Chapter 1 deals with introduction to Human Resource Management, Human Resource Development and Human Resource Practices. It also gives a brief introduction to Benchmarking and its linkage to the HR Practices. The need for Benchmarking HR practices in the IT, Manufacturing and Education sectors are also discussed.

1.1. Introduction

The world of Human Resources (HR) is changing swiftly and it is operating in a dynamic environment. HR today is a key contributor to solve organizational issues and achieve positive outcomes in business. The importance of Human Resources Management (HRM) to the success or failure of an organization has, until recently been generally overlooked. In recent years it has been increasingly recognized that, getting HR policy and management “right” has to be at the core of every organization. A well-motivated and appropriately skilled and deployed workforce is crucial to the success of the organization. Liberalization of the economy and its movement towards globalization has brought in new challenges for Indian business in terms of business strategies, technology, quality concerns, cost effectiveness, management systems, and so on. All these, in turn have brought new challenges for the HR function. The organization should ensure that the employees have good careers, receive rewards, training, feedback, job rotation and other such development opportunities.

HRM is a management function that helps manager’s recruit, select, train, and develop member of an organization. It is concerned with the people’s dimension in the organization. HRM can be rightly defined as: “HRM is concerned with the people dimension in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieving organizational objectives. This is true, regardless of the type of organization- government, business, Education, health, recreation, or social action.”
Thus, HRM refers to a set of programmes, functions, and activities designed and carried out in order to maximize both employee as well as organizational effectiveness.

Human Resource Development (HRD) in India has a rich history and has come a long way in the last two decades. HRD is increasingly driven by customer demands, technology, intense competition and employee’s needs. It implies that organizations that fail to measure successfully the qualitative areas of their business and human resources will lose a competitive periphery.

Good HR practices can influence financial and performance indicators of corporations generating employee satisfaction which in turn can influence customer satisfaction. Recent studies confirm that most successful corporations believe that it is their people who provide them a competitive advantage. The mission statements, annual reports, value outlines, vision statements and training calendars of these corporations reflect the great value that they attach to their employees. With increased research evidence of the linkages between HR practices and business development, corporations are getting more interested in establishing good HR practices. Several scholars have noted that managing people is more difficult than managing capital or technology (Barney, 1991; Lado and Wilson, 1994). However those firms which have learnt how to manage their human resources well would have an edge over others because acquiring and deploying human resources effectively is cumbersome and takes a longer time (Wright et al., 1994). Research has clearly indicated positive statistical relationships between the greater adoption of HR practices and business performance.

1.2. Evolution of HR practices

The term ‘Human Resources’, was not heard of in the 1980’s. HR has evolved rapidly from a personnel function to a strategic function. Table 1.1 shows the gradual evolution of HRM from the 1990’s to the 2010. HR has evolved over the last decade in response to the considerable changes in the way organizations get their work done. HR changes have been in response to the variations in the social and economic realities of time. The challenge of HR today is to define its own future based on the trends that are highly predictable and scale up to a challenge of creating the organization’s and the
individual’s future. Hence with progressive changes in the technology, HR will go through a transformation which will be determined in due course of time.

<table>
<thead>
<tr>
<th>Decade</th>
<th>Business Realities</th>
<th>HR Name Changes</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-1900</td>
<td>Small Business &amp; Guilds</td>
<td>Did not yet even exist</td>
<td>Owners owned the HR issues</td>
</tr>
<tr>
<td>1900</td>
<td>Industrial Revolution</td>
<td>Labour Relations</td>
<td>People as interchangeable parts</td>
</tr>
<tr>
<td>1920</td>
<td>Civil Service &amp; WWI</td>
<td>Industrial Relations</td>
<td>Workers’ rights and more formalized processes</td>
</tr>
<tr>
<td>1940</td>
<td>Scientific Management &amp; WWII</td>
<td>Personnel Administration</td>
<td>Efficiency experts and more highly evolved HR processes</td>
</tr>
<tr>
<td>1960</td>
<td>Civil Rights &amp; Compliance</td>
<td>Personnel</td>
<td>Legal compliance and reporting; “policy police”</td>
</tr>
<tr>
<td>1980</td>
<td>Human Relations, the Knowledge/Service Economy, and Mergers &amp;</td>
<td>Human Resources People</td>
<td>Relevance in a fast-changing world; motivation and “human relations” theories abound</td>
</tr>
<tr>
<td>2000</td>
<td>Modern Organizations</td>
<td>Organization Effectiveness? Human Capital? Organizational Capability?</td>
<td>No new official names, but lots of “morphing” as the transactional parts get outsourced and the transformational parts get defined</td>
</tr>
<tr>
<td>2010</td>
<td>Global Economy and E-Enabled Technologies</td>
<td>TBD (To be determined)</td>
<td>Still Evolving, Focus on Talent; Capability; Culture; Consulting — Challenged to Be an Effective Internal Consulting</td>
</tr>
</tbody>
</table>

(Source: Evolution of HR: Developing HR as an Internal Consulting Organization, Richard M. Vosburgh, Mirage Resorts, MGM MIRAGE, Human Resource Planning, 30.3)

HRM is a planned approach to managing people effectively for enhanced organizational performance. It aims to establish a more open, flexible and caring management style so that staff will be motivated, developed and managed in a way that they can give of their best to support departments missions. Good HRM practices are instrumental in helping achieve departmental objectives and enhance productivity. Human resources are considered the most important asset of the organization, but a very few organizations are able to fully exploit its potential. Edwin Flippo defined HRM as
“Planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are achieved.” Lado and Wilson (1994), define HR system “as a set of distinct interrelated activities, functions and processes that are directed at attracting, developing and maintaining a firm’s human resources.” There is a need to manage this function meticulously by constantly improving the HR practices. The recession in the private sector and funds reducing to the public sectors, have given more importance to issues such as talent management, strategic workforce planning and performance management become priority issues for the CEO’s. As people strategy is vital to any organization, the HR departments must transform themselves quickly to respond to this need at the top or else they could lose their influence on people strategy. There is need for a rapid metamorphosis.

Traditionally, HR management gained more attention in the service organizations than in the Manufacturing organizations. Needless to say, sophisticated technologies and innovative Manufacturing techniques alone cannot bring about an increase in the operational performance unless the required HR practices are in place to form a consistent socio-technical system (Sohel Ahmad, Roger G. Schroeder, 2002). HRM system should be backed by sound HRM practices. HRM practices refer to organizational activities directed towards managing the pool of human resources and ensuring that the resources are employed towards the fulfilment of organizational goals (Tiwari and Saxena, 2012). Nevertheless, to augment operational performance, effectively managing this system is important for both the sectors.

The practice of human resource management (HRM) is concerned with all aspects of how people are employed and managed in organizations. It covers activities such as Strategic HRM, Human Capital Management, Corporate Social Responsibility, Knowledge Management, Organization Development, Resourcing (human resource planning, recruitment and selection, and talent management), Performance Management, Learning and Development, Reward Management, Employee Relations, Employee well-being and health and safety and the provision of employee services. HRM practice has a strong conceptual basis drawn from the behavioural sciences and from strategic management, human capital and industrial relations theories.
As illustrated in Figure 1.1, HRM system brings together HR philosophies that describe the overarching values and guiding principles adopted in managing people, HR strategies which define the direction in which HRM intends to go, HR policies that provide guidelines in defining how these values, principles and the strategies should be applied and implemented in specific areas of HRM, HR processes that comprise the formal procedures and methods used to put HR strategic plans and policies into effect, linked HR practices that consist of the approaches used in managing people, and HR programmes that enable HR strategies, policies and practices to be implemented according to plan. Becker and Gerhart (1996) have classified these components into three levels: the system architecture (guiding principles), policy alternatives, and processes and practices.

**Fig 1.1: The HRM System**

The above figure shows the HR practices which are linked right from resource planning to the industrial relations. The present day HR practices concentrates on holistic and complete development of an individual employee. A well-defined set of HR practices in place creates the most effective and efficient method of achieving any objective or task. When aligned with the company mission and goals, human resource practices can address and solve any personnel issues that can come up in a business.

1.3. **Best HRM Practices**

Several research on HRM practices have been conducted from time to time and researchers have identified different practices by different names. Certain HRM practices are influenced by the HRM profession as ‘best practice’ or ‘high performance’ (Huselid, 1995), ‘formal’ (Aldrich and Langoton, 1997; de Kok and Uhlaner, 2001; Heneman and Berkley, 1999), ‘sophisticated’ (Golhar and Deshpande, 1997; Homsby and Kuratko, 1990; Goss et al., 1994, Wagner, 1998) or as ‘professional’ (Gnan and Songini, 2003; Matlay, 1999), Pfeffer (1994; 1998) argued that the most apt term is “Best HRM Practices”.

Any practice that deals with enhancing competencies, commitment and culture building can be considered an HR practice. Human Resource Development has been defined as essentially consisting three Cs: **Competencies, Commitment and Culture**. All three are needed to make an organization function well (Rao, 1999). Without competencies many tasks of the organization may not be completed cost-effectively or with optimal efficiency. Without commitment, they may not be done at all or are done at a slow pace that they lose relevance. Without an appropriate culture, an organization cannot last long. Culture provides the sustaining force and the spirit for the organizations to live. It gives a sense of pride and identity to individuals and teams. Recent researches worldwide have shown that good HR practices and policies go a long way in influencing business growth and development. HR practices include: HR planning, recruitment and selection, induction, training and development, performance appraisal, career planning, fringe benefits, rewards and recognition, welfare activities as per statutory requirement and beyond, safety, health and environment policy,
suggestion schemes, promotion, transfer and exit policy (Anuradha et al., 2012). Numerous attempts have been made from time to time by several researchers to identify the type of HRM practices in different sectors. Initially Pfeffer (1994) identified sixteen practices which were denoted as best practices. This was later refined to seven practices as listed below:

- Employment security
- Selective hiring
- Self-managed teams
- High compensation contingent on organizational performance
- Extensive training
- Reduction in status difference
- Sharing information

1.4. Models in HRM

There are several models which have been postulated by various scholars to describe the HRM concept. All the models can be either classified as hard or soft aspects of HRM. These models have helped the HR practitioner to effectively manage the Human resources. Few of the important models have been discussed below.

Harvard Model

This model was given by Beer et al., (1984) at the Harvard University. The model acknowledges the existence of multiple stakeholders within the organization. The multiple stakeholders include various groups of employees, government and the community at large. This model emphasizes on the human/soft side of HRM. Fundamentally the model emphasizes more on the fact that employees like any other shareholder are equally important in influencing organizational outcomes. It is thus important to note that the Harvard Model, is built on the premise that it is the organization’s human resources that give competitive advantage by treating them as assets and not costs.

The Michigan/Matching Model

This model was propounded by Fombrun, Tichy and Devanna (1984) at the Michigan business School. The model is also called the Matching Model as it demands
that available human resources must be matched with the jobs in the organization. It focuses on the hard aspect of HRM. According to this model, selection, appraisal, development and rewards are geared towards organizational performance.

**Guest model**

The model given by David Guest (1987) discusses both the issues of hard and soft HRM issues. It works on the assumption that a set of integrated HRM practices will result in superior individual and organization performance. HRM strategies like differentiation, innovation, the focus on quality and cost reduction will lead to practices like better training, appraisal, selection, rewards, job designs, involvement and security leading to more quality outcomes, commitment and flexibility. Further it will lead to increased productivity, innovation is enhanced, reduced labour turnover, conflict and customer complaints on the decreasing trend.

**Warwick Model**

The model was developed by Hendry and Pettigrew (1990) at the Centre for Strategy and Change, Warwick University. It emphasizes on the analytical approach to HRM. The impact of role of the personnel functions on the HR strategy content is recognised in this model. The internal and external factors of an organization are mapped in this model.

**1.5. Relationship of HRM practices with other variables**

Literature on HRM practices reveals that HRM practices influence the organizational working both internally as well as externally. The relationship of HRM can be studied with respect to Employee-employer relationship, competitive advantage, organizational commitment, employee performance, employee productivity, financial performance, trust, effective utilisation of employees and their management, growth and innovation, job satisfaction, reduced employee turnover and improved technology. These issues have been vividly brought out by Tiwari and Saxena (2012) and will subsequently be discussed in the Chapter II under review of literature.

HRM is assumed to affect knowledge, skills, abilities (Schuler & Jackson, 1995), attitudes and behaviour of employees (Guest, 1997), and may therefore affect the
performance of an organisation (Den Hartog, Boselie, & Paauwe, 2004). The alignment of HRM with the organisation strategy (strategic fit) and the alignment of the various HRM practices, such as career opportunities, training and appraisal, within the organisation (internal fit) (Baron & Kreps, 1999) are assumed to be important factors in explaining the link between HRM and organisational performance. When HRM within an organisation is well aligned, the employees know what is expected of them, may therefore act similarly and have uniform expectations about work and behaviour (Baron & Kreps, 1999). When the organisation takes a more organisational-focussed approach, the focus of the exchange is more long term. There is a greater emphasis on training, and employees are given, for instance, more job security. This results in a more steady association between the employer and employee. As a result employees will show more supportive behaviours in response to the investments of the employer (Mattijs Lambooij, et al., 2005).

1.6. Impact of HRM practices on Organizational Performance

The main goal of any business organization is to maximize the wealth for the stakeholders (Becker & Huselid, 1998; Horngren, Foster & Datar, 2000). However, reaching the organization’s goals depends on the extent to which an organization’s performance is assessed (Katou & Budhwar, 2007). Organizational performance is usually indicated by effectiveness, efficiency, satisfaction of employees and customers, innovation, quality of products or services and the ability to maintain an exclusive group (Delaney & Huselid, 1996; Dyer & Reeves, 1995; Guest, 2001; Katou & Budhwar, 2007).

Most of the studies have been conducted in the western world and it is now well known that HR practices have a significant impact on productivity, corporate financial performance and the rate of attrition (Arthur, 1994; Huselid, 1995; Ichniowski, Shaw & Prennushi, 1997; Katou & Budhwar, 2007). Pollit (2004) found that the HRM practices at Nokia played a vital role in helping the company in reaching its 40% of the global handset market, and the industry leading with profit margins of 20-25%. Katou and Budhwar (2007) conducted an in depth study on 178 Manufacturing firms of Greece found that HR practices like recruitment, training, promotion, incentives, benefits, involvement and safety and health were positively related to organizational
performance. Singh (2004) studied 182 Indian firms and observed that training and compensation had significant impact on perceived organization performance. Abang Azlan et al., (2009) suggested an interesting pattern of interactions between HR practices and organizational performance. According to their study, if an organization established a good HR system, organizational performance can be increased even without corporate incentives. Further the study indicated that the factors such as information technology, employees training and incentives were found to be positively related to organizational performance. Thus attention to human resources and adherence to technically superior HR practices are believed to result in more productive, motivated, satisfied and committed employees who in turn promote an effective organization (Ostroff & Bowen, 2000).

1.7. HR Practices in different sectors

Barney (1991) suggests several ways by which companies across different sectors can improve their economic performance. Crook, Ketchen, Combs and Todd (2008) in their meta-analysis of 125 studies said that after marketing strategies, logistics and R &D comes Human Resource Management as a means to improve performance. The term HRM has been traditionally used as a synonym to manage employees. Among several researchers, Guest (1987) contrasted HRM with traditional personnel management without drawing firm conclusions on which policy is better. Huselid (1995) was one of the first few to investigate the relationship between HRM practices and company performance. Boselie et al., (2005), Wood and Wall (2007) concluded that HRM practices do matter for performance. Paauwe et al., (2000) opined that there exist significant methodological and theoretical challenges with regards to understanding relationship. A detailed account of HR Practices in different sectors has been elaborately discussed in Chapter 2.

1.8. Introduction to Benchmarking

Benchmarking is a systematic process of comparing the activities and work processes of an organization or department with those of outstanding organizations or departments in order to identify ways to improve performance. Benchmarking is used in
business appraisal, often as part of a total quality management or business process-reengineering program. Benchmarking is the process through which a company measures its products, services, and practices against its toughest competitors, or those companies recognized as leaders in its industry. Benchmarking is one of the manager's best tools for determining whether the company is performing particular functions and activities efficiently, whether its costs are in line with those of competitors, and whether its internal activities and business processes need improvement. The idea behind benchmarking is to measure internal processes against an external standard. It is the way of learning which companies are best at performing certain activities and functions and then imitating or improving on their techniques.

Benchmarking focuses on company-to-company comparisons of how well basic functions and processes are performed. Among many possibilities, it may look at how materials are purchased, suppliers are paid, inventories are managed, employees are trained, or payrolls are processed; at how fast the company can get new products to market; at how the quality control function is performed; at how customer orders are filled and shipped; and at how maintenance is performed.

Benchmarking enables managers to determine what the best practice is, to prioritize opportunities for improvement, to enhance performance relative to customer expectations, and to leapfrog the traditional cycle of change. It also helps managers to understand the most accurate and efficient means of performing an activity, to learn how lower costs are actually achieved, and to take action to improve a company's cost competitiveness. As a result, benchmarking has been used in many companies as a tool for obtaining a competitive advantage.

Companies usually undertake benchmarking with a view towards the many improvements that it may offer. These benefits include reducing labour cost, streamlining the work flow through reengineered business processes and common administrative systems, improving data centre operations through consolidation and downsizing, cooperative business and information technology planning, implementing new technology, outsourcing some assignments and functions, redesigning the development and support processes, and restructuring and reorganizing the information technology functions. Benchmarking is the process of continually searching for the best
methods, practices and processes, and either adopting or adapting their good features and implementing them to become the “best of the best.” In the HRM context, benchmarking can provide a useful way to identify and assess the contribution of people management practices to an organization’s corporate performance.

1.9. Definition of Benchmarking

Benchmarking is an approach to evaluate HR performance and is a key quality improvement technique. Benchmarking also permits an organization to study and adept ‘the best’ business practices by comparing its performance on specific activities with those in ‘best practice’ organizations. Samuel (1995) pointed that benchmarking involves organization learning about its own practices, searching for the best practice that will lead to superior performance and making the necessary changes. The primary purpose of the benchmarking project is to provide human resource practitioners with tools, models, skills, methods, and data to identify, measure, and share the best practices of leading HR organizations to improve the effectiveness of their human resource programs for their customers. Increasingly, Benchmarking is being seen as necessary for survival. Competitive pressures to improve customer service, time to market and financial performance are driving managers to study recognised industry leaders, learn their secrets and adapt these ideas to their own organizations.

There are several definitions for the benchmarking, but the one which is more often used is by the Rank Xerox which defines benchmarking as “A continuous systematic process of evaluating companies recognized as industry leaders, to determine business and work processes that represent ‘best practices’ and establish rational goals”. The National Productivity Corporation defines Benchmarking as, “Benchmarking is systematic and continuous process of searching, learning, adapting and implementing the best practices from within own organizations or from other organizations towards attaining superior performance.”

But benchmarking is not simply about duplicating what others are doing. It is about implementing ideas and modifying them, so they will work within a company and its culture.
1.10. Goals of benchmarking

The goal of benchmarking is to identify the weaknesses within an organization and improve upon them, with the idea of becoming the "best of the best." The benchmarking process helps managers to find gaps in performance and turn them into opportunities for improvement. Benchmarking enables companies to identify the most successful strategies used by other companies of comparable size, type, or regional location, and then adopt relevant measures to make their own programs more efficient. Most companies apply benchmarking as part of a broad strategic process. For example, companies use benchmarking in order to find breakthrough ideas for improving processes, to support quality improvement programs, to motivate staff to improve performance, and to satisfy management's need for competitive assessments.

Benchmarking targets roles, processes, and critical success factors. Roles are what define the job or function that a person fulfills. Processes are what consume a company's resources. Critical success factors are issues that company must address for success over the long-term in order to gain a competitive advantage. Benchmarking focuses on these things in order to point out inefficiencies and potential areas for improvement. A company that decides to undertake a benchmarking initiative should consider the following questions: When? Why? Who? What? and How?

1.11. The Role of Benchmarking in HR

The question which is most interesting about the HR function is the basis on which it determines what it does and does not do. To what extent the organizations, as a function, systematically assess those initiatives, which will impact most on their performance or do they become involved in operational issues, which have little lasting value added impact on the success of the organization. The methodology by which they determine what they do and do not do in managing the HR function is called HR strategy. An example is when organizations become involved in detailed selection activities; they do not have time to understand in detail their level of labour turnover (how it varies by occupational group, organizational unit and tenure, etc). Consequently, they do not analyse the reasons for labour turnover to develop HR initiatives to address the problem. The reasons for labour turnover could be poor
selection techniques, poor induction, mismatched expectations, lack of career options, quality of management support, etc. It is essential for organizations to understand the entire process of selection in detail. The HR managers are so busy that they sometimes miss out on important issues, which will have an impact on subsequent activities.

To support the articulation of strategic HR priorities for an organization it is important to determine performance indicators to measure the impact of the organizations HR strategy. The HR strategy is likely to include both people management priorities for the organization (eg. developing a customer responsive culture) as well as generic priorities for the HR function. It is important for the HR strategy to have this dual focus on people and HR function priorities as well as ensuring that the HR/people management priorities are aligned to and driven by the business priorities of the organization. This process is becoming more interactive because increasingly, people issues are fundamental inputs into developing the business plan of an organization.

The formulation of HR/People related performance indicators becomes a focus for ensuring the organization is driven by the HR strategy. Without a focus on five to ten key performance indicators organizations are more likely to regard the HR strategic plan as a general guide to their daily activities, rather than something, which should drive their performance. The existence of HR/people performance indicator categories is only the first step in ensuring that they have a driving culture within the HR function. The first requirement is to assess their existing performance in each of the key HR/people performance indicators. This information will typically come from our HRIS with some information likely to come from the finance and production systems. These key performance indicators may consist of both specific broader measures, such as labour turnover rates, absence rates or revenue per employee.

Once an organization knows its performance on the selected performance indicators, it is then essential to set a target performance as part of the HR strategic planning process. It is impossible to set a target performance on the strategic Key Performance Indicators without reference to some benchmark norms. The historical performance of the organization is useful, but not sufficient as a basis to establish a target. The benchmarking program is able to provide competitive yet realistic targets for
the strategic HR key performance indicators. The organizations may also want to compare the results of other industries to assess the possibility of setting more challenging (but achievable) targets. When investigating the desired benchmark standards, there is a need to look at international benchmarking standards for the respective industry. This is particularly critical in international industries if the organizations assess that their current performance is a long way from their targeted performance, and then they may investigate best practice initiatives to assist in reaching the desired target. In this case, the best practice investigation will include talking to organizations, which record optimum performance levels within the benchmark area. A key point is that the best practice investigation must be in an area where they have established a KPI to support their HR strategic plan. The best practice investigations may be within their own industry, or preferably, include other industry sectors.

The organizations are not involved in best practice investigations in areas not strategic to them, nor do they investigate the best practice unless there is a significant performance gap between their results and the benchmark target. Organizations must know their performance on the HR/people KPIs, which have been identified as supporting their HR strategy. Then they must set targets for these KPIs. Benchmarking plays a critical role in providing achievable but demanding targets for these HR/people key performance indicators.

In addition to setting targets for the key HR people indicators, HR benchmarking can also play an important role in allowing organizations to monitor their performance on a wider range of benchmark measures. Organisations should continue to monitor their performance on a wide range of organizational and HR indicators. If their performance is outside the desired range, the organization should then assess how critical this is and whether this should be the catalyst to initiate any action, or if it is appropriate/acceptable to have performance out of range with best practice.

1.12. Types of Benchmarking

There are four types of benchmarking. They are not mutually exclusive and companies can choose any one or a combination to meet their objectives. It is
recommended that strategic benchmarking is conducted first to create a context and rationale that will enhance all other benchmarking efforts.

1. **Internal** - Comparisons among similar operations within the same organization among different sites/countries.

2. **External – Competitive**: comparison to the ‘best in class’, ‘best in industry’, or direct competitors.

3. **External – Functional**: comparison of practices of companies with similar processes in the same function but in different industry sectors.

4. **Generic process** - Comparison of similar processes, with those in organizations who are known to have innovative work processes.

Benchmarking can be further classified into:

- Competitive Benchmarking
- Functional Benchmarking
- Product Benchmarking
- Process Benchmarking
- Best Practices Benchmarking
- Strategic Benchmarking

**Competitive Benchmarking**

- To discover the company’s performance in comparison to the immediate competitor
- It is done across the spectrum of business competitors i.e., R&D, finance, technology, personnel policies, etc.

**Functional Benchmarking**

- Investigates the performance of core business functions.
- Does not need to focus on direct competition but, depending on the function to be benchmarked, the benchmark partner may need to be in a similarly characterised industry for useful comparisons to be made.

**Product Benchmarking**

- Commonly known as reverse engineering or competitive product analysis.
Assesses competitor costs, product concepts, strengths and weaknesses of alternative designs and competitor design trade-offs, by obtaining, stripping down and analysing competitors' products.

The four different types of benchmarking are evolutionary beginning with product, through to functional, process and to strategic benchmarking.

**Process Benchmarking:**
- Identification of key processes and comparing the same with the best-in-class organizations
- It helps in learning the best practices adopted inn the similar and across different industries.

**Best Practices Benchmarking**
- Applies to business processes.
- It breaks the function down into discrete areas that are the targets for benchmarking and is therefore a more focused study than functional benchmarking.
- Some business processes are the same regardless of the type of industry.
- Attempts to benchmark not only work processes, but also the management practices behind them.

**Strategic Benchmarking**
This is concerned with comparing different companies' strategies and assessing the success of those strategies in the marketplace and also to analyse the strategies with particular reference to:
- strategic intent
- core competencies
- process capability
- product line
- strategic alliances
- technology portfolio
Strategic Benchmarking begins with the needs and expectations of the customer which can be achieved through surveys to measure customer satisfaction and the gaps between a company's performance and its customers' standards.

As benchmarking is becoming more widespread and companies are more proficient in its use, best practice benchmarking is becoming increasingly popular. This is also reinforced by the move away from functionality in organisations towards business processes.

Benchmarking HRM practices serves a number of purposes (Glanz and Daily, 1992).

1) It enables a company to calibrate how it is delivering HR practices. By looking at how other organizations are accomplishing tasks and responsibilities, a company can audit itself and identify areas where practices are within or outside a given norm.

2) Benchmarking enables a company to learn from others’ successes and mistakes. Building a continuous improvement mentality has become an important goal for many organizations in the last decade; benchmarking can open minds and create a climate in which active learning is encouraged.

3) Benchmarking can be used as a tool for creating the motivation to change. By learning what other companies are doing, line managers and HR professionals can build a stronger case for allocating resources to HRM activities in ways similar to those of successful companies.

4) Benchmarking can be used to help set direction and priorities for an HR department (Mathis and Jackson, 2000).

Further by Benchmarking, one can find out:

- Who does the business process really well and has processes that are adaptable to my organization?
- What areas are causing the most trouble?
- Which employees contribute most to the critical success factors?
- What are the performance measures to determine the effect of our actions?
- Who is the most compatible for me to benchmark with?
- Most business processes which are common throughout industry.
1.13. The need for Benchmarking HR practices in the IT Sector

To understand the need for benchmarking it is essential to understand the overview of the IT industry. The Information Technology (IT) sector in India holds the distinction of advancing the country into the new-age economy. The growth momentum attained by the overall economy since the late 1990s to a great extent can be owed to the IT sector, well supported by a liberalised policy regime with reduction in telecommunication cost and import duties on hardware and software. Perceptible is the transformation since liberalisation – India today is the world leader in information technology and business outsourcing. Correspondingly, the industry’s contribution to India’s GDP has grown significantly over a period of time. The sector has been growing at an annual rate of 28% per annum since 2001. Indian IT companies have globally established their superiority in terms of cost advantage, availability of skilled manpower and the quality of services. They have been enhancing their global service delivery capabilities through a combination of organic and inorganic growth initiatives. The strong demand for electronic hardware and software in India has been fuelled by a variety of drivers including the high growth rate of the economy, emergence of a vast domestic market catering to the new generation of young consumers, a thriving middleclass populace with increasing disposable incomes and a relatively low-cost work force having advanced technical skills. The Indian IT sector has also built a strong reputation for its high standards of software development ability, service quality and information security in the foreign market- which has been acknowledged globally and has helped enhance buyer confidence. The industry continues its drive to set global benchmarks in quality and information security through a combination of provider and industry-level initiatives and strengthening the overall frameworks, creating greater awareness and facilitating wider adoption of standards and best practices.

The number of people employed in this sector has been consistently growing over the period of time. According to the NASSCOM, the total number of employees in 2001 was about 430,114 and in 2009 the number has increased to 1,996,000. With such a huge number of employees working, it is essential for the right kind of HR practices to be in place. There many big software companies both at the local and the global level doing extremely well. They are constantly in the need of the right kind of
people with the right kind of skill. Due to this there is a constant job hopping among the employees thus leading to a high rate of attrition. With people moving out, the intellectual capital of the organization reduces. There is need to harness this knowledge which is available within the organization. Proper HR practices will aid the IT sector in this process. Each organization does have a set of HR practices, but each of them needs to understand what is best for their employees and their organization. With benchmarking the HR practices across various IT organizations, it will help them to compare their practices with that of the others’. It will also further assist them in adopting the best practices in the current work environment and thus retaining the best talent by utilizing the results of the above study.

Therefore it can be ascertained that since the IT industry is growing geometrically, the number of people working in the sector are also on the rise. The IT organizations are predominantly responsible for bringing in many innovative HR practices. Each organization has umpteen numbers of practices which are sometimes not known if they are best or not. An elaborative attempt has not been made in the IT sector to study the HR practices. The role of benchmarking in the HR context needs to be clarified in-depth to ensure better team work in a benchmarking initiative. Hence there is a need to benchmark these practices and understand the best HR practices. This would help the organizations to implement the same and reap benefits out of it.

1.14. The need for Benchmarking HR Practices in the Manufacturing Sector

The history of business environment in the early years outlines that the trading patterns and markets were stable, technology was static, customers were passive, competition was limited to few sectors and regions, hierarchies were generally accepted at every point. But today the scenario is much different. Customers demand that businesses do it better, faster and cheaper, similarly employees are also quick to cater to their ever changing customer demands. The twentieth century saw a new concept of global village, with trade barriers reducing or removed altogether. Globalization of trade and economy are getting slowly embedded in the Indian system. The holistic approach opened up new paradigm shift of a single global company has opened new
economic opportunities. The focus is extensively moving towards creating knowledge industries. Quality human resources have therefore become vital for an organizations survival. The knowledge workforce plays a crucial role in the emergence of the digital economy. Companies today are continuously striving towards enhancing the quality of work life and the private life of their employees. The companies do not draw a line with the employee, but extend their services to the family to ensure work life balance. In-house health clubs, yoga and meditation centres to relieve stress, sports and cultural activities, employee get together with their families, day care centres etc. are provided to keep happy employees at work place. A glance at the trends in managing people in this dynamic industry reflects that attracting, managing, nurturing talent and retaining people has emerged to be an important issue in lieu of enormous opportunities spun off by the market. The present day employees are knowledge professional who are innovative, business savvy, have the ability to network and possess an extensive ambition. They are prepared to take new challenges that can activate their creativity. These qualities of a knowledge worker have enabled the companies to create an organizational ambience where talent can blossom. Next they put the systems in place so that it can give a free rein to the employees to use their potential and finally they build reward and recognition system that provides value for people. Hence there several reasons for the changing HR trends in the recent past. Therefore there is requirement to understand various factors which lead to a congenial working environment. There is strong correlation between the ’best fit’ and ‘best practice’ implying a strong synergy between HRM strategy and the overall corporate strategy. In the light of these issues it becomes imperative for the organizations to understand the HR practices in other similar industries or other sectors, so as to give the best to their employees. This brings in a need to benchmark the HR practices to understand the best HR practices to enable them to give a better balance between work life and private lives of every individual.

1.15. The need for Benchmarking HR Practices in the Education Sector

The Education sector has been growing tremendously over the decade. Higher Education in India has stretched numerous folds. The number of Universities in 1947
was only around 20, but today there are a number of Universities catering different segments of teachers and students across the world. The need for Education has seen a tremendous need across the globe. Post-independence India has witnessed an above average growth in the number of Educational institutions vis-à-vis its population. The Education enrolment ratio which was less than 1% in 1950 has increased to 10% in 2007. The number of colleges has moved from 500 to 18064 and the teaching strength has increased from 1 lakh in 1950 to 112 lakhs in 2005. The staff work force is increasing day by day with more than millions of people on the pay roll. Hence there is a substantial increase in the teaching staff with the increase in the number of students and teaching opportunities. Since independence the sector has grown around 26 fold in terms of Universities and 66 folds in terms of number of colleges suggesting a transition from an elitist system of Education of the British India to a mass based one characterizing a democratic republic. There are top B-schools in India which are getting internationally recognised and there are several other management institutes which have felt the need for improving all the basic parameters. After years of playing a minor role in higher Education, HR has been thrust into lime light. The sector has long standing cultural challenges which need to be addressed. The institutions have also felt the need to improve the HR practices in organization as there is a need to retain the best talent. Hence the institutions need to understand the best practices in HR and implement the same in their institutions. To identify the best practices the institution must make a benchmark study. This will help them in implementing the best practices and ensure job satisfaction among the staff members. The Educational institutions can identify practices across various sectors and stream line the same to their sector.

**Chapter 1** dealt with the various aspects of HR, HRD and HR practices. The three sectors identified for the study were introduced in this chapter. The need for Benchmarking HR practices in IT, Manufacturing and Education sectors were also discussed.