

Development of the Croatian HR Benchmarks List and its Comparison with the World-Approved Ones

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Abstract: Human resource benchmarking has become increasingly important as organizations strive for better performance. Observing, adapting and reapplying best HR practices from others became the essential management tool. The article defines HR benchmarks appropriate and significant for the Croatian business environment, which were predominantly compensation indicators. In particular, the research revealed that Croatian HR benchmarks are different from HR benchmarks used in developed countries. Namely, in Croatia, HRM as a management activity is still emerging and developing, and, as a result, Croatian HR benchmarks are oriented toward basic HR activities.

Key words: HR benchmarking, HR benchmarks, HR practices, HR indicators

JEL Classification: M50

Introduction

Benchmarking is not an additional burden but a way of opening up vital new perspectives.

John Bramham

The increased dynamics and complexity of business environment, the rapid technological development, the need for constant innovations and improvements, the pressure of global competition, and constant and substantial changes in all fields of doing business, became great challenges for contemporary organisations. In this turbulent business times, managers are obligated to keep the pace with changes or

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they are doomed to fail. Competition became unmerciful, so the continuous improvement became the only key to long-term success.

The speed and scope of changes on the business scene encourage business practitioners and theoreticians to formulate and employ new tools of improvement. One of the trendy tools for improving company's processes is definitely benchmarking.

Benchmarking is a systematic way to identify superior products, services, processes, and practices that can be adopted by or adapted to organisation to add value (reduce costs, decrease cycle times, increase reliability, cut inventories), and provide greater satisfaction to customers (Harrington & Harrington, 1996). As Phillips (1996) explains, 'benchmarking is a continuous process of collecting information from other organisations that is considered to represent best practices, and using the information to improve the current organization. Benchmarking is a process of learning from others, but is not a process of duplicating what others have done.' In other words, benchmarking 'provides a warning signal to the organisation that it should rethink its view of the future and its strategies (Cummings & Marcus, 1994)', helps generate new ideas and introduce change. As Fitz-enz (2000) stresses, 'an effective benchmarking project develops a mass of potentially relevant and useful information about functions, processes or practices. It might help you uncover root causes of problems and paths to more effective applications.'

Traditionally, benchmarking has been done on the harder, more objective aspects of a business, for example, technologies, systems, financial ratios, or quality. 'Increasingly, firms also benchmark softer management practices (Ulrich, 1997)' such as marketing practices, organizational culture and climate or HR systems¹.

This paper is focused on human resource benchmarking, as one of the trendy and growing field of HRM. Namely, 'the cliché that people are our most important resource has actually come to mean something (Fitz-enz & Phillips, 1998),' and because of that companies are interested in improving their HR practices. To be more precise, management realised that the last and clearly most effective leverage point in an organisation happen to be people. Money, technology, equipment, buildings, materials, structures, systems, production practices, in a word 'hard' variables, mean nothing until a human being acts. And, that is when the human resource management comes to the scene. It becomes obvious that HRM is the one that increases the value of people in an organisation and that the development of HR practices becomes increasingly important. As Fitz-enz and Phillips (1998) prescribe, 'the human resource function now has the opportunity to move out of the background into the mainstream of organizational strategy and management.'

One of the proven ways of improving company's HRM is by benchmarking human resources. While the theoretical part of the paper deals with the definition, purposes and types of HR benchmarking, the intention of the empirical part was to

define Croatian HR benchmarks, precisely HR benchmarks which are meaningful and suitable for the Croatian business environment.

Human Resource (HR) Benchmarking

Definition and Purposes of HR Benchmarking

HR benchmarking is a continuous process of collecting data on various aspects of a firm's HR system from a variety of organisations in order to evaluate one's own organisation. The primary purpose of the HR benchmarking project is 'to provide human resource practitioners with tools, models, skills, methods, and data to improve the effectiveness of their human resource programs for their customers (Bjornberg, 2002).' Furthermore, HR benchmarking helps organisations gain insight from what 'best practice' companies are doing. The aim is to find 'examples' of high performance, analyse and understand the procedures and practices that lead to these results, and then to improve the HR performance by adapting these best practices and incorporating them (Papalexandris, Nikandrou, 2000).

However, 'benchmarking does not provide answers, suggest priorities, or prescribe action. An effective benchmarking project develops a mass of potentially relevant and useful information about functions, processes, or practices. (Fitz-enz, 2000).' As Fitz-enz and Phillips explain (1998), although benchmarking can be an effective idea generator, it is necessary to be careful before adopting what another company is doing. It is important to understand other companies' culture and problems before copying their solutions. 'It is best to look behind their process to why they did what they did, and when having a clear solution in mind, begin planning its implementation (Fitz-enz & Phillips, 1998).' Namely, 'rarely can a HR program or solution seamlessly transfer to every other organisation (Bjornberg, 2002).' HR managers have to determine whether it is possible to easily adopt other company's HR practice, or necessary to adapt it, before implementing it in their own organization.

According to Phillips (1996), following are the benefits of HR benchmarking:

- HR benchmarking is extremely helpful in the strategic planning of the HR function
- HR benchmarking is useful in identifying trends and critical issues of the HR function
- Measures from HR benchmarking can become the standards of excellence for an HR activity, function, system, practice, program, or specific result
- HR benchmarking has become an important evaluation tool.

Or else, as Glanz and Dailey (1992) emphasise, benchmarking HR practices serves a number of purposes:

1. By looking at how excellent companies are accomplishing HR tasks and responsibilities, it enables a company to calibrate how it is delivering HR practices and detect how effectively HR meets the needs of the business.
2. Benchmarking enables a company to learn from others.
3. Benchmarking can be used to create a need for change. By learning what other companies are doing, HR executives can build a stronger case for allocating resources in ways similar to those of successful companies.
4. Benchmarking can be used to help set direction and priorities for an HR department.

Except from a useful tool for identifying best HR practices and a technique for improving company's HRM, HR benchmarking data, in companies where HRM is not yet the strategic partner and is not considered to be an extremely valuable function, could be used 'to persuade line managers that certain actions are needed (Arkin, 1998).'

Types of HR Benchmarking

HR benchmarking studies can be grouped into those that focus on (Becker, Huselid & Ulrich, 2001):

1. Specific levels of particular variable or attribute and are often conducted via survey and include large numbers of firms, or
2. Specific processes and include only a few firms and tend to be conducted via site visits or telephone interviews.

The same typology but different names are used by Glanz and Dailey (1992), which address HR benchmarking as either benchmarking of HR outcomes or benchmarking of HR functions (practices). Furthermore, synonyms for those two types of HR benchmarking could be consecutively 'quantitative HR benchmarking' and 'qualitative HR benchmarking'.

Nowadays, the majority of HR benchmarking studies are outcomes or output studies. One of the best-known reports, which contains HR benchmarks, is the annual publication of Saratoga Institute². This Institute, from 1985, annually publishes a list of HR metrics for measuring quantitative results of human resource programmes and

human capital activity (Fitz-enz, 2000) and organisations can subscribe to a benchmarking service it provides.

One of the obvious reasons for the dominance of quantitative HR benchmarking over HR practices benchmarking is the fact that 'when HR practices are seen in isolation, they may not be fully understood. For example, examining only a gain sharing program may not make sense without examining the firms training, staffing, and performance appraisal processes and also scrutinizing the culture, history, and management philosophy of that company. In isolation, attending only to gain sharing may not provide complete information about HR practices (Glanz & Dailey, 1992).' In other words, 'best practice visits give managers in-depth insights and perspective on what other companies do on the single practice on which they are focused. The visits become traps, however, if the practice is assessed in isolation from other organisational issues (Ulrich, 1997).'

The potential target areas of HR benchmarking information include (Phillips, 1996): (1) HR product or service features, (2) work processes, (3) HR function, (4) HR performance measures, or (5) HR strategy. Precisely, HR benchmarking is used to compare and improve (Brillinger, 2001):

- Planning for staffing (forecasting, turnover analysis, personnel requisition, job descriptions, physical demands analysis);
- Managing the hiring process (application forms, internal postings, interview information, offer letters, employment agreements, reference check forms, orientation information);
- Human rights compliance and employee complaint resolution (prohibited grounds, gender neutral language guidelines, resolution of employee complaints);
- Workplace health and safety (safety manual sign-offs, training, committees, hazard reporting, inspections, work refusals, accident reporting and investigation, workers' compensation, compliance and due diligence);
- Managing employee performance and conduct (probation, training, performance evaluation, performance recognition, discipline);
- HR administration (attendance, employee change forms, expense reporting, conflict of interest, consent forms, tuition refund, Internet agreements, flexible work arrangements, record keeping);
- Salary and benefits administration (salary range models, job evaluation and classification, overtime, insurance claim forms, benefits enrolment and tracking, vacations, leaves); and
- Termination (guidelines, just cause checklist, termination letters, resignation, exit checklist, exit interview or survey, release).

Although it can be concluded that HR benchmarking can be conducted for any HR activity or practice, it is usually used to improve recruitment and selection (Parker, 1998; Ifill & Moreland, 1999; Kocakulah & Harris, 2002), compensations and benefits (Hobel & Moralis, 2002; Kocakulah & Harris, 2002), and training and development (Prior-Smith & Perrin, 1996; Vander Linde, Horney & Koonce, 1997; Olian, Durham, Akristof & Brown, 1998; Papalexandris & Nikandrou, 2000; Bjornberg, 2002; Kocakulah & Harris, 2002).

Finally, it is important to stress that, while benchmarking of other business fields is much more meaningful when competitive, HR benchmarking has valuable outcomes whether competitive or industry unrelated, in other words, when functional³. Namely, HRM or staff function is not an industry function, which means that companies, no matter of their industry, possess, develop and invest in it. Unlike popular conceptions, industry sector is not an important delimiter when conducting HR benchmarking (Huang, Roy, Ahmed, Heng & Joyce, 2002).

Research Problem and Hypotheses

We try to explore here the problem of HR benchmarks in our empirical research. Theoreticians all over the world put a lot of effort into defining HR benchmarks, the indicators most significant for measuring, comparing and improving organization's HRM.

Precisely, the purpose of the field-research was to define HR benchmarks that can be used by Croatian companies in order to evaluate, expand and enhance the existing HR practices, so as to improve the overall organizational success.

Specifically, there were three main objectives of the empirical research:

1. To identify Croatian HR benchmarks,
2. To determine which indicators (indicators of which HR activity) predominate the Croatian HR benchmarks list, and
3. To compare Croatian HR benchmarks with HR benchmarks approved and utilised in western countries, in other words, in business environments that are considered to have developed HR systems.

Key objectives of the research resulted as well in two hypotheses. First one originates from the fact that HRM in Croatian companies is still emerging and developing, and principally dealing with basic HR activities, such as HR administration, recruiting and compensating. Precisely, in the last few years particularly popular became the question of designing and implementing fair compensation systems. It can be said that in Croatia, at the moment, compensation

practices are the primary subject of concern. The time of more demanding HR activities such as strategic HRM or career management yet has to come. Consequently, the first hypothesis was:

H1 ... Croatian HR benchmarks are primarily compensation indicators.

The second hypothesis is a consequence of subjective perceptions of this paper's authors. Namely, after considering contemporary HRM theory and practice, and familiarising with the state of progress of Croatian HRM, the following hypothesis was set:

H2 ... Croatian HR benchmarks differ from HR benchmarks typical for the economies with developed HR practices.

In other words, we assumed that Croatian HR benchmarks are different from world-accepted HR benchmarks, because Croatian HR practice is far behind developed one. While Croatian HR managers engage themselves with introducing and improving basic HR activities, their counterparts in developed countries occupy themselves with sophisticated HR problems.

Methodology

To facilitate the process of obtaining Croatian HR benchmarks, the national survey was conducted. Usually benchmarking partners are companies that are recognised as leaders and innovators in a particular area, winners of prestigious quality awards and similar. In that matter, the stratum of this research included the entire population of Croatian companies with more than 500 employees (152 of them). Namely, it is assumed that, in Croatia, companies with less than 500 employees do not recognise the importance of HRM and therefore do not invest in it, or they do not have sufficient resources to develop a full scope of HR practices.

The sample consisted of 42 companies, which means that the response rate was 27.6 per cent.

In order to identify Croatian HR benchmarks, and in the same time accept/reject the first hypotheses, the world-wide approved methodology, used as well by world-famous theoreticians for measuring HRM was applied. This process consists of selecting quantitative and qualitative HR indicators that are considered to portray the organisational HR practice, defining measures of organisational effectiveness that best indicate the organisational success, and then finding the relationship

between the two. HR measures or practices that mostly correlate with the measures of organisational performance are regarded as HR benchmarks.

The very procedure of developing Croatian HR benchmarks was the following:

1. Development of the detailed questionnaire (12 groups of questions) and the outline for the structured interview (50 questions) which both consisted of a good mix of quantitative and qualitative questions concerning HRM

2. Inviting all Croatian companies with more than 500 employees to participate in the study

3. Distribution of the questionnaire among companies that volunteered to participate in the survey (HR managers were responsible for the collection of the data)

4. Conducting structured interviews with HR managers after the company completed the questionnaire (average length of the interview was 2 hours)

5. Collecting indicators of the organisational performance (total revenues, after-tax profits, profit/revenues, ROE and ROA) of the same companies through the independent source (Central Bureau of Statistics of the Republic of Croatia)

6. Finding the relationship between HR practices and measures of organisational success – In order to find out the relationship between HR practices and organisational performance, and as a result define HR benchmarks, the data went through following four stages of statistical analysis: (1) factor analysis, where each organisational performance indicator (five previously numbered) and two aggregate performance indicators (built upon the factor analysis of organisational performance indicators) were dependent variables (altogether 7 dependent variables or regression models).

After defining Croatian HR benchmarks and with the purpose of accepting/rejecting the second hypothesis, the comparison between five world-known and Croatian HR benchmarks list was made. The following world-known lists were used (table 1):

Table 1.: HR Benchmarks Lists by Becker, Huselid & Ulrich (2001), Phillips (1996), Guthrie (1999), Hiltrop & Despres (1994), and Fitz-enz & Phillips (1998)

Authors	HR benchmarks	Authors	HR benchmarks
<i>Becker, Huselid & Ulrich, 2001</i>	<ol style="list-style-type: none"> 1. Average merit increase granted by job classification and job performance 2. Backup talent ratio 3. Competency development expense per employee 4. Firm salary/competitor salary ratio 5. Incentive compensation differential (low versus high performers) 6. Number and quality of cross-functional teams 7. Number and type of 'special projects' to develop high-potential employees 8. Number of suggestions generated and/or implemented 9. Percentage of employees whose pay is performance-contingent 10. Percentage of employees with development plans 11. Percentage of total salary at risk 12. Quality of employee feedback systems 13. Range (distribution) of performance-appraisal ratings 14. Range in merit increase granted by classification 	<i>Hiltrop & Despres, 1994</i>	<ol style="list-style-type: none"> 1. Number of long-term vacancies (over 6 months)/total number of jobs 2. Average length of time to fill vacancies 3. Proportion of vacancies filled internally through promotion, demotion or lateral movement of personnel 4. Average time spent in a job or function per employee 5. Number of trainee days/number of employees 6. Total training budget/total employment expenditure 7. Total compensation cost/total revenues 8. Basic salary/total remuneration 9. Number of salary grades/employees 10. Number of resignations/total headcount per year 11. Average length of service per employee 12. Rate of absenteeism 13. Average length of absence per employee 14. Number of supervisors and managers per employee 15. Total revenue per employee 16. Total headcount this year compared to last year 17. Proportion of part-time employees to total number of staff 18. Employment cost/total expenditure 19. Number of HR professionals per employee 20. Age distribution of employees
<i>Phillips, 1996</i>	<ol style="list-style-type: none"> 1. HR expenses/total operating expenses 2. Total compensation/total operating expenses 3. Total cost of benefits/total operating expenses 4. Training and development expenses/total employees 5. Absence rate 6. Turnover rate 		

<p><i>Guthrie, 1999</i></p>	<ol style="list-style-type: none"> 1. Use of internal promotions 2. Use of performance (versus seniority) based promotions 3. Use of skill-based pay 4. Use of group-based (gain-sharing, profit-sharing) pay 5. Use of employee stock ownership 6. Use of cross-training or cross-utilization 7. Average amount of training provided 8. Use of training focused on future skill requirements 9. Use of employee participatory programs 10. Use of information sharing 11. Use of attitude surveys 12. Use of teams 	<p><i>Fitz-enz & Phillips, 1998</i></p>	<ol style="list-style-type: none"> 1. Healthcare cost per employee 2. Pay and benefits as a percentage of operating expense 3. Cost per hire 4. Return on training 5. Turnover rate 6. Turnover cost 7. Time to fill jobs 8. Return on human capital invested 9. Human value added 10. The one that means the most to your boss
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Research Findings

Croatian HR Benchmarks

After conducting a thorough research of Croatian HR practice, which resulted in altogether 285 quantitative and qualitative HR measures, and finding the connection between those independent variables and seven dependent variables (5 measures of organizational performance – total revenues, after-tax profits, profit/revenues, ROE and ROA; and 2 aggregate measures of organizational performance – ‘absolute measure’ and ‘relative measure’), the following HR indicators were found to significantly relate to the organisational performance, or, in other words, to build the regression models (table 2).

As it can be seen from the table 2, there were 40 out of 285 HR indicators that, after four stages of statistical analysis, remained significant for the regression models. While 15 of them are quantitative HR indicators, 25 are qualitative HR indicators.

Furthermore, the table shows that HR indicators, which make each of the seven developed regression models, are different. Models 1 and 6 are build exclusively out of quantitative HR indicators, model 7 is exclusively qualitative, model 4 is predominantly quantitative, and three models consist of both quantitative and qualitative HR indicators (models 2, 3 and 5).

Table 2.: HR Indicators that Build Regression Models

HR indicators		Regression model							S
		1	2	3	4	5	6	7	
Quantitative indicators	1. Total workers' cost per employee		☑	☑	☑		☑		4
	2. Total workers' compensation cost per employee		☑	☑	☑		☑		4
	3. Workers' compensation cost as a percentage of total revenues					☑			1
	4. Lowest monthly net wage or salary			☑		☑			2
	5. Average monthly net wage or salary		☑	☑	☑		☑		4
	6. Percentage of employees whose pay is performance-contingent		☑	☑		☑			3
	7. Separation rate of highly educated employees			☑	☑				2
	8. Voluntary turnover rate of highly educated employees			☑					1
	9. Accession rate of highly educated employees		☑	☑	☑				3
	10. Percentage of key employees			☑	☑				2
	11. Percentage of HR managers with master/doctoral degree	☑							1
	12. Percentage of employees with undergraduate (university) or graduate degree (masters/doctoral degree)		☑	☑	☑		☑		4
	13. Average education level ⁴ in a company		☑		☑		☑		3
	14. Number of formal performance appraisal interviews per year		☑						1
	15. Linear combination of HR manager's perceptions about the importance of HRM for the organizational success	☑							1
Qualitative indicators	16. Does HR department have a mission?					☑			1
	17. Is HR department evaluated?		☑	☑					2
	18. Are HR department outputs quantified?			☑					1
	19. Does company set HR goals?		☑	☑					2
	20. Is the realization of HR goals measured?		☑	☑					2
	21. Main HR indicators are measured			☑					1
	22. Does company identify key employees?			☑					1
	23. Does company have outside partners for some HR activities?		☑	☑					2
	24. HR manager's perception about the quality of performance appraisal		☑	☑	☑				3
	25. HR manager's perception about the quality of strategic HRM		☑						1
	26. HR manager's perception about the importance of compensation management			☑					1
	27. Range of HR activities			☑					1
	28. Existence of performance appraisal for all employees				☑				1
	29. Employees' wages/salaries are performance-contingent							☑	1
	30. Existence of bonuses				☑	☑		☑	3
	31. Paying recreation to employees					☑		☑	2
	32. Existence of programs for identification and development of managerial talents			☑					1
	33. Existence of programs for retaining key employees			☑				☑	2
	34. Existence of international HRM					☑		☑	2

35. Existence of HR activities during integrations and acquisitions			α				1
36. Existence of organizational climate and culture surveys			α				1
37. Existence of career management			α				1
38. Category of employees for which career management plans are developed		α					1
39. Quality of HR information system		α					1
40. People are considered to be the key organizational resource			α			α	2

In addition, the table depicts that many of HR indicators, that were found to be significant for the models, appear in more than one model. Precisely, 20 HR indicators are present in at least two models, 9 indicators emerge in at least three models, and 4 indicators appear as many as four times.

If we take the criterion of appearance in at least two models as a selection criterion, we identify following HR indicators as Croatian HR benchmarks (table 3):

Table 3.: Extended list of Croatian HR Benchmarks

Compensations	
1. Total workers' cost per employee	13. Percentage of employees whose pay is performance-contingent
2. Total workers' compensation cost per employee	14. Existence of bonuses
3. Lowest monthly net wage or salary	15. Paying recreation to employees
4. Average monthly net wage or salary	
Human resources structure	
5. Percentage of key employees	16. Percentage of employees with undergraduate (university) or graduate degree (masters/doctoral degree)
6. Average education level in a company	
Measuring HRM	
7. Is HR department evaluated?	17. Is the realization of HR goals measured?
8. Does company set HR goals?	
Turnover	
9. Separation rate of highly educated employees	18. Accession rate of highly educated employees
Other	
10. Does company have outside partners for some HR activities?	19. Existence of programs for retaining key employees
11. HR manager's perception about the quality of performance appraisal	20. People are considered to be the key organizational resource
12. Existence of international HRM	

As table 3 indicates, we classified Croatian HR benchmarks into five groups or fields of HRM. First group is made of seven compensation indicators⁵, second group contains three indicators of human resources structure, third group is made of three qualitative indicators for measuring HRM, fourth group consists of two measures of

turnover, and fifth group, called 'other', includes five HR measures from different HRM fields.

The reason for grouping Croatian HR benchmarks was to accept/reject the first hypothesis. Therefore, when we look at the number of indicators in every field, we recognise that as much as seven of them are measures of compensations. No other group has as many constituents. Additionally, although seven out of twenty indicators is not the majority, the fact that 35 per cent of HR benchmarks are compensation indicators says a lot.

In order to draw more precise conclusions about the Croatian HR benchmarks, and to provide more evidence for accepting/rejecting the first hypothesis, we decided to narrow the Croatian HR benchmarks list. We took the criterion of at least three times appearance in regression models as a criterion for the selection of an indicator. As a result, the HR benchmarks list shortened from twenty to nine HR benchmarks, which are referred to as key HR benchmarks (table 4).

Table 4.: Key Croatian HR Benchmarks (shortened list of Croatian HR benchmarks)

- | |
|---|
| 1. Total workers' cost per employee |
| 2. Total workers' compensation cost per employee |
| 3. Average monthly net wage or salary |
| 4. Percentage of employees whose pay is performance-contingent |
| 5. Existence of bonuses |
| 6. Accession rate of highly educated employees |
| 7. Percentage of employees with undergraduate (university) or graduate degree (masters/doctoral degree) |
| 8. Average education level in a company |
| 9. HR manager's perception about the quality of performance appraisal |

This time, the situation is more obvious. As many as five out of nine indicators (55.56 per cent), in other words more than a half of them, are compensation indicators.

Consequently, the first hypothesis (H1) is accepted. Indicators of compensation are undoubtedly those that prevail among HR benchmarks distinctive and significant for the Croatian business environment. Namely, regardless of the benchmarks list (extended or shortened), measures of compensation are definitely most represented.⁶ The issue of compensation is the principal concern of successful Croatian HR managers, and those companies that have positive results in that field of HRM perform significantly better. Thus, Croatian companies that wish to improve their overall performance, have to invest considerably in improving their compensation policies.

Finally, it is essential to emphasise that Croatian HR managers, in order to improve their HR practice and overall organizational performance, are recommended

to utilise all three provided HR benchmarks lists. To be precise, to compare one's own HR practice with the HR practices of best Croatian companies in that field, and improve it, it is advisable to begin with the full list of 40 indicators (table 2). In other words, for the beginning, it is desirable to compare the full scope of HR activities. Afterwards, smaller lists (table 3 and 4) could be used to maintain the desired level of HRM comparing to others or to follow the progress of HRM from year to year.

Croatian HR Benchmarks Comparing to HR Benchmarks in Developed Economies

Once we determined Croatian HR benchmarks and their principal orientation towards employees' compensations, we wanted to compare them with HR benchmarks used by companies in developed countries.

Hence, on top key Croatian HR benchmarks, we classified previously presented five lists of world-known HR benchmarks (table 1) into ten HR fields or areas: (1) organizational effectiveness, (2) human resources structure, (3) staffing, (4) performance appraisal, (5) compensations, (6) training and development, (7) separations, (8) work arrangement, (9) attitude surveys, and (10) other (table 4).

Table 5.: Fields of HR Benchmarks in Five World-Known HR Benchmarks Lists and in Croatian HR Benchmarks List

Field of HR benchmark	Authors					Croatian HR benchmarks
	<i>Hiltrop & Despres, 1994</i>	<i>Phillips, 1996</i>	<i>Fitz-enz & Phillips, 1998</i>	<i>Guthrie, 1999</i>	<i>Becker, Huselid & Ulrich, 2001</i>	
Organizational effectiveness	1		2			
Human resources structure	7	1			1	2
Staffing	3		2	2		
Performance appraisal					1	1
Compensations	4	2	2	3	6	5
Training and development	2	1	1	3	3	
Separations	3	2	2			1
Work arrangement				3	3	
Attitude surveys				1		
Other			1			
TOTAL	20	6	10	12	14	9

Table 5 shows that presented lists have a different number of HR benchmarks that compose them. The average number of HR benchmarks that compose a list is twelve. While Hiltrop and Despres's list has twenty indicators, Phillips's list has six indicators. Consequently, Croatian list, with nine indicators, is up to standard.

Nevertheless, to find out if Croatian HR benchmarks are similar to world-acknowledged ones, it is crucial to consider areas or fields of their origin. Table 6 summarises HR fields from which measures that compose six HR benchmarks lists derive.

Table 6.: Summary of Fields of HR Benchmarks

	<i>Fields of HR benchmarks</i>	<i>Field from which the majority of HR benchmarks are</i>	<i>Existence of compensation indicators on the list</i>	<i>Percentage of compensation indicators that compose a list</i>	<i>Existence of training and development indicators on the list</i>
<i>Hiltrop & Despres, 1994</i>	1.Organizational effectiveness 2.Human resources structure 3.Staffing 4.Compensations 5.Training and development 6.Separations	Human resources structure (35%)	YES	20.00%	YES
<i>Phillips, 1996</i>	1. Human resources structure 2. Compensations 3. Training and development 4. Separations	Different fields equally	YES	33.33%	YES
<i>Fitz-enz & Phillips, 1998</i>	1. Organizational effectiveness 2. Staffing 3. Compensations 4. Training and development 5. Separations 6. Other	Different fields equally	YES	20.00%	YES

<i>Guthrie, 1999</i>	1. Staffing 2. Compensations 3. Training and development 4. Work arrangement 5. Attitude survey	Different fields equally	YES	25.00%	YES
<i>Becker, Huselid & Ulrich, 2001</i>	1. Human resources structure 2. Performance appraisal 3. Compensations 4. Training and development 5. Work arrangement	Compensations (42.86%)	YES	42.86%	YES
Croatian HR benchmarks	1. Human resources structure 2. Performance appraisal 3. Compensations 4. Separations	Compensations (55.56%)	YES	55.56%	NO

Table 6 provides us with information for both accepting and rejecting the second hypothesis, in other words, both arguments for and against the statement that Croatian HR benchmarks differ notably from world-acknowledged HR benchmarks.

Arguments for rejecting the hypothesis that Croatian HR benchmarks differ from world-known ones are:

1. Comparable number of HR benchmarks that compose the Croatian list – Number of HR benchmarks that compose lists ranges from six to twenty. Croatian HR benchmarks list has nine indicators.

2. Comparable number of HR fields that compose the Croatian list – Number of HR fields that benchmarks cover ranges from four to six. Croatian HR benchmarks list covers four fields.

3. All lists include measures of compensation.

Arguments for accepting the hypothesis that Croatian HR benchmarks differ from world-known ones are:

1. Croatian HR benchmarks are not equally distributed across the HR fields – Except from Becker, Huselid and Ulrich's list, HR benchmarks are equally

distributed across the HR fields. Croatian list has more than half of the benchmarks (55.56 per cent) from just one HR field – compensations.

2. World-acknowledged lists include training and development indicators. Croatian list does not.

3. Although all lists include measures of compensation, compensation indicators dominate the Croatian list.

Considering everything revealed it seems difficult to determine whether to accept or reject the second hypothesis. However, after relying on subjective judgment, and after giving the largest weight (ponder) to the unbalanced distribution of indicators that compose the Croatian HR benchmarks list, we decided to accept the second hypothesis (H2).

Croatian HR benchmarks list does differ from the world-known lists. Croatian enterprises and HR managers, as already explained, are mostly concerned with 'primitive' HR activities, such as HR administration, selection of human resources, employees' compensations and separations, as Croatian HR benchmarks list portrays. Quite opposite, companies in developed economies invest heavily in broad range of HR activities, from strategic HRM, through training and development, to work arrangements, as world-known HR benchmarks lists used in this paper reveal.

Conclusion

Since organisations find it increasingly difficult to stay competitive in today's global economy and given that human resources are approved to be a key source of competitive advantage, organisations became obliged to employ innovative tools to make human resource decisions. One of the improvement tools that leaders in the workplace are increasingly using is HR benchmarking.

HR benchmarking has become increasingly important as organisations strive for better performance. Observing, adapting and reapplying best HR practices from others, 'which can lead to a convergence of competitive positioning as organisations strive to do the same things better (Appleby & Mavin, 2000),' became the essential management tool. Additionally, 'when done right, benchmarking should enable HR to not only improve what it does, but make it easier to prove it to the entire organisation (Brown, 2002).'

In the same time, HR benchmarks have numerous roles. Firstly, by looking at HR benchmarks' values in excellent companies, companies could improve their delivering of HR practices and detect how effectively HRM meets the needs of the business. Secondly, by monitoring HR benchmarks' values from year to year, companies can observe their progress in HRM and set priorities for HR department.

Finally, HR benchmarks are a helpful tool for providing arguments for allocating more resources in various HR activities and practices.

This article defines HR benchmarks appropriate and significant for the Croatian business environment. They are: (1) total workers' cost per employee, (2) total workers' compensation cost per employee, (3) average monthly net wage or salary, (4) percentage of employees whose pay is performance-contingent, (5) existence of bonuses, (6) accession rate of highly educated employees, (7) percentage of employees with undergraduate (university) or graduate degree (masters/doctoral degree), (8) average education level in a company, and (9) HR manager's perception about the quality of performance appraisal.

In particular, the research revealed that Croatian HR benchmarks are different from HR benchmarks used in developed countries. Namely, in Croatia, HRM as a management activity is still emerging and developing, and, as a result, Croatian HR benchmarks are oriented toward basic HR activities such as HR administration, performance appraisal and especially compensations. Croatian HR benchmarks do not encompass more developed HR activities or measures, as do world-known HR benchmarks lists, such as measures of organizational effectiveness, measures of training and development, or measures of work arrangement.

Anyway, by using HR benchmarks, Croatian companies could enlarge, expand and advance their HR tasks and responsibilities, which is essential in a contemporary business environment where people became the fundamental organisational resource.

NOTES

¹ According to a 1994 survey conducted by The Benchmarking Exchange (TBE), human resource programs were the most frequently benchmarked activity of 110 business processes tracked on TBE's posting-board data base. Compensation, quality, supplier management, and information systems rounded out the top five most-often-benchmarked business processes (Brecka, 1995). As well, compensation and human resources received considerably more attention in 1994 than in previous years (compensation ranked sixth and human resources ranked 42nd in 1993) (Brecka, 1995).

² While Saratoga Institute is a benchmarking organization that conducts global or US surveys, Saratoga Europe is a commercial benchmarking organization that surveys European HR practice.

³ As Drew (1997) highlights, 'benchmarking practices vary according to the nature of the object being benchmarked and the partners with whom comparisons are being made'. Depending on the object being benchmarked, there are three types of benchmarking: (1) process benchmarking – used to compare operations, work practices and business processes, (2) product/service benchmarking – used to compare product and/or service offerings, and (3) strategic benchmarking – used to compare organizational structures, management practices and business strategies. Depending on the type of benchmarking partner, the extensive typology suggests following five types of benchmarking: (1) internal, (2)

competitive, (3) industry related, (4) industry unrelated, and (5) international (Drew, 1997). However, there are two primary types of benchmarking: competitive benchmarking, which restricts the search for best practices to competitors, and functional benchmarking, which endeavors to determine best practices regardless of industry (Dess & Picken, 1999). While industry-specific standards are typically best handled through competitive benchmarking, more generic processes lend themselves to functional benchmarking because the function is essentially the same in any industry.

⁴ While total workers' compensation cost includes only costs for employees' compensations, total workers' cost, beside costs for employees' compensations, includes as well costs of other HR activities or services provided to employees, such as selection, training, development, career management, etc.

⁵ It is interesting to stress that although compensation indicators prevail among HR benchmarks on both Croatian HR benchmarking lists, only nine out of 40 HR indicators from table 2 (22.5 per cent) were compensation related. That shows that their frequency of appearance on those lists (35 per cent and 55.6 per cent) is not because of their frequency among 40 HR indicators, but the indication of their real significance.

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