Training and Development
- Performance Evaluation and Management
- Promotions
- Redundancy
- Industrial and Employee Relations
- Record keeping of all personal data.
- Compensation, pensions, bonuses etc in liaison with Payroll
- Confidential advice to internal 'customers' in relation to problems at work.
- Career development

The long-term competitor's pressure forced the companies to pay attention on the development of its employees in the long-term and strategically horizon. Because the employees substitution is very difficult and the employees become the only one and the important competitive advantage in many companies.

3. Benchmarking

It was necessary in the first phase of project solving to stake out the basic philosophy and create methodology of index benchmarking with the application on the conditions of logistic centres in the Czech Republic.

The benchmarking can be defined as process of identification best methods and learning from them in other organisations. It's useful tool in searching continuous improvement and markedly better results.

Strategically oriented organizations have defined their missions and goals. They need tool which ensures that company will improve all the time (in tendencies to achieve their goals). They should concentrate on the main processes which contribute to achieving goals and improve these processes in the future. The organizations usually compare the performance indicators (as a profit, return of the investment ROI, turnover time, percentage of failures, wages for employees, unit costs etc.) or the business procedures (e.g. how to develop product or service, how it satisfies customer's orders or react on the requirements, how it produces the product or the service) [3].

Most frequently are used the questionnaires for the acquisition data in the database. The kind of data in the questionnaire depends on which benchmarking system is used. The benchmarking systems could be divided on the systems based on:

- the data financial statements,
- the data which are not in the financial statements,
- the data combination from previous two areas.

The areas which are compared in the index benchmarking could be divided as it's shown in the figure 1.

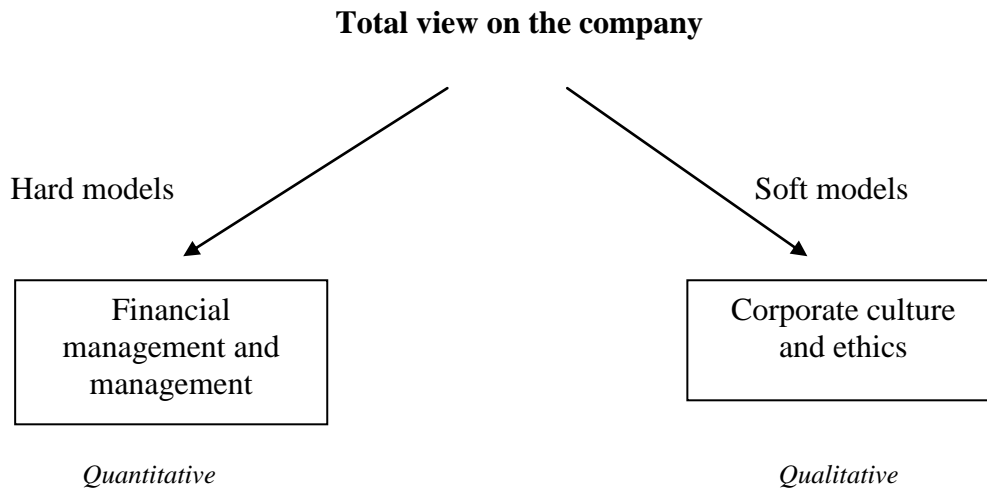


Figure 1: Dividing compared areas in the index benchmarking [1], p. 56

The hard models are such models which are usually connected with one particular problem and they could be described mathematically. The outputs of their researching have quantified character. On the other side soft models exist, they couldn't be mathematically described, they contain several factors and they are more general. The human is active part of the system in this model, it generates the problem of the individuality – each person has different knowledge and attitudes [6]. The output of researching these models has qualitative character, which is not easily comparable. The Human Resources belongs among soft systems, the authors deal with the topic benchmarking HR in the next chapter [7].

4. The Human Resources Benchmarking

Increasing costs on the Human Resources are continuously higher percentage of total costs of the organization. Almost 65% of total costs are related to the humans in many organizations. HR benchmarking offers useful tool to the company's management and the senior managers, thanks that they evaluate quickly the company's performance and if there is adequate return of investment to the human capital.

HR benchmarking gives information for comparing particular company with competing companies, it gives information about relationship between human capital performance and economic results of the company. For comparing human capital performance are used primary or secondary data from the recent past. The indicators are divided in several groups in the benchmarking tests of human capital performance [4].

The first group is *company's results* – it shows, if the employees are really competitive advantage, it sets return of the investment to the human capita. The example could be indicator turnover, costs or profit per employee. It can be calculated as

$$I_{FVZ} = \frac{Z}{ZM}, \quad (1)$$

where

I_{FVZ} index for the group company's results,
 Z total profit of logistic centre,
 ZM total number of employees in the logistic centre.

The next are traced the indicators from the area *the remuneration and the benefits for the employees*. This area identifies the competitive advantage of remuneration packets, it's useful in setting remuneration policy and setting the benefits for the employees. These indicators trace e.g. position on the remuneration market, rate of increasing wages, the level of variable part in wages and total labour costs.

The third area in the humans resources benchmarking are indicators related to the *behaviour in the organization*. These reflect the level of loyalty or involvement as a display of behaviour. For example it shows the relationship between the level of withdrawing in the work and the level of company's costs. In this group can be traced for example the reasons of ending the employment, motivation and employee's satisfaction, the level of withdrawing in the work and the staff turnover.

The next group are the indicators from the area *the recruitment and the selection*. Here is evaluated not only the effectiveness of the recruitment process but also how is the company perceived by the possible expectants (it reflects the attractiveness of the employer in the labour-market). In this group the indicators are for example the costs on the casting one working position, time spent within selection procedure, costs on the graduates' recruitment, fruitfulness of casting free position etc.

Next to the last is the group which is evaluated in the benchmarking are the indicators from the area *education and development*. They set how important is education and development of the employees for the organization. It means the structure and the level of the investments to the development and the education of the employees. Here are traced the costs on the training, total time spent on the trainings, type of the trainings, talent mobility and so on.

The last traced groups are the indicators related to the topic *organizational structure*. In this group there is analysed the number of employees in particular HR sections, totals costs on the operating human resources department, its structure and the amount of outsourced activities and so on. The example could be the indicator which shows the number of employees on the one personnel clerk, it can be calculated as

$$I_{OSP} = \frac{ZM}{PP} , \quad (2)$$

where

I_{OSP}	index for the area organizational structure,
ZM	total number of the employees in the logistic centre,
PP	total number of personnel clerks in the logistic centre.

In some companies the administrative productivity could be defined through 4 key elements [7]:

- effectiveness,
- organization,
- motivation and
- process.

It means that achieving white-collar productivity improvements is impossible unless appropriate performance measures are developed. The company can set the following indicators to monitor its performance:

Productivity: Units of output/ number of employees; units of output/ cost to produce; value-added work operations/non-value-added operations.

Throughput time: Time required to process work.

Quality: Number. of errors/ unit of time; error-free transactions/transactions with errors.

Others: Deadline accomplishing percentage; customer satisfaction index; degree of employment commitment/ involvement

Its necessary to set general performance criteria, so the companies (e.g. logistic centres) could fill in the benchmarking test. This will lead to objective results and the company could gain the comparison with its competitors. In the following text, there are outlined some of these performance criteria. Managers can evaluate how their HR practices relate to the operational and strategic level of the enterprise through 6 performance indicators:

- a) *quality of delivery* – in terms of conformance to practice ideal;
- b) *quantity* - expressed in terms of \$ value, no. of units, or no. of completed HR cycles;
- c) *timeliness* – the degree to which an HR activity is completed or a result produced at the earliest time desirable;
- d) *cost effectiveness* – optimizing the gain or minimizing the loss from each use of human/financial resources ;
- e) *need for supervision* – the degree to which a person or unit can carry out an HR practice without requesting assistance, or requiring intervention to prevent an adverse outcome; and
- f) *positive impact* – degree to which HR activity promotes feelings of self-esteem, goodwill, commitment, satisfaction, cooperation.

The relative weights applied to these 6 criteria should be directly linked to organizational objectives such as return of the investments, increase of sales or increased. The link convinces line managers that HR activities are integral to objectives, and create competitive advantage.

In addition to HR practices, benchmarks may be developed for HR competencies of managers. Three sets of competencies may be identified:

- knowledge of business,
- quality of service,
- management of change.

If the HR performance measurement systems should have a real impact in the organization, it must remain open the dialogue about the meaning of the activities and programs. It's necessary to be ready to change measurement system if current indicators fail to achieve business goals or if the costs of collecting and analysing the data exceed the benefits of their use [8]. The very interesting part of this area of HR is personal controlling. Its main task of personal controlling is to manage personal activities by the reporting of personal standards and indicators [9].

After colleting all necessary data, the results of the benchmarking test are often presented in the bar charts. One simple example of the results for some imaginary company in benchmarking test is shown at the following Figure 2.

The first partial goal of the project is to set basic philosophy and create methodology of index benchmarking. The next phase should be creating and application ONLINE benchmarking test after fulfilling the first partial goal. The test enables to gain objective information on the base quantified indicators.

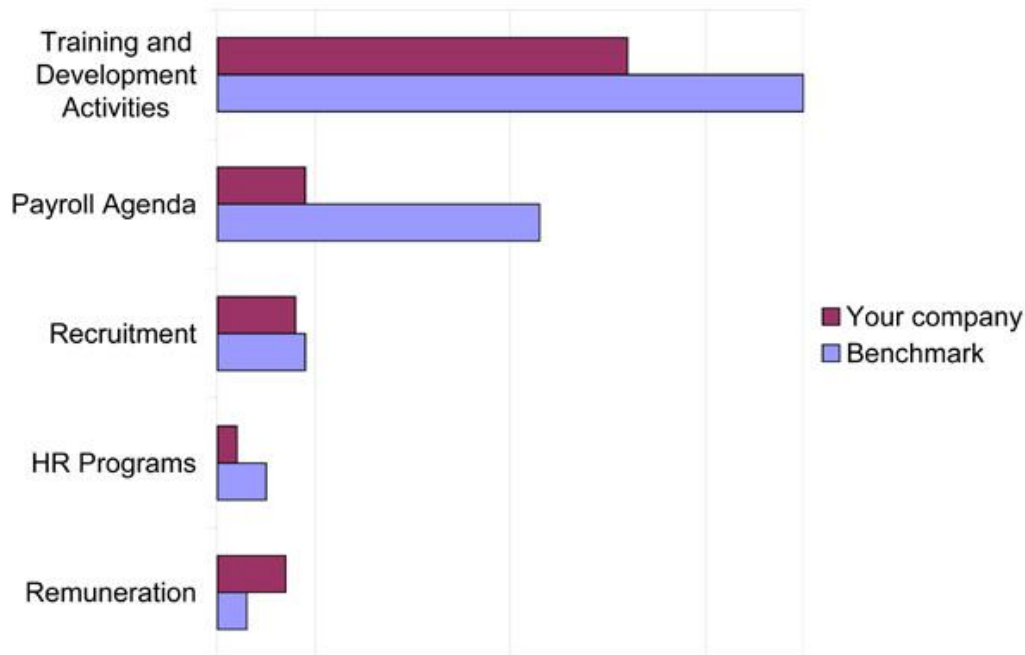


Figure 2: The simple example of output from the benchmarking test

Source: http://www.pwc.com/pl/eng/about/svcs/hr/saratoga_wykres.jpg

5. Conclusion

Nowadays happens the re-allocation of sources and new division of labour in the global markets, whose aim is to make activities in such places where are the best expectations for them from the point of view effects for participated partners and also the customer's requirements.

The innovations are not only for the products today, but they are also related to the processes and the additional outputs more often. The benchmarking should help to find out to the companies the necessity of changes, make the costs and the performances transparent and define the market position. That's the reason why the benchmarking is considered as important strategic tool for relatively quick increasing competitive advantage.

The principle of benchmarking is in comparing with the best ones and learning from them. From the point of view Human resources the benchmarking should help to answer some questions, for example:

- how HR processes contributes to fulfilling company's goals,
- which methods, approaches and the best practice of managing Human Resources and
- how costs are in all areas of managing Human Resources.

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