



Measuring HR efficiency by benchmarking

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TAX / PEOPLE SERVICES

How do we know we are efficient?

What do companies usually measure?

For HR effectiveness understanding

- [HR FTE to total FTE ratio](#)
- [HR department cost per FTE](#)
- [Average response time for routine HR inquiries](#)

For organizational effectiveness understanding

- [Staff / Personnel turnover](#)
- [Absence rate](#)
- [Revenue per employee \(or FTE\)](#)
- [Average span of control](#)
- [% of management FTEs](#)

For employees effectiveness understanding

- [Average tenure per employee](#)
- [% of high performing employees](#)
- [Ratio between internal promotions and external hires for open functions](#)



How do they know their results are good?

What is HR Benchmarking?

HR Benchmarking is the comparison of the numerical and qualitative indicators of a company's HR management system to the same indicators of other companies.

Benchmarking is a handy tool for:

assessing the efficiency of HR management processes

collecting measurable data characterizing HR management system

headcount planning and the budgeting of HR costs

KPMG HR Benchmarking survey

Since 2009 twice a year KPMG collects about 200 numerical and qualitative indicators to analyze, covering all the main aspects of an HR management system:

Financial and Statistical Information

- Personnel costs as % of revenue
- L&D/recruitment/labor safety costs as % of total personnel costs
- Turnover & Absenteeism

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HR Function and Size

- HR Function headcount (by functions)
- HR Function FTE Ratio
- HR Service providers costs as a % of total personnel costs

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Compensation and Benefits

- Compensation structure (by employee category)
- Base salaries increase
- Availability and costs of various benefits

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Recruitment and On-Boarding

- Average workload per recruiter (number of vacancies in work)
- Percentage of vacancies filled
- Number of induction training hours per 1 employee

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Training and Development

- Costs of training per 1 employee
- Methods for evaluating the effectiveness of a training
- Cost of training of 1 succession pool employee

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Image and Corporate Culture

- Availability of social responsibility programs
- Cost of image building programs as % of revenue
- Availability of regular employee satisfaction surveys

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Example of individual report

Individual Report (example)*:

All companies

HR Function FTE Ratio

Number of companies replying	Min	Median	Average	Max
40	11	53	71	315

Your Company data	Percentile rank
13	5%

Payroll as % of total personnel costs

Number of companies replying	Min	Median	Average	Max
36	57.33%	79.84%	80.00%	97.52%

Your Company data	Percentile rank
60.00%	4%

Turnover rate

Number of companies replying	Min	Median	Average	Max
37	0.08%	5.14%	6.61%	33.24%

Your Company data	Percentile rank
30.00%	99%

An HR Benchmarking report contains:

- an analytical section with key findings and participant characteristics
- **individual spreadsheets with statistics** – statistically processed data for all companies and by sector
- **individual benchmarks and their percentile ranks** within market level.

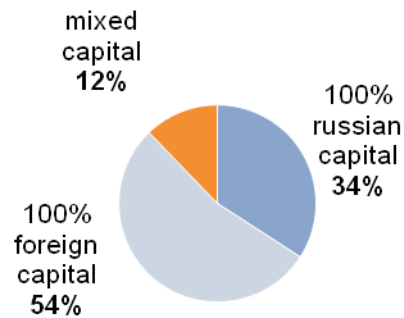
* All the values above are illustrative

** Percentile rank is an ordinal number of benchmark value in the data range (as %). For example, an individual percentile rank of a benchmark equal to 20% means that 20% of all participants have lower values of the same benchmark, and 80% of all participants have higher values of this benchmark.

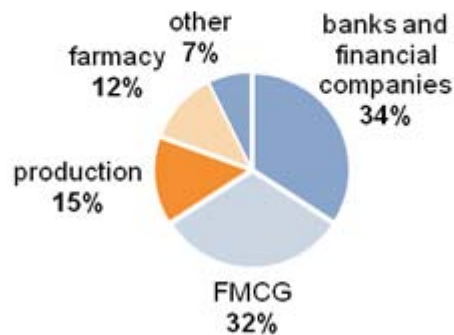
Survey participants structure

In the end of 2009 41 company submitted their results to KPMG HR benchmarking survey.

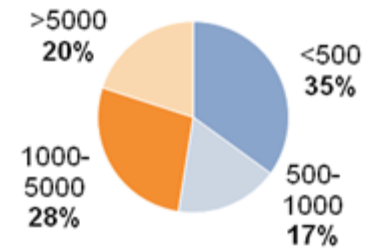
Capital structure



Industry

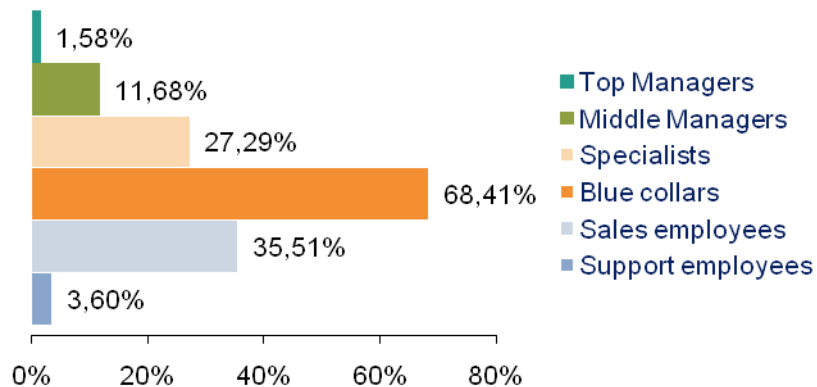


Headcount

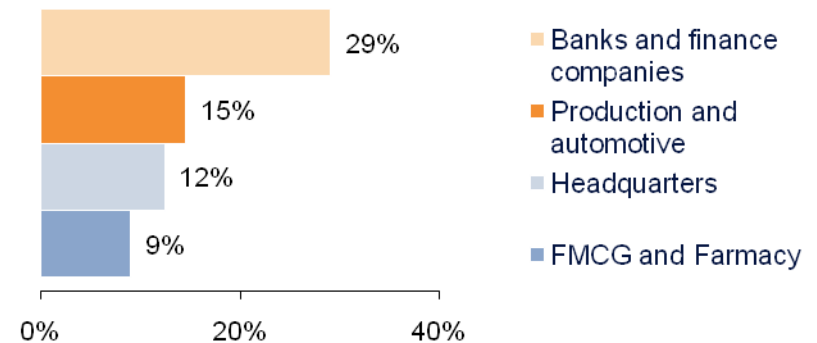


Headcount (all companies)

Average % of specific category population as per total company headcount



People costs as a % of revenue (median)



Highest span of control is in Production industry there are 31 employee as per 1 manager. Lowest span is in Banking industry only 5 employees per 1 manager.

HR population in total headcount take in average 1,5% (FTEs) in all industries except Production (3,6%).

Turnover

Turnover reasons rating

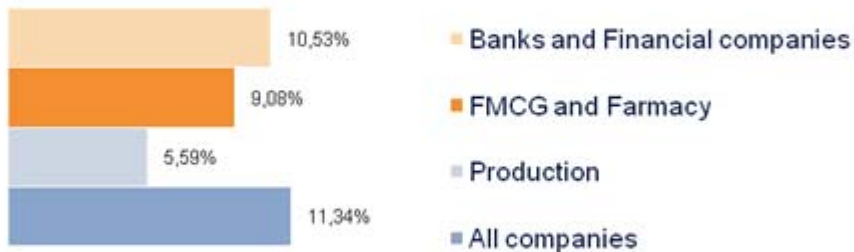


82,5% of survey participants marked that their companies measure turnover. But only 44% of participated companies have special programs for undesired turnover reduction.

These programs are based on the combination of monetary and non-monetary rewards. Non-monetary rewards include internal communications, individual development plans, adaptation programs.

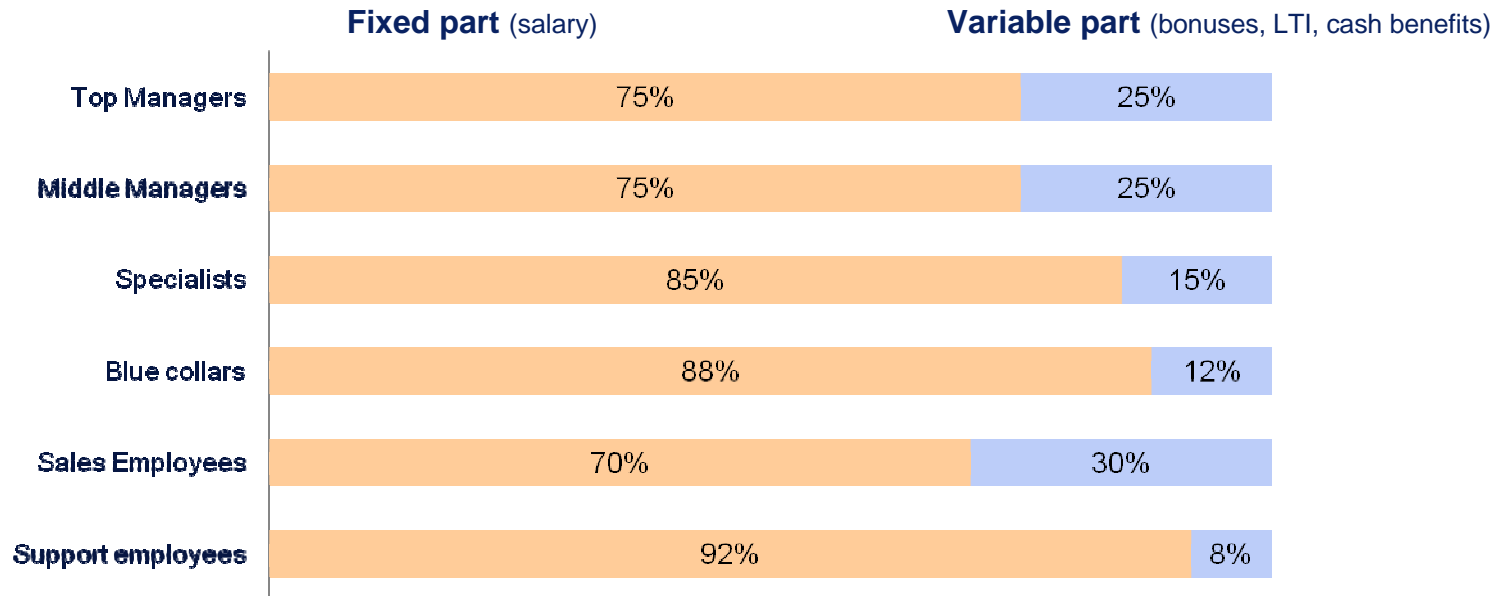
Many companies do Employee Satisfaction Survey and then communicate results and actions to be taken.

Turnover median by Industry



Involuntary turnover (by Company initiative) in 2009 stayed at 7,8% for all companies. Highest rate 10% was demonstrated by Banking sector, lowest rate by Production industry.

Compensation



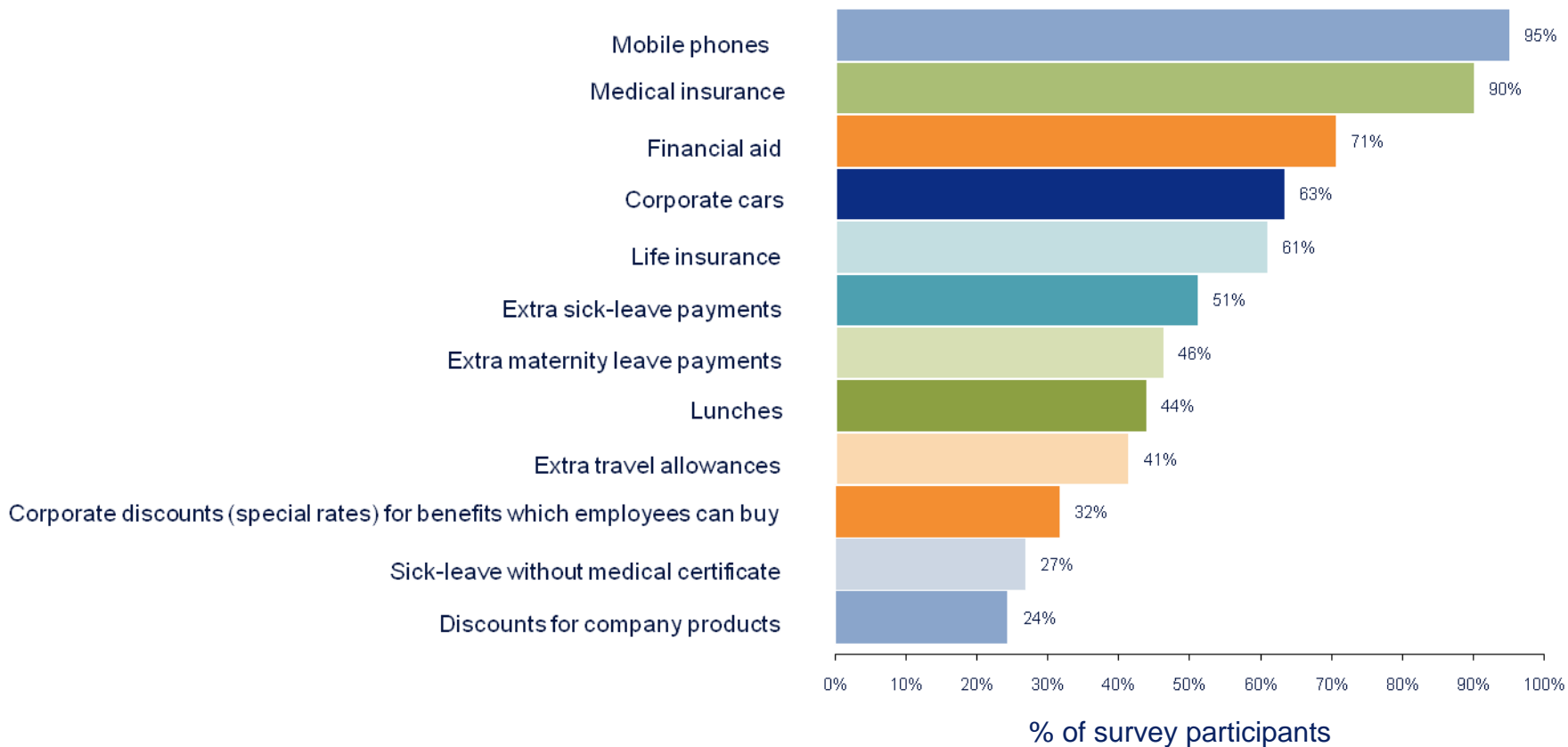
Most of companies in all industries review salaries on yearly basis, however in 2009 only 6% of survey participants have increased salaries.

88% of participants plan to increase salaries in 2010 for 8-10% in average.

40% of participated companies have long term incentive programs based either on stock options or postponed cash premiums. Only one company plans to introduce such plan in 2010.

Benefits (all companies)

List of most popular benefits that companies provide to employees



Talent Management and Succession planning

To analyze measures companies use to evaluate effectiveness of employees development and proper usage of labour force there were two categories used in survey:

Succession planning – is a securing of core business roles, for each critical position there should be a successor ready to take over a role in nearest future.

Talent Management – complex of measures and programs which target attraction, retention and development of most talented employees. In the scope of Talent Management companies develop key business competencies not necessarily targeting succession.



Succession planning

- cost 10 948 RUR/year per 1 pool member
- give 6,03% replacements for internal vacancies
- use individual development plans, rotation and internships

Talent Management

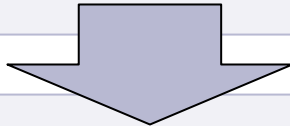
- cost 48 421 RUR/year per 1 pool member
- give 1,72% replacements for internal vacancies
- use mainly individual development plans

Example

Pharmaceutical company, 360 employees, 100% foreign capital

main HR KPI's in use

- employee engagement index (measured based on survey)
- employee performance
- training days per employee
- average time to close vacancy
- staff turnover
- turnover during probation



why do they need this set

Company is in very active business phase and HR strategy is focused on the attraction, development and retention of talented employees who could drive business forward.

There are many detailed development programs for all employee levels and groups and it is very important to know how efficient are they (measuring performance dynamic, training days, ect.)

Costs and expenses are not so much in focus and monitored formally during the budget preparation and year end control.



Example

Bank, 90 employees, 100% foreign capital

main HR KPI's in use

- revenue per employee
- people costs as % of revenue
- average people cost per employee
- staff turnover
- employee performance



why do they need this set

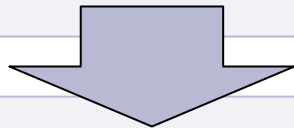
HR strategy in this Company is focused on the optimization. Headcount is decreasing and HR team is helping business to find the way to optimize business processes using less employees but keeping the quality of processes. Focus on financial KPI's helps to find the gaps and opportunities for further steps. At the same time during active changes organizational climate deteriorate – to keep situation under control HR team also look at the voluntary turnover and performance.

Example

Metal production company, 25 000 employees, 100% russian capital

main HR KPI's in use

- people costs as a % of product cost
- N of employees as per 1 HR/Accountant/IT Specialist
- ratio of administrative employees to total headcount
- absenteeism



why do they need this set

This company has already passed optimization stage and now its HR strategy is focusing on increasing of effectiveness. KPI's are analyzed on quarterly basis and based on the business units comparison Company develop internal best practices benchmarks and set new goals. HR team runs different projects to bust up the effectiveness of labor force usage – re-education, employee transfers and internships, unification of development partices.



Questions?

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