



TenStep Supplemental Paper

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Benchmarking and Smarter Decisions

HR departments always look to others in their respective industries to make sure their offerings are on a par with their peers'. Nothing new there. But, given the new world market situation, the pressure to keep up with the Joneses has probably never been greater than it is today. As companies become fiercely competitive in their bids to attract and retain qualified workers, benefits and compensation levels are shooting skyward in almost every sector.

The HR departments usually plan future salaries and benefit levels, and are likely to look at what others in their industry are doing. Experts and analysts in the benchmarking industry say this information is readily available. As for what employers decide to do with it? That's the clincher.

Is the need to stay competitive and the need for benchmarking more pronounced these days than two or three years ago? That's anyone's guess. A few things are certain, though: A lot of companies are scrambling for employees, and are doing their best to compete in a worker's market. Not a week goes by that some business publication or other does not have a story outlining the challenges a particular industry is facing in attracting and retaining likely employees, or the previously unheard-of salaries that organizations are offering to keep their staffing levels up to snuff.

High technology is the most glaring case in point. For example, starting salaries in the IT industry in the US for this year increased an average of 6.8 % from 1999, according to a study by Menlo Park, California-based RHI Consulting. Further, the more specialized an employee happens to be, the bigger the windfall he or she stands to make. Starting salaries for specialists in systems integration increased more than 17 % in 2000 over 1999, according to the study.

It's not just high technology - companies in a myriad of industries are offering fresh-out-of-college job candidates salaries that would have made countless jaws drop just one year ago. Everybody tries to stay competitive, and the information on what different firms are offering is pretty readily available. Not only are newspapers listing salary levels, but the information is also out there on Internet chat sites. The question now on a lot of people's minds is, "Where is this money going to come from?"

While salary levels and benefits packages are important factors to explore when companies benchmark, they are by no means the only things to take into account. Often, an employee finds an organization attractive for reasons beyond compensation. A company may offer flextime, for example, or day-care services, or maybe even a place for stressed-out workers to nap.

This doesn't mean that everybody should have foosball tournaments or afternoon time-outs, industry experts insist. It's very simple for a starry-eyed employer to look at the wonders all these perks do for a well-staffed organization and regard them as the answer to their employee crunch. In fact, it's probably becoming all too simple for firms to try



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and ape another company perk for perk, simply because a competitor is reaping enviable benefits.

Instead of trying to shoehorn in a particular benefit or perk, an organization should come up with a list of eight or 10 companies that are doing well on the staffing and morale front, find out what they're doing well, and request their literature. Then, find out if some of the organization's offerings would work, and what would be the best way to implement them.

When should companies begin the benchmarking process? A comprehensive study can take at least a year to complete, most industry resources agree. A good benchmarking study can help employers reduce waste, improve productivity, and even set specific performance goals and offer suggested steps to meet them. Benchmarking is a tool, but it isn't a panacea. A company shouldn't wait for an annual report. Neither should it wait until 365 days go by before they revisit their benefits and compensation packages.