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Introduction and methodology
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CHAPTER 1

INTRODUCTION AND METHODOLOGY

The present chapter deals with the meaning of benchmarking, its importance as a tool for performance improvement, the scope of HR Activities, and the objectives of the study. This chapter also outlines the methodology of the study, which includes the scope of the study, the sources of data, definitions of selected terms, limitations of the study, and the chapter scheme.

In the year 1985, the then Prime Minister Mr. Rajiv Gandhi introduced Human Resources Development Ministry in India. In the 1980s, human resource development became a central point of discussion, and was a much talked about topic in industrial as well as Government sectors. In actual practice, however, the managements of the companies never treated HR as one of the important functions.

In 1992, the Government of India adopted Globalisation, and Liberalisation policy; as a result, the Indian Economy was opened up for entry to foreign concerns. The Indian companies that were enjoying the monopolistic positions until now were to face a tough competition from
foreign concerns. There was an urgent need for up-gradation of the quality of their products and services, and, that too, at lower costs. Technology up-gradation and innovations as well as the diversification of products and services provided by them became necessary. In order to survive in the Global market, they were also to get quality certification from internationally recognised institutions such as the ISO. All these changes in the industrial and business environment started acting as a driving force in boosting the human resources activity in the companies and other organisations. The human resources activity then became an essential rather than a support service. The recruitment of employees with the latest technological qualifications, refreshing the skills of the incumbents, and making them aware of the new quality concepts became the need of the hour. The increased cost-consciousness made it necessary for HR managers to prove that they provide necessary services at competitive costs.

In these circumstances, the benchmarking technique emerged as a powerful tool for improvement of performance.

Benchmarking is an on-going search for best practices that produce superior performance, when adapted and implemented in one's own
organisation. Applied to an organisation, benchmarking is a process of determining who else does a particular activity the best and emulating what they do to improve one’s own performance. A more formal definition could be, "A systematic process of searching for best practices, innovative ideas, and highly effective operating procedures that lead to superior performance".

Benchmarking is a tool for improving performance by learning from best practices of others and understanding the processes by which they are achieved. Application of benchmarking involves four basic steps: First, understand in detail one’s own processes; second, analyse the processes of others; third, compare one’s own performance with the analysed performance of the others; and forth, take the steps necessary to bridge the gap in performance. It follows that benchmarking involves looking not within but without, that is, outside one’s own organisation, industry, region, or country to examine how others achieve their performance levels, and to understand the processes they use. In this way, benchmarking helps explain the processes behind the excellent performance. When the lessons learnt from a benchmarking exercise are applied appropriately, they facilitate improved performance in critical
functions within an organisation or in key areas of the business environment. Benchmarking is above all a practical tool. It is constantly evolving with the ever-increasing experience and with its application to different organisational and cultural settings.

Benchmarking technique as a tool for performance improvement is widely used by research and development department, production department, sales department, customer-service department, and a few other departments in companies and other organisations.

Considering all this, it was thought prudent to study the applicability of this technique in the field of HR. This study is conducted by keeping in mind the following questions:

- Is the benchmarking technique necessary and useful for HR activities?
- What different types of benchmarking are most suited for the benchmarking of HR activities?
- What types of benchmarking are commonly used for the benchmarking of HR activities?
- What is the nature of Human Resources activities in different industrial sectors in Pune?
• Is there any uniformity in HR activities, and are they standardised?
• Are the organisations in Pune ready and willing to undertake the benchmarking of HR activities?
• Have any organisations in Pune already undertaken the benchmarking of HR activities?
• Is it possible to develop one model, or more, for the benchmarking of HR activities that could be easily used for different organisations, working in different sectors and at different scales?

This research tries to explore the possibility of developing such a benchmarking model. With this objective in mind, the starting point was to study the benchmarking technique in detail and to understand the changes that have taken place in the nature of Human Resource Activity.

The following section gives a summary of this study.

Benchmarking

Benchmarking is a process of continuously comparing and measuring one’s own performance vis-à-vis that of the other organisations, irrespective of where they are in the world, to gain information of their philosophy, practices, and measures, which will help the organisation to
take action with a view to improving its performance. Benchmarking provides the organisation an opportunity to assess its business performance by looking outward for improvement, and this helps in attaining better understanding of its relative position in the industry. It helps the organisation to understand its own processes and enables it to learn from those of the others.

Benchmarking is a management technique, which was developed to improve the performance in competitive environments. It is a method of process analysis, in which best-in-class practices are evaluated as models for improvement. It is an established method of process improvement employed extensively in various areas of operations in the corporate sector. It establishes quantitative performance goals and identifies best practice performances that can be studied and applied for further improvement. Benchmarking activities thus set the standards for improvement in performance.

Benchmarking is an innovation. Real innovation comes from looking for best practices outside one's own industry. This enables the organisation to learn from others and to achieve quantum leaps in performance, which otherwise might have taken years to achieve. Therefore,
benchmarking is usually done with the top performing companies in other industries. It is possible because, if the business processes were to be divided in different sections, it would become apparent that all business processes are in a way the same, section for section, and, hence, best practices in any industrial sector may be easily applied to other industrial units.

1.1 Definitions of Benchmarking

There are a number of definitions of benchmarking. At the one end of the spectrum, the activity may be a little more than a periodic look outside a business unit or organisation at how others are performing. This has been referred to as “industrial tourism”; at the other end, benchmarking is a continuous process, which leads to improvements in operations. A definition along the lines of the latter could be, “Benchmarking is seeking out better or best practices from superior organisations, comparing those practices with one's own and using the conclusions arising from the analysis in the improvement of operations.” Defined in this way, benchmarking is more than merely collecting the data - usually quantitative - of the performance of others.

The following are the definitions offered by various practitioners: 1
Kaiser Associates, a management-consulting firm that has actively promoted benchmarking has defined benchmarking as “a process for rigorously measuring your performance versus the best-in-class companies and for using the analysis to meet and surpass the best-in-class.”

According to Mr. Sam Bookhart, former manager of benchmarking at DuPont Fibers, “benchmarking is a standard of excellence or achievement against which other similar things must be measured or judged.”

Mr. Robert C. Camp, a manager in Xerox Corporation, and the author of *Benchmarking: the Search for Industry Best Practices* defines benchmarking, as, "the search for industry best practices that lead to superior performance."

Mr. Ian Thompson, of the University of Birmingham's Centre for Business Strategy and Procurement, identifies the following three types of benchmarking:

- A simple comparative analysis: used for market intelligence or as an internal justification to senior management.
• A corporate learning tool: used for keeping abreast of how things are done elsewhere and why better results are achieved.

• A performance improvement tool: used to search for the examples of best practices, which may then be adopted, provided the conditions are suitable.

Benchmarking activities may also be differentiated based on what is being compared. Most benchmarking projects either benchmark business functions, such as, human resources, sales, maintenance, or benchmark processes, which usually but not always cut across functions, for example, development of new products.

The organisations do the benchmarking of their activities with the following objectives:

• To develop and implement strategic goals;

• To establish realistic actionable objectives;

• To provide a sense of urgency; and

• To encourage striving for perfection and innovative thinking.

The benchmarking is different from competitive analysis, in the sense that competitive analysis looks at only performance measures, whereas,
benchmarking looks at performance measures as well as practices and the enablers. Enablers are those processes or methods that facilitate the implementation of best practices, and help explain the reasons behind the performance indicated by the benchmarks. Benchmarking enables the competitors to communicate with each other through structured studies and shared findings, which may lead to industry-wide raising the standard of excellence.

1.2 Benchmarking and Benchmarks

Benchmarking is an on-going search for best practices that produce superior performance, when adapted and implemented in one's own organisation. Emphasis should be placed on benchmarking as an on-going outreach activity; the goal is to identify the best operating practices that, when implemented, will produce superior performance. Benchmarks, unlike benchmarking, are measurements to gauge the performance of a function, operation, or business compared with those of the others. In the electronics industry, for instance, a benchmark has for long been referred to as an operating statistics that allows one to compare one's own performance with that of another, or with an industry standard. Operating statistics employed as benchmarks provide
incomplete comparisons. In a sense, they are "superficial," for they draw attention to performance gaps without offering any evidence or explanation for the existence of these. At times, the gaps in performance surfaced through benchmark comparisons may reflect significant differences in operating systems and procedures; on other occasions, benchmark variances may reflect differences in the way different organisations track and measure the performance of their systems. The root causes of operating differences usually cannot be discerned from the "benchmarks" alone. In this respect, the benchmarks are like divining rods that lead the organisation to hidden opportunities to innovate, and to improve performance.

Benchmarking is the actual process of investigation and discovery of the interesting and valuable operating procedures. Consequently, "best practices benchmarking" can be described as the process of seeking out and studying the best internal and external practices that produce superior performance. One measures this performance through various financial and non-financial indicators. Best practices benchmarking, which includes but by no means is limited to the study of statistical
benchmarks, may be applied at many levels of the organisation and in many different contexts.

The benefits of benchmarking have been well recognised in certain industries and operating areas. For instance, many benchmarking projects have targeted critical technical functions, such as, sales and logistics, billing, placement of order and its fulfillment, and training. However, benchmarking is also an advanced business concept with general management applications to high-level functions, such as, strategic planning, restructuring, financial management, succession planning, and supplier-and-joint-venture management.

1.3 Benchmarking Process

Benchmarking is (a) a point of reference up to which measurements may be made, and (b) something that serves as a standard by which the existing practices and performance may be measured or judged. For many organisations, benchmarking is a means to make comparisons between competencies, functions, processes, and structures. The comparisons can be made (a) internally, (b) externally, (c) within the same industry, (d) without the industry, and (e) any combination of the above.
Benchmarking is nothing but analysis of comparison between one variable and another. It is essential that the properties of the variables compared are similar and the metrics used to assess and analyse the variables are valid, reliable, and consistent.

Depending on the organisation, benchmarking is conducted either way: (a) an individual organisation, or (b) a consortium of organisations. Benchmarking can be conducted for both an individual organisation and a consortium of organisations. Many large organisations are part of consortiums, where the research, collection, analysis, and interpretation of benchmarking data are conducted by an agency for a fee. The agency then produces reports, which give comparative criteria.

1.4 Applications of Benchmarking

Benchmarking is a remarkably versatile business tool. Mr. Roland Loesser, the Chief Financial Officer of the Sandoz Corporation's American operations, observes\(^2\), "Benchmarking is powerful because it can be applied to virtually every function in our companies. Moreover, the front-line managers are using it in many new and creative ways. Some of the more frequent applications include setting and refining strategy". Applications of benchmarking differ from company to
company. The following are some of the applications used by different companies:

**For re-engineering processes and systems**

Benchmarking gives the ability to see things differently. Benchmarking enables a company to get outside its conditioned responses or customary structures of thinking. When GTE re-engineered eight core processes of its telephone operations, it examined the best practices of 84 companies from diverse industries to help the company re-think the rules of the game for each of its core functions. Re-engineering without benchmarking is likely to produce flat 5% to 10% improvement, but not the spectacular 50% to 75% improvement in performance. Benchmarking enables the companies achieve re-engineering in the real sense of the term. Through the study of outside best practices, a company can identify and improve technology, skills, structures, training, and capabilities.

**For continuous improvement of work processes and business systems**

Benchmarking provides a potent source of incremental changes and improvements. KPMG Peat Marwick, a group of six accounting firms,
borrowed the concept of a supermarket's Express Checkout to start an express line in its word processing pools. The change enabled work teams with minor documentary changes to go through the process at a substantially greater speed. This small change was of great value to word processing departments that handled high volume work orders. This innovative adaptation of a supermarket operating practice reduced time taken per cycle, and as a result, it boosted internal customer satisfaction. It could also be applied to such other service functions as copying, production of graphics, and research.

For strategic planning and goal setting
A growing number of companies use benchmarking for their strategic planning and goal setting processes. Benchmarking helps organisations anticipate market changes, helps set goals, and targets accordingly. By reviewing the products, prices, practices, strategies, structures, and services of competitors, one can validate the adequacy of one's own goals, plans, and strategies. For instance, Mutual Life Insurance Company of New York requires all its executives to find benchmarking information of their primary and secondary competitors as part of the company's newly revamped planning process.
For problem solving

Benchmarking frequently demonstrates its value in problem-solving process. Standard problem-solving processes provide a structure that makes work groups more effective; they also prompt teams to root their analysis in empirical data. As an enabling tool for problem solving, benchmarking frequently produces effective answers for difficult operating issues. For the problem of high rate of turnover of associates in its corporate legal department, Xerox looked for solutions both internally and externally. Internal analysis revealed various causes of the problem; external analysis, however, revealed important insights. Xerox's benchmarking partners shared the same recruitment and selection process and all suffered from the same high rate of turnover of associates. Once recognising that its essential recruitment strategy produced sub-optimal results, Xerox changed its recruitment strategy rather than trying to fine-tune the process. The common experience of all the benchmarking partners gave Xerox confidence to move away from traditional recruitment on law school campuses to a more radical strategy. This strategy emphasised recruitment of experienced lawyers who wished to move away from law firms and into the corporate world.
As a catalyst for change

Best-practices benchmarking provides employees and managers the tool, the rationale, and the process to accept change as something constant, inevitable, and which is good. "Change has no constituency," observes General Electric CEO Mr. Jack Welch, who established benchmarking for best practices as an essential part of GE's on-going management and improvement efforts. People like the status quo; the on-going adaptation of best practices, however, helps an organisation face unexpected changes easily. A company can accelerate its own rate of improvement by systematically studying others and by comparing its own operations and performance with the best and most effective practices of highly innovative and successful companies. The search for best practices quickly draws the searcher outside the confines of one's own culture and personal habits. Best practices benchmarking is, therefore, a pragmatic approach to manage change and performance improvement. Many organisations have demonstrated the power of best practices benchmarking. Bell Laboratories, the research unit of American Telephone and Telegraph Co., has notably displayed the positive behavioural effects of best practices. In a fascinating programme
focused on AT&T engineers, Bell Laboratories demonstrated that the company could effectively manage individual behavioural change, which leads directly to performance improvement through an individual best practices strategy. During a six-year period, Bell Laboratories trained 248 engineers in its business unit of switching systems to emulate the work and social habits of the Unit's best performers. The strategies used by the best practitioners were taught at the world's best technical or business schools. These best practices were fundamental skills designed to make people more effective and efficient. The programme called for the engineers to learn from each other various important business practices, and skills. These practices included how to manage work-in-baskets most effectively, which otherwise filled up with memos, correspondence, mail, and reading. It also helps manage how to accept constructive criticism, and how to seek help instead of wasting time by insisting on solving problems individually. The results were impressive: engineers who went through the Bell Laboratories’ Labs best individual practices programme for engineers increased their productivity by 10% in eight months. This productivity boost helped save Bell Laboratories the money spent on the programme after one
year, and helped return more than six times the investment after two years.

AT&T is not the only major corporation to experiment with best practices strategy in managing its business. General Electric has been experimenting currently a best practices programme that has evolved from several earlier management initiatives. More than 40 years ago, the then GE Chairman Mr. Ralph Cordiner pursued best business practices strategy when he assembled an internal team of top managers and instructed them to identify and institutionalise the best operating practices of the era. In 1951, He assembled a team of bright GE executives, plus consultants and professors, including Mr. Peter Drucker, to recommend ways to improve the management of GE. They studied fifty other firms, pored over the personnel records of 2000 employees in GE, did time-motion studies of executives at work, and interviewed countless GE managers. Two years later, they emerged with the Blue Book, a five-volume, 3,463-page, management Bible. The easiest way to leverage fully an identifiable best practice is to declare it a mandatory SOP (standard operating procedure). However, this exactly became the problem faced by GE’s Blue Book: How does one avoid
bureaucrats’ being stuck with codified and institutionalised most effective operating practices of today? Companies implementing best practices strategies must carefully balance the benefits of the current SOP compliance with the benefits of future innovations. The best practices benchmarking is often called an "evergreen" process: it revitalises the organisation each time it is repeated. Hence, best practices champions regard benchmarking as an on-going business process that is fully integrated with continuous improvement in their organisations.

Benchmarking is an effective catalyst for change because the employees themselves on their own discover more effective operating practices. Benchmarking exposes people to new approaches, systems, and procedures. It is the first-hand experience that helps the employees visualise the final goal of the proposed change. In this respect, benchmarking demystifies change, making it more cognisable and, hence, less threatening. Benchmarking, thus, helps manage organisational change.
Some other important applications of benchmarking

For education and enrichment of ideas

Benchmarking is a tool that brings about enrichment of ideas and general education. Successful benchmarking exponents bring to their organisations valuable new ideas and approaches to accomplish existing tasks. By regularly benchmarking critical functions, organisations ensure that they remain open to new ideas, changing trends, and evolving technology. If it is accepted that seeing is believing, then Benchmarking is an effective process to ensure that managers and front-line operators see approaches adopted by different companies to accomplish their own similar tasks.

For comparisons and evaluations of market performance

Without carefully comparing one’s own products, services, features, and performance with those of the competitors, companies cannot fairly evaluate their relative standing. By using performance benchmarks, companies can assess the adequacy of their services. Such customer-focused information helps the companies manage themselves in a more customer friendly manner.
As a utilitarian tool

Benchmarking is a functional tool that is easy to grasp. As a managerial tool, benchmarking provides a two-fold benefit: it provides a way to access new ideas, and provides a means to test or to evaluate the challenges in implementation that may exist in their own organisations. Benchmarking, thus, helps the companies (a) improve the organisational quality, (b) bring down the cost, (c) expose people to new ideas and prepare them for change, (d) broaden the operating perspective of the organisation, (e) create a culture whereby new ideas become acceptable, (f) increase employees' satisfaction through involvement, empowerment, and a sense of job ownership, and (g) raise maximum potential performance level of the organisation. In brief, benchmarking for best practices teaches organisations new lessons in competitiveness.

1.5 Benefits of Benchmarking

The need for benchmarking is strongly brought out in the following Chinese quotation, "Know your enemy, and know yourself. In a hundred battles you will never be in peril." The following are some of the benefits that flow from benchmarking:

- Setting of more meaningful and realistic targets;
- Increased motivation of staff through sharing with them all that is possible;
- Early warning of competitive disadvantages; and
- Promotion of teamwork and cross-functional learning.

Rank Xerox's experience with benchmarking led the company to the following benefits:

- Benchmarking brings out the new and innovative ways of managing operations;
- It is an effective team building tool;
- It has increased general awareness of costs and performance of products or services in relation to those of competitor organisations;
- It brings together all the divisions and helps develop a common front for facing competition; and
- It highlights the importance of employee involvement and, as such, encourages recognition of individual or team efforts.

Some of the advantages of benchmarking that will be discussed here are team building, comprehensibility, flexibility, creativity, and evolution.
Team building

Benchmarking cannot be successful without the total involvement of everybody in the benchmarking team. It creates a unified front for an organisation and gives those who work within it a common goal to accomplish. It also incorporates the ideas and concerns of those affected.

Comprehensibility

Benchmarking involves a direct comparison with another organisation after determining whom to follow. One studies what the employees in the other organisation do, and emulates them. Consequently, there is no misunderstanding of the overall goal.

Flexibility

Benchmarking is flexible and can be interdisciplinary. Almost any organisation - public, private, profit making, or non-profit making - can use benchmarking. Even the size is no bar; a large multinational corporation or a small local shop can use it.

Identifying the best does not mean necessarily that the competitor has the best solution; it may mean that the competing company is presently doing something in a better manner. Emulating its practice, coupled with some out-of-the-way thinking, is bound to create new standards.
Creativity

Sometimes an organisation may know what its goals are, but may not be very clear how to achieve them. After clearly defining the goals, however, it becomes easier to come up with new, innovative ways of achieving them. It also creates new ways of obtaining information or making partnerships, such as, Remington, a shotgun shell manufacturer, getting information on how to make their shells shinier from the lipstick containers of Mabelline Cosmetics Company.

Evolution

Benchmarking emerges and evolves with the expectations of customers; it does not require a large up-front expenditure. It involves constant evaluation, and reorganisation. It changes as the market or customer does. Although benchmarking is constantly in flux, it just requires a list of best performers to start with.

Human Resource Activity

After studying and reviewing the nature and scope of benchmarking technique, in the following section it is proposed to review and analyse the changes that are taking place in the nature of Human Resource
Activity, and the challenges faced by HR profession world-wide as well as by the HR community in India.

In the business environment of the developed world, the Human Resource Management is well accepted for enhancement of productivity. Even in developing countries, it is becoming an important national concern. Human resources constitute the very foundation of the wealth of nations. Capital and natural resources are passive factors of production; human beings are the active agents, who accumulate capital, exploit natural resources, build social, economic, and political organisations, and carry forward national development. A country, which is unable to develop the skills and knowledge of its people and utilise them effectively in the national economy, will be unable to develop. Coping with the changes in market conditions, rising expectations of the employees, development in technology, and changes in management systems have necessitated increased emphasis on Human Resource Management and Development.

According to Mr. Harbinson, “…human resources are the energies, skills, talent, and knowledge of people, which potentially can and should be applied to the production of goods and services.”
Human resource generally means the complete quantitative and qualitative human assets in the society. The importance of human being as a resource has been realised since the time immemorial. Of all the Ms in management, that is management of materials, machines, methods, money, and motive, the most important is $M$ for mankind or human resource. Human resources are to be utilised to the maximum possible extent in order to achieve individual and organisational goals. The performance of an organisation and resulting productivity are directly proportionate to the quantity and quality of its human resources.

Human Resource Management is a vehicle that helps nurture a culture of higher productivity and industrial growth. The transition in Traditional Personnel Management (TPM) played a reactive role in the workplace culture. It was a firefighting role for the personnel department whenever any problem arose in labour-management relations. Whereas, Human Resource Management (HRM) invests proactively in people and builds their competence. There are now attempts to use HRM strategies for attaining competitive success and for facilitating business strategy.

The intensity of challenges faced by the modern business organisations is very high. The business environment is chaotic because of
globalisation, rapid developments in information and manufacturing technologies, shorter product life cycles, need for greater flexibility, and quality conscious customers. Most organisations are trying to identify and shape their core competency to adapt to the challenges of the global competitive market. They are also redesigning their organisational structure and processes in order to survive in the changed business reality.

Due to the uncertainties resulting from the changing business environment, the long-term employment relationship of the 1960s and the 1970s underwent a sea change in the 1980s and the 1990s. The 21st Century is an era of subcontracting, out-sourcing, networking, and of virtual organisation.

Human Resource Management (HRM) is the branch of management that deals with managing the human resources of the organisation. It is also called Personnel Management. However, the term Personnel Management is being replaced in most spheres by the term Human Resource Management or Human Resource Development (HRD) or, simply, by Human Resource (HR). Most organisations in developed countries have a fully-fledged Human Resource Management
department. The function of Human Resource Management is to acquire, train, develop, and retain the human resources of the organisation so that, with their help, the organisation is able to achieve its goals.

Broadly, the activities carried out by Human Resource Management are:

Manpower Planning; Recruitment and Selection; Induction of New Employees; Performance Appraisal; Organisational Development; Training and Development of Employees; Employee Counselling; Compensation Planning; Industrial Relations; Employee Separation; etc.

1.6 Definition of Human Resource Management

Since Human Resource Management has such a wide scope, it is difficult for any one to define it in one or two sentences. However, a functional definition of HRM could be, “Human Resource Management is recruiting and selecting people, training and developing them in their work, ensuring that payment and conditions of employment are appropriate, negotiating terms of employment with trade unions, if necessary, advising on healthy and appropriate working conditions,
organising people at work, and encouraging healthy relations between management and employees."

Human Resource Management is a vital part of management. It helps the management in taking a strategic view of a very important resource, that is, Human Resource. It helps the management in identifying important skills, knowledge, and values required in the employees and the rewards that are needed to be given to them to fulfill the organisational goals. In addition, like other management functions, it has to ensure that these resources are available at an optimal cost.

1.7 Role of HR in New Business Environment

There are fundamental shifts in the global economic situation in the last two decades, or so.

One experiences the supremacy of the market. The markets face shrinking profit margins, supremacy of the customer, and the rising demands of quality products at competitive prices. There is a free flow of information, and new players are entering into these emerging markets.

Mass production, mass marketing, and long term planning are not the bottom lines for expanding business empires. Instead, leanness in
business operations, and incremental implementation of business strategy have become the way of industrial life. Broad customisation is becoming more important.

Information Technology is playing a critical role. Emergence of e-business is likely to throw into turmoil the established relationship between various parties in business, including buyers, sellers, suppliers, and competitors. Information Technology has been added as a factor of production to the existing traditional factors of production; namely, land, labour, and capital.

These changes have resulted in intense competitiveness and a need to explore newer ways of tackling competition. Since, the companies are finding it difficult to develop sustainable competitive advantage, one finds that organisational mortality is on the rise.

Business strategies are adjusted to facilitate innovation in the face of perpetual uncertainty. Certain broad themes needing strategic attention in business management have emerged, such as, Outsourcing, High-Value Addition, Japanisation, Benchmarking, Virtual Organisation, and Social and Environmental Responsibility.
The structure of business organisations is changing rapidly to cope up with the changes in business environment. The concept of *team* is developing fast enough to promote a greater sense of belonging and responsiveness. The new organisation is flatter, giving relatively more autonomy to individuals and groups. It is often team-based, and focuses on human and information resources rather than on the capital. Now, the focus is on identification and development of competency, aided by Information Technology.

In short, the early practices of job forecasting, and succession planning have broadened into a concern, which envisages a more explicit link between human resource planning and the larger organisational strategy as well as business planning of the organisation. The idea of employee-centered selection, training, performance appraisal, and compensation decisions has resulted in effective team working. Participative decisions have now started playing an important role in achieving the desired effective performance in business organisation.

1.8 Objectives of Study

The nature of the present research is applied, and has been undertaken with a view to developing HR benchmarking model, the use of which is
expected to simplify and popularise the concept of HR Benchmarking. This research also aims at verifying the applicability of this model.

The main objectives of the present study are:

- To study and to understand the nature of HR activities undertaken by the companies in Pune;

- To identify and to establish the need for application of benchmarking technique as a tool for continuous performance improvement; and

- To develop the benchmarking model to be applied for the HR activities of the companies.

The basic objective of the present study is to develop a simple and easy-to-use benchmarking model for HR Activity, which the companies could utilise as a tool to measure continuous performance improvement.

This research aims at developing a model for the benchmarking of HR Activity. This model will serve a dual purpose of supporting continuous improvement in HR Activity, and of generating a database with empirical information about industry-wide HR Activity in Pune. The database so generated will be useful for development of third-party benchmarking, which will, in turn, contribute to the improvement of the HR Activity as a whole.
The study proposes to develop a computer model to enable the benchmarking agency to carry out model-based benchmarking. The empirical information thus gathered coupled with expert knowledge will yield precise benchmarking scores and benchmarks. The achievement of the objectives of this research will change, for the better, the way in which performance is measured and decisions are made in HR departments.

There is a consensus among researchers and industry experts that one of the principal barriers to promote improvement in HR Activity is the want of appropriate measurement of performance. For continuous improvement to occur, it is necessary to have performance measures, which check and monitor performance in order to verify changes and the effect of actions taken for improvement. This is also necessary to find out how far and how much the processes can be modified. In general, it is necessary to have objective information available to make effective decisions.

The purpose of this research is to promote and to support the implementation of performance measurement system in HR departments of companies. By supporting the continuous improvement within these
companies and establishing a basis for the accomplishment of third-party benchmarking, the research will definitely contribute to the progress of the HR Activity. The empirical information relating to HR Activity generated by the use of this model and stored in the database will contribute to a better understanding of the causalities and mechanisms by which the HR Activity obtains better or worse results.

1.9 Research Methodology

The nature of the present study is a blend of Model Building and Industrial Research. As it is exploratory and on-going process, the construction of the model signals the end of the study. For accomplishing this goal, the following sources of data were used.

1.10 Sources of Data

Primary source

Primary data were collected using the questionnaire approach. Field surveys were conducted, interview schedules were used, and observations were recorded to get factual information from the respondents. Case study method was used to explore the applicability of the HR benchmarking model.
Secondary source

The review of existing literature helped in developing the suitable model for the problem under study. The existing models can be accepted or refined or can be rejected for a better model. Therefore, for secondary data collection, in addition to the books and journals available in the libraries, almost all the relevant web sites were searched periodically throughout the tenure of this study. Eighteen HR benchmarking reports published by various benchmarking agencies during the years 2000 to 2004 were referred to, while making a comparative study of various benchmarking types, methods, and tools used.

1.11 Definitions of Terms Used

The definitions of important terms used in the present thesis are listed below:

- **Benchmark**

  Benchmarks are measurements to gauge the performance of a function, operation, or business compared with that of the others.
• **Benchmarking**

Benchmarking is the process of analysing the *best-in-class* practices of others, comparing them with one's own, and using the conclusions arising from this analysis in bringing about improvements in the performance.

• **Case Study**

Case study is the analysis of a problem done by critically examining the situation that points out certain areas of agreement and disagreement.

• **Database**

A database may be defined as a collection of *persistent* data. The purpose of a database is to store information of certain types of objects called *entities*.

• **Experience Survey**

Experience survey is the process of putting down in brief the experience and existing knowledge in written form. It is a short description in words and numbers of an actual management situation.
• HR Activity

HR Activity mainly deals with recruiting the employees, and then utilising, as well as enhancing their capabilities. It can take a form of a system, a policy or a plan, a function, a practice of recruiting, remunerating, appraising the performance of employees, developing their potentials, and motivating them.

• HR Benchmarking

HR Benchmarking is the process of comparing HR practices and levels of performance between HR Departments to gain new insights and to identify opportunities for improvement.

• HR Benchmarking Model

HR benchmarking model is the computer application or system developed with a view to undertaking benchmarking of HR Activity of different organisations.

• Human Resource Management

Human Resource Management consists of acquiring, training, developing, and retaining the human resources of the organisation, in order to enable the organisation to achieve its goals.
• **Model**

A model, in social research, represents a particular construction built by using a theory that represents a system or process in the whole or in part, showing therein the interrelationships between variables.

• **Re-Engineering**

Re-engineering is an act of rethinking and radical redesigning of business processes with a view to achieving drastic improvements in measures of performance, such as, cost, quality, service, and speed.

• **System Requirements**

System requirements consist of the hardware and software specifications required for operating the HR Benchmarking Model developed in the present study.

• **Total Quality Management**

Total Quality Management (TQM) is a three-step process of collaborating with suppliers to ensure quality of supplies, making continuous employee analysis to improve their functioning, and maintaining close communication with customers to identify and understand what they want and how they define quality.
1.12 Scope of Study

This study was undertaken in Pune. The primary data were collected from the companies in Pune city, which was done for the sake of convenience. Maharashtra Industrial Directories of the years 2003 and 2004 were used for this purpose. A questionnaire was administered, data collected and analysed, and then the findings are presented. The period of the study is restricted up to the year 2005-06.

This study makes an attempt to take into account as much information as possible, even though the changes are taking place quite frequently. It is also partly based on the secondary sources of information.

1.13 Chapter Scheme

This research consists of the following six chapters:

**Introduction and methodology**

This Chapter deals with the meaning of the term benchmarking, its importance as a tool to improve performance, the scope of HR Activity, and the objectives of the study. This chapter also outlines the methodology of the study, which includes the scope of the study, sources of data, limitations of the study, and the chapter scheme.
**Review of literature**

The second chapter reviews the literature on benchmarking technique and evolution of Human Resources Management. The studies relating to the Global and Indian scenarios are also reviewed in this chapter.

**Need for HR benchmarking**

Today, Human Resources department faces the following challenges:

- To present HR programmes as an investment rather than a cost to the companies;
- To identify HR processes that make a positive impact on the company's performance;
- To assess the efficiency of existing policies and procedures;
- To demonstrate the gains that can be achieved from good management practices.

Benchmarking goes a step further by providing a framework for comparing performance on a range of HR indices both within the company and without it. HR benchmarking depends upon the identification of best practices, which can be studied and improved upon. It is not just establishing quantitative performance goals. This chapter further analyses the concept, process, areas of HR
benchmarking, and advantages of it. Factors that determine success of HR benchmarking are also discussed in the third chapter.

**HR benchmarking models: comparative study and suitability**

In the present scenario of globalisation and liberalisation, the HR departments have to prove that activities carried out by them contribute in the success of the organisation. For this, they will have to systematically evaluate their present structure of functioning first and then try to make improvements in it. Therefore, benchmarking technique is definitely a helpful tool for them. By applying the benchmarking technique, HR departments get an opportunity to examine and learn the best practices followed by the leading companies. This helps them in improving the quality of their own HR Activity.

With a view to understanding the techniques and procedures of benchmarking used by different institutions, a summary of the analysis of HR benchmarking reports is given. A majority of these are third-party benchmarking reports undertaken by independent agencies, which are either private or government institutions engaged in academics, management, and accounting consultancy. To name but a few of them, American Society for Training and Development (ASTD),
PricewaterhouseCoopers, MIT, Human Resources Benchmarking Association, HR Benchmark, IIT, The Arvind Mills Ltd., Business Times, etc. This chapter attempts to study these reports in order to identify a method best suited for benchmarking of HR Activity in Indian companies and, to study different indicators to be used in such a type of benchmarking.

**Survey of HR Activity: analysis and findings**

Chapter five deals with the research methodology of survey first, and then presents the findings of data analysis in detail. It is an analytical report of the survey of HR activity undertaken by different companies and organizations in Pune. It also gives detailed findings of the case studies undertaken.

**Summary, conclusions, and suggestions**

Summary of findings and suggestions of the study are presented in this chapter.

**References:**
